

Committee: **Executive Committee**

Date of meeting: **14th October 2020**

Report Subject: **Revenue Budget Monitoring -2020/2021, Forecast
Outturn to 31 March 2021 (As at 30 June 2020)**

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)
	27/8/2020	29.09.20			28/09/20	14/01/20		

1. Purpose of the Report

1.1 The purpose of the report is to provide the Executive Committee with the forecast financial outturn position across all portfolios for the financial year 2020/2021 (as forecast at 30 June 2020).

2. Scope and Background

2.1 This report provides details on the following:

- Forecast financial position to the end of March 2021 across all portfolios
- Forecast outturn for Fees & Charges
- Progress on the achievement of the Bridging the Gap Projects for 2020/2021.

2.12 This report will inform the quarterly financial reporting framework to Members.

3. Options for Recommendation

3.1 This report will be considered by the Joint Budget Scrutiny Committee at its meeting on 28th September 2020 and any comments from the Committee will be provided verbally to the Executive.

3.2 Option 1 (Recommended Option)

Members of the Executive Committee consider the report and

- Provide appropriate challenge to the financial outcomes in the report
- Consider the action plans attached at Appendix 4, developed to address the forecast adverse variances at the end of June 2020

3.3 **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 Corporate Plan proposed outcome statement 2020/2022 “An ambitious and innovative council delivering the quality services we know matter to our communities”.

5. **Implications Against Each Option**

5.1 **Impact on Budget**

5.1.1 The overall forecast outturn as at June 2020, is an adverse variance of £3.185m, before the application of Welsh Government Hardship and Furlough funding forecast of £1.98m, this reduces the forecast adverse variance to £1.2m.

5.1.2 The forecast overall financial position across all portfolios at 30 June 2020 (and before the inclusion of Covid-19 related expenditure) is shown in the table below:

Portfolio/ Committee	2020/2021 Revised Revenue Budget	2020/2021 Forecast Outturn @ 30 June 2020	Favourable/ (Adverse) To 31 March 2021	Append ref:
	£m	£m	£m	
Underspending Portfolios				
Education	57.752	57.390	0.362	2c
Social Services	45.352	45.289	0.063	2b
Sub Total (1)	103.104	102.679	0.425	

Overspending Portfolios				
Corporate Services & Financial Management & Strategy	16.726	16.802	(0.076)	2a
Economy	1.233	1.558	(0.325)	2d
Environment	29.894	31.089	(1.195)	2e
Planning	1.118	1.132	(0.014)	2f
Licensing	0.070	0.096	(0.026)	2f
Sub Total (2)	49.041	50.677	(1.636)	
Total	<u>152.145</u>	<u>153.356</u>	<u>(1.211)</u>	
Covid-19 Costs				
Cross cutting		0.148	(0.148)	
Social Services		0.763	(0.763)	
Education		0.022	(0.022)	
Environment		1.041	(1.041)	
Sub Total – Covid19		<u>1.974</u>	<u>(3.185)</u>	
WG Hardship funding			<u>1.295</u>	
WG SS Hardship funding			<u>0.645</u>	
Furlough Income - June			<u>0.04</u>	
Revised Total			<u>(1.205)</u>	

- 5.1.3 The forecast includes funding received from the Hardship fund for April to June 2020 of £1.53m and an estimated claim of £0.405m for estimated costs of waste disposal (until the end of September 2020) and homelessness (which has been built into the forecast of expenditure). In addition, the Council has been successful in claiming furlough funding from the national scheme for the period March to May 2020, in the sum of £166,000 and £141,000 of this funding has been built into the current forecast (part of the furlough funding relates to school based staff, which are not included within the portfolio figures above).

The Council has received furlough funding for June 2020 in the sum of £60,000, of which £40,000 has been built into the forecast (school based staff will be excluded from the forecast).

5.1.4 Following the submission of the WLGA Survey on Loss of Income, four areas have been identified where there is a consistent loss of income across all Welsh Authorities, and these include parking, waste, school catering and cleaning and cultural services. Welsh Government has considered claims from local authorities for loss of income for quarter 1 relating to tranche 1 (civil parking enforcement, grounds maintenance, school catering, waste disposal and cultural services) and the Council has received a total sum of £973,000 of which:-

- £613,000 relates directly to portfolio budgets
- £88,000 for schools who arrange their own catering arrangements and
- £272,000 for the Leisure Trust.

