

Committee: **Executive Committee**

Date of meeting: **24th June 2020**

Report Subject: **Revenue Budget Monitoring - 2019/2020
Provisional Outturn**

Portfolio Holder: **Cllr Daniels, Leader / Executive Member
Corporate Services**

Report Submitted by: **Rhian Hayden – Chief Officer Resources**

Reporting Pathway								
Directorate Management Team	Corporate Leadership Team	Portfolio Holder / Chair	Audit Committee	Democratic Services Committee	Scrutiny Committee	Executive Committee	Council	Other (please state)
	11.06.20	16.06.20				24.06.20		

1. **Purpose of the Report**

1.1 The purpose of the report is to update members on the provisional outturn against revenue budget for the financial year 2019/2020 across all portfolios.

2. **Scope and Background**

2.1 This report provides details on the following:

- Provisional outturn position at the end of 2019/2020
- Details of significant adverse variances
- Provisional outturn for Fees & Charges
- Progress on the achievement of the Financial Efficiency Projects for 2019/2020

2.2 This report forms part of the quarterly financial reporting framework to Members.

3. **Options for Recommendation**

3.1 **Option 1 (Recommended Option)**

Members of the Executive Committee consider and approve the report and provide appropriate challenge to the financial outcomes in the report.

3.2 **Option 2**

Members of the Executive Committee do not accept the report.

4. **Evidence of how does this topic supports the achievement of the Corporate Plan / Statutory Responsibilities / Blaenau Gwent Well-being Plan**

4.1 This report supports the Council Priority, "Efficient Council", as it is part of the financial planning and reporting arrangements which support the Council's financial resilience.

5. Implications Against Each Option

5.1 Impact on Budget

5.1.1 The overall financial position across all portfolios at 31 March 2020, is a favourable variance of £0.48m (0.33%), against a total revenue budget of £147m. The figures are provisional and subject to external audit.

5.1.2 The outturn is an improvement on the forecast financial position at the end of December 2019, at which time the forecast was an adverse variance of £0.064m, as shown in the table below.

5.1.3 Across all Portfolios, the overall position is shown below: -

Portfolio/ Committee	2019/2020 Revised Revenue Budget £m	2019/20 Provisional Outturn @ 31 March 2020 £m	Favourable/ (Adverse) March 2020 £m	Favourable/ (Adverse) Dec 2019 £m	Append ref:
Underspending Portfolios					
Corporate Services & Financial Management & Strategy	14.725	14.709	0.016	0.007	2a
Social Services	44.915	44.526	0.389	0.074	2b
Education	55.477	55.348	0.129	0.022	2c
Planning	1.056	1.024	0.032	(0.005)	2f
Sub Total (1)	116.173	115.607	0.566	0.098	
Overspending Portfolios					
Environment	29.523	29.534	(0.011)	(0.20)	2e
Economy	1.516	1.516	0.000	0.049	2d
Licensing	0.065	0.074	(0.009)	(0.011)	2f

Sub Total (2)	31.104	31.185	(0.02)	(0.162)	
February Floods		<u>0.064</u>	(0.064)		
Total	<u>147.277</u>	<u>146.795</u>	<u>0.482</u>	<u>(0.064)</u>	

5.1.4 The table indicates that the provisional outturn is lower than the budget by £0.48m (across all services). This is after the application of £1m net drawings from specific reserves to address “one-off” in year planned expenditure, the most significant use of reserves being:

- Downsizing & Redundancy Reserves - £332,000 (including Leisure Trust)
- ISB Reserve - £159,000
- ICT Reserve - £91,000
- Strategic Business Reviews - £169,000 (Leisure Trust, Silent Valley & Third Party Expenditure Review)
- Technology Park - £80,000

5.1.5 The full impact the provisional outturn has had on reserves and balances for 2019/2020 will be shown in the draft Statement of Accounts, at a later date.

5.1.6 The provisional outturn of £0.48m favourable variance is a significantly improved position to the forecast at December 2019 of £0.064m adverse variance. The major movements from that position are a result of:

- Winter Pressure funding within Social Services - £408,000
- Education Capital Maintenance Grant enabled funding of £54,000 to be allocated to the Education structural maintenance budget.
- An improved budgetary position within Public Protection and a restatement of the Fire Levy charge - £168,000.

5.1.7 It should also be borne in mind that costs of £64,000 were incurred as a result of the severe floods in February 2020 and these costs have been incorporated in the figures above. Unfortunately, this level of costs did not trigger emergency funding from Welsh Government. Costs of approximately £20,000 have also been incurred in 2020/2021.

PORTFOLIO ANALYSIS

5.1.8 The provisional outturn per portfolio is detailed below:

5.1.9 There are a number of cost pressures identified across all portfolios, and Appendix 1 identifies those services where the adverse variance exceeds £15,000.