Subsequently, £613,000 of lost income has been re-instated in the portfolio forecasts above.

5.1.5 Taking Hardship funding , Furlough income and the initial claim for lost income into account, the net impact on the Council's revenue budget is a forecast adverse variance of £1.2m.

5.1.6 50% of the forecast adverse variance relates to the increased caseload in for the Council Tax Reduction Scheme which is currently forecasting an adverse variance of £0.6m, Welsh Government are also considering the financial impact of this across Wales.

5.1.7 **PORTFOLIO ANALYSIS**

5.1.8 The main assumption in this report is that the current lockdown period extends to the end of July. Therefore, it has been assumed that some "normal" budget activity will resume from 1st August 2020. Future forecasts can be updated to take account of any revisions to the current situation. A summary of main adverse variances is shown as Appendix 1. Portfolio summaries are also included below.

5.1.9 There are some exceptions to the assumption that the lockdown period will extend to the end of July 2020 to take into account :-

- Bulky waste collection (service now re-commenced)
- Existing Household waste recycling centre (now open)
- Schools will re-open from 29th June 2020
- the 25% reduction in charges to Home to School Transport providers will cease from 29th June 2020
- Social Services Day Services will not be fully operational until December 2020.

5.1.10 The report also indicates the number of vacant posts as at 30th June 2020 (together with the monthly salary plus oncost value) in each portfolio, *where the vacant post has not been used to offset cost pressures elsewhere* and

excluding grant funded posts (see Appendix 6). The Appendix indicates that there are currently 7 vacant posts at a total monthly salary value of £23,000.in this category. This equates to a potential saving of £207,000 to the end of the financial year (should the posts not be filled). The Appendix also includes information relating to vacant posts that are being held vacant to offset cost pressures for varying periods of time, at a total monthly salary value of £38,000.

5.1.11 Action plans to address cost pressures are attached at Appendix 4. However, it should be noted that many of the cost pressures will reduce with the application of further tranches of funding for loss of income (from chargeable services) and potential WG Hardship funding for Council Tax Reduction Support.

5.1.12 **Corporate Services – £76,000 adverse variance**

There are three main adverse variances within the Portfolio:-

5.1.13 ***CTRS - £627,000***

As previously reported, this is due to an increase in the number of claimants resulting from the economic impact of the Covid-19 pandemic. It has been assumed that the increased level of claimants will continue for the remainder of the financial year. The WLGA has collated the CTRS cost pressure across Wales and information has been submitted to WG officials, with a view to it being considered by Ministers in the “Star Chamber”.

5.1.14 ***Council Tax Surplus on Collection - £64,000***

This is due to the anticipated shortfall in the surplus on Council Tax collection. Council Tax collection rate to the end of June is 1.1% (£350,000) lower than expected compared to the same period last year. Whilst this is likely to be recovered over an extended period of time (years) it will impact upon 2020/21.

5.1.15 ***Registrars - £65,000***

The forecast adverse variance is due to a reduction in income from fees & charges. Lost income for the 1st quarter of the financial year will be included on further tranches of the loss of income claim to WG. It is anticipated that this adverse variance will improve as services are re-introduced

5.1.16 These adverse variances have been offset by two main favourable variances:-

5.1.17 ***Cross cutting Budget £496,000***

Commercial & Contract Management (£496,410) – This budget has been set up to fund contract price increases during 2020/2021, however no requests have been received to date. Further work will be required with the Procurement Section to review contract renewal dates and assess the likelihood of requests for funding from this budget.

5.1.18 ***Departmental Budgets £130,000***

The forecast favourable variance mainly relates to employee related savings due to vacant posts mostly as a result of long term secondments and maternity leave that cannot be filled at the moment due to the current circumstances, also staff on temporary reduced hours and one off grant funding being secured.

5.1.19 The Transformation Fund of £492,000 has been assumed to be fully committed at this stage, to progress and support the Bridging the Gap programme. However, the only transformation project that have come forward for funding is for the business case development for Festival Park.

5.1.20 **Social Services – £64,000 favourable variance**

5.1.21 The forecast is made up of the following main variances: -

- Children's Services
There is an overall adverse variance of £124,000 which is mainly due to the continuing cost pressure in legal fees resulting from court proceedings in relation to Children Looked After.

5.1.22 The adverse variance have been partially offset by the following areas:-

- Adult Services
The favourable variance of £167,000 is mainly due to the application of ICF Grant funding for a number of established posts, and the significant loss of income within Provider Services has been offset by Furlough payments and a reduction in staffing cover costs, there has been an assumption that Day Services will not resume service until 1st December for this forecast.
- Support Services and Management Costs
The favourable variance of £20,000 is due to accumulated underspends in staffing costs, travelling expenses and Supplies and Services within the departmental budget and the Workforce Development Plan budget.

5.1.23 **Education – £362,000 favourable variance**

5.1.24 There are four main areas of favourable variances :-

- School Budget Supporting SEN £108,000 favourable – relating mainly to a higher than estimated number of out of county SEN pupils attending BGCBC schools.
- Assuring Access £129,000 favourable – relating mainly to the 25% agreed reduction on Home to School Transport contracts. At this point in time it has been assumed that transport contracts will resume as normal from September 2020.
- LEA Budget Supporting SEN £63,000 favourable – relating to the secondment income for the Principal School Psychologist.
- Home to College Transport £28,000 favourable - relating to non-payment of travel passes for the summer term 2020.

5.1.25 **Economy – £325,000 adverse variance**

The forecast is made up of the following main variances:-

- Industrial Units £226,000 adverse variance – relating primarily from the Council decision to award a rent payment holiday for April 2020 (£68,000), which is unlikely to be funded by the grant relating to loss of income and an estimated contingency for loss of rental income for 6 months from tenants who are deemed high risk in terms of rent payment, as a result of COVID-19.
- Estates Non Rechargeable £55,000 adverse variance – The impact on COVID-19 on the collection of ground rents. At this stage it is unclear if this income is lost to the Council or the collection is delayed.

5.1.26 **Environment Portfolio – £1,195,000 adverse variance**

5.1.27 Variances over £100,000 are indicated below :-

- Departmental Budgets - £143,000 adverse variance – relating primarily to the loss of Tech Services income for external clients (as a result of the Covid-19 lockdown).
- Waste collection and disposal/recycling - £0.549m forecast adverse variance is a result of an increase in residual waste combined with a loss of trade waste income and a suppression of the market price for recyclate (the income loss claimed from WG only covers the period April 2020 to June 2020). The re-introduction of enforcement action should reduce the forecast adverse variance over the remainder of the financial year.
- Grounds Maintenance - £83,000 adverse variance – resulting from a forecast loss of income following the suspension of activities on Recreation & Sports Grounds (the income loss claimed from WG only covers the period April 2020 to June 2020).
- Building Cleaning - £245,000 adverse variance – resulting from an assumed loss of service level agreement income from schools for cleaning for the period April 2020 to July 2020. The cleaning sla income has been included within the claim to Welsh Government for loss of income and will be considered as part of tranche 2 claims (also covering the period April 2020 to June 2020) and so there is the potential for the adverse variance to reduce further.
- Catering Account - £216,000 adverse variance – this is after the application of WG tranche 1 funding for loss of income for the loss of sla income from schools and income from paid meals (for the period April 2020 to June 2020). This will allow schools to retain their sla payments for the period of April 2020 to June 2020.

5.1.28 The adverse variances are offset by:

- Cemeteries - £126,000 favourable variance resulting from a forecast increase in burial fees. There was an increase of 74% (14) in the number of burials taking place during April 2020 when compared to April 2019. It has been assumed that the service will revert to the “normal” level of burials from July 2020.

5.1.29 **Cross cutting issues**

5.1.30 There are some areas of expenditure which will see reductions across a number of portfolios:-

- Car allowances – an increase in home working and the transfer of meetings online has led to a significant reduction in claims. For example, there has been a reduction in expenditure of approximately £66,000 comparing April to June 2020 to the previous financial year.
- Energy costs – the closure of some Council buildings and schools has led to a reduction in expenditure. For example, there has been a reduction in expenditure of approximately £32,000 comparing April to June 2020 to the previous financial year.

5.1.31 **Fees & Charges**

5.1.32 The 2020/2021 portfolio estimates include income budgets in relation to fees & charges (excluding Council Tax) of £14.8m across all portfolios. Attached at Appendix 3 is an analysis of income received against budget for the financial year for individual portfolios, and current forecast indicates an adverse variance against this target of £1.66m, primarily relating to lost income in the sale of recycle, an assumed loss of cleaning service level agreement charges, charges for Community Care and rental income for Industrial Units. Albeit some of these areas will be considered as tranche 2 loss of income claims by Welsh Government.