Social Services - £387,000 favourable variance

5.1.10 Social Services have a favourable variance of £387,000 against a budget of £45m.

5.1.11 **Children's Services** – Favourable Variance of £75,000

5.1.12 The cost pressure within Children's Services has been mitigated by:

- ICF Slippage Grant of £190,000
- a number of preventative measures which were implemented during 2018/19 - including the Supporting Change Team and the MYST project. Both initiatives have proven to have a positive impact on expenditure for 2019/2020.

5.1.13 The most significant cost pressures within Children's Services are:

- Payments to Foster Parents - £141,000 overspend due to current demand, which is partially a result of the positive impact the above initiatives have achieved by bringing placements back in house and mitigating cost pressures previously encountered within Out of County Placements.
- Legal Costs - £428,000 overspend as a result of commissioning external legal support to support the current demand.
- Direct Payments - £55,000 overspend due to the number of Direct Payments Agreements consistently increasing. This represents the transfer of costs to Direct Payments from the costs of directly provided care.

5.1.14 **Adult Services** - £221,000 favourable variance/ Business Management - £92,000 favourable variance

5.1.15 The favourable variance within Adult Services and Business Management (£0.31m), is a result of an underspend in:

- Older People aged 65 or over - £343,000 – the underspend is mainly due to ICF Grant Funding, vacant posts and the subsequent Winter Pressure Grant.
- Adults aged under 65 with a Learning Disability - £21,000 underspend is due to vacant posts.
- Adults aged under 65 with Mental Health Needs - £67,000 underspend is mainly due to a supported living service being decommissioned, and the Authority contribution to the Deprivation of Liberty Safeguarding Service being lower than originally anticipated.
- Support Service and Management Costs - £92,000 is due to vacant posts.
- Within the overall Adult Service budget, there is an adverse variance of £175,000 in Community Care due to additional support requirements, care fee uplift, and a reduction in CHC funding and an adverse variance for Cwrt Mytton of £138,000 due to staffing costs (this service is under constant review).

5.1.16 The improved financial outturn position when compared to December 2019 is mainly the result of ICF and Winter Pressures Funding of £408,000 being awarded across both Children's and Adults during the 4th quarter.

Education - £128,000 favourable variance

5.1.17 There are two main adverse variances within the Portfolio:

- Internal income at the River Centre (£48,000). This cost pressure has been reported throughout the year, relating to the educational services that the River Centre provides to pupils from mainstream schools. The adverse variance has reduced from £64,000 as at December 2019.
- Home to School Transport (£41,000). The method of forecasting expenditure for this budget will be reviewed to take account of the time delay in bus operators submitting their invoices for payment

5.1.18 It is uncertain at this stage if these adverse variances will continue into the 2020/2021 financial year.

5.1.19 Offsetting the adverse variances are underspends against other budgets including budgets that have improved position compared to December 2019:

- The SEN recoupment budget has seen reduced costs for pupils placed out of the area and an increased level of charges for pupils attending BGCBC schools, resulting in a favourable variance of £8,000.
- Education Departmental budget adverse variance reduced to £12,000 as a result of specific grant funding.

5.1.20 The in-year Education Capital Maintenance Grant from Welsh Government enabled revenue funding of £54,000 to be allocated to the structural maintenance budget, contributing to the overall favourable variance within the Portfolio.

Environment - £8,000 adverse variance

5.1.21 The main adverse variance within the Portfolio relates to Waste Services (£5,000). This cost pressure is likely to continue into the 2020/2021 financial year.

5.1.22 The improved financial outturn position when compared to December 2019 is mainly the result of:

- An improved budgetary position in Littering and Dog Control Orders - £37,000
- An improved budgetary position in Housing Services - £44,000
- A Restatement of the Fire Service Levy to reflect the actual costs - £132,000

Corporate Services - £16,000 favourable variance

5.1.23 There are four main adverse variances within the Portfolio:

- Housing Benefit - (£120,419). This is due to the costs in relation to external audit fees and a reduction in the Administrative Subsidy grant, which has been addressed as a cost pressure in the 2020/2021 financial year.

- Council Tax Collection - (£88,582). This is due to the change in the process of cash allocations to current rather than historic debt and the consequential impact upon bad debt provision
- Council Tax Reduction Scheme – (£40,748). An increase in the CTRS caseload both in terms of new claims and amendments to claims has resulted in an increase in costs. This area will continue to be a cost pressure to the Authority during 2020/2021 due to the impact of COVID-19.
- Resources Departmental Budget – (£48,590). This is due to the delay in implementation of the revised structure. This will not be a cost pressure in 2020/2021.

5.1.24 The above adverse variances have been offset by reduced costs within other budget areas of the Corporate Services Portfolio.

February Floods - £64,000

5.1.25 Costs of £64,000 were incurred as a result of the severe floods in February 2020, unfortunately emergency grant funding was not awarded as the level of cost incurred did not meet the threshold.

Fees & Charges

5.1.25 The 2019/2020 portfolio estimates include income budgets in relation to fees & charges (excluding Council Tax) of £15.1m across all portfolios. Attached at Appendix 3 is an analysis of income received against budget for the financial year for individual portfolios.

5.1.26 Overall against the target of £15.1m, income generated is lower than the target by £335,000,

There are a number of budgets where income is not achieving the target, including:

- Meals on Wheels income - £50,000
- Adults with Learning Disabilities income - £152,000
- Adults aged 65 and over - £46,000
- Community Care fees - £243,000
- Community Care – sale of property - £90,000
- Continuing Health Care Income – £128,000

5.1.27 Whilst some areas have overachieved against budget:

- Sale of recyclate material - £114,000 (provisional figure)
- Sale of school meals - £137,000
- Charges for SEN placements - £144,000

5.1.28 Whilst this analysis is useful, it should not be considered in isolation, as elements of any shortfall within Portfolios can be inextricably linked to underspends in

expenditure within the same budget heading. Where this is the case, budget holders should action budget virements to ensure that the income targets reflect more accurately expected income. Likewise, any over achievement in income which offset overspends in expenditure within the same budget, should be treated in the same way.

Financial Efficiency Projects (FEP)

- 5.1.29 In setting the 2019/2020 budget, 48 Financial Efficiency Projects were approved to deliver savings of £3.35m. Of this target £3.28m (98%) has been achieved, with a shortfall of £0.70m.
- 5.1.30 This shortfall forms part of the overall portfolio out turn position and a summary of the FEPs is attached at Appendix 4.
- 5.1.31 The Council continues to be successful in delivering the planned level of savings. In 2018/2019, 91% of the Financial Efficiency Projects were achieved. In 2017/2018, 98% of the Financial Efficiency Projects were achieved and 100% in 2016/2017, this demonstrates the Council's ability to implement and achieve the savings proposals approved as part of the budget setting process.

5.2 Risk including Mitigating Actions

- 5.2.1 A number of the overspends identified in Appendix 1 have continued throughout the financial year despite Action Plans being developed and implemented, as the Action Plans have had limited impact given the scale of the financial challenges faced by a number of services, and it has been difficult to mitigate the cost pressures in year. There is a risk that they could continue into 2020/2021.
- 5.2.2 During the budget setting process for 2020/2021, £2m was built into the budget to address existing and new cost pressures and a number of the services reporting cost pressures were awarded additional funding.
- 5.2.3 As cost pressures are identified during 2020/2021, budget holders will be required to develop and implement Action Plans to mitigate the risk to the Council and these plans will be monitored and reported to the Joint Budget Scrutiny Committee, Executive Committee and the Cost Pressure Sub Group, as part of the Budget Monitoring and Reporting Framework.

5.4 Legal
N/A

5.5 Human Resources
N/A

6. Supporting Evidence

6.1 Performance Information and Data

- 6.1.1 A summary page for each portfolio is contained in Appendices 2a to 2g.

6.2 **Expected outcome for the public**

- 6.2.1 The report details the financial implications for the Council in providing services to the communities of Blaenau Gwent.
- 6.2.2 If overspends continue into the medium term, resources will be diminished and this may impact on the Council's ability to provide services to the public.

6.3 **Involvement (consultation, engagement, participation)**

CLT have considered the provisional financial outturn position for 2019/2020.

6.4 **Thinking for the Long term (forward planning)**

- 6.4.1 A number of the ongoing cost pressures incurred during 2019/2020 have been addressed as part of the budget setting process for 2020/2021.
- 6.4.2 For new and emerging cost pressures identified during 2020/2021, budget holders will be required to produce Action Plans which will address the cost pressure during the year. These Action Plans will form part of the quarterly budget reports and will be submitted to the Cost Pressure Sub Group for scrutiny, challenge and monitoring.

6.5 **Preventative focus**

- 6.5.1 The provisional outturn is an improved position when compared to the quarter 3 forecast financial position. As the adverse variance was forecast, actions were put in place across the council to assist in mitigating the overspend during the financial year including a freeze/delay in non-essential recruitment and expenditure.
- 6.5.2 Where it was identified that cost pressures would continue into 2020/2021 financial year, additional funding was awarded as part of the budget setting process.

6.6 **Collaboration / partnership working**

- 6.6.1 Accountancy works closely with budget holders during the financial year in producing the financial forecast, identifying cost pressures and in developing Action Plans.

6.7 **Integration (across service areas)**

N/A

6.8 **EqlA**

- 6.8.1 All Financial Efficiency Projects that were approved as part of the budget setting process had gone through the EqlA process.

7. **Monitoring Arrangements**

- 7.1 Financial reporting to Joint Scrutiny and the Executive is carried out on a quarterly basis. Where services are reporting significant cost pressures, there will be a requirement for Budget Holders to develop and implement Action Plans these will be reported to the Cost Pressure Sub Group, on a quarterly basis.

Background Documents /Electronic Links

- *Appendix 1 – Summary of Main Adverse Variances 2019/20*
- *Appendix 2 – All Portfolios*
- *Appendix 3 – Fees and Charges*
- *Appendix 4 – Financial Efficiency Projects – 2019/20 Outturn*