5.1.33 Welsh Government has assessed claims for loss of income across Wales for tranche 1, covering parking, waste, school catering and cultural services. BGCBC's initial forecast of loss of income for quarter 1, in these areas amounted to £1.024m (albeit £0.272m related to Aneurin Leisure Trust's loss of income). The Council has received a sum of £973,000 for these areas based on revisions to the original estimates.

5.1.34 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.

5.1.35 **Bridging the Gap Programme**

5.1.36 The target for the financial achievement of the Strategic Business Reviews in 2020/2021 is £1.465m. Many of the proposals relate to income generation / maximisation and therefore these areas have been factored into the fees and charges information contained within Appendix 3. An overall summary of progress within each proposal is attached as Appendix 5 which also provides an update on progress for each Bridging the Gap proposal.

5.1.37 Appendix 5 forecasts that £1.218m (83%) of savings will be achieved in this financial year.

Sensitivity Analysis

5.1.38 Given that Public Health Wales (PHW) are predicting a further spike in Covid-19 related cases in the autumn of 2020, it is prudent to consider the financial impact on the Council's finances, through sensitivity analysis. The budget forecast for the first quarter assumes a phased return of services from August 2020. If these services are affected by a further spike, there is the potential for a further withdrawal of services.

5.1.39 Areas of the budget that could be affected by a potential lockdown situation could include:-

- increased numbers of claimants claiming Council Tax Reduction payments over and above current forecast levels.
- Reduced or lost Council tax income (impacting on the Council Tax collection rate)
- Continuing Loss of income from fees & charges
- Non Achievement of the Bridging the Gap Programme
- Additional costs incurred across a range of services (e.g. PPE, maintaining social distancing, external social care costs)

5.1.40 On the basis that the forecast Covid-19 cost pressure for the April to July 2020 period in this report is £2m (as per the summary portfolio table above), the potential worst case scenario is as follows:-

- August 2020 to September 2020 – potential additional cost pressure of £0.5m
- October 2020 to December 2020 – additional cost pressure of £1.5m
- October 2020 to February 2021 – additional cost pressure of £2.5m
- October 2020 to March 2021 – additional cost pressure of £3m

5.1.41 A mid case scenario would suggest that the forecast Covid-19 cost pressure for the April to July 2020 period in this report is 50% of the worst case scenario ie £1m. The potential financial implications of this scenario are as follows:-

- August 2020 to September 2020 – potential additional cost pressure of £0.25m

- October 2020 to December 2020 – additional cost pressure of £0.75m
- October 2020 to February 2021 – additional cost pressure of £1.25m
- October 2020 to March 2021 – additional cost pressure of £1.5m

5.1.42 At this stage, the additional cost pressures are based on a pro rata calculation, based on known Covid-19 costs incurred. The sensitivity analysis can be updated if and when the situation develops.

5.1.43 Welsh Government has recently announced a £260m funding package for local government to assist with continuing Covid-19 related issues for the remainder of the financial year, which will assist with these forecast cost pressures.

5.2 **Risk including Mitigating Actions**

5.2.1 Grants form a significant element of the Council's income and support the delivery of priority services to the people of Blaenau Gwent. There is a risk that a reduction or cessation of grant funding will result in service levels reducing or services no longer being delivered.

5.2.2 A grants register have been developed and is being maintained and will be considered as part of the Medium Term Financial Strategy.

5.2.3 There is a risk that Action Plans will not address the cost pressures identified

5.2.4 Action Plans have been developed, identifying actions to mitigate the forecast cost pressure. The Action Plans will be monitored as part of the Budget Monitoring and Reporting Framework and the impact reported to the Joint Budget Scrutiny Committee, Executive Committee and the Cost Pressure Sub Group.

5.2.5 Savings to date will have been factored into the current forecast. However, some will continue beyond the lockdown period and could contribute towards forecast cost pressures.

5.2.6 There is a risk that Covid-19 will continue into the medium/long term, impacting on Council services and budgets. This risk can be mitigated by the continuation of processes that the Council has introduced since March 2020 eg prioritising services, redeployment of staff, home working.

5.2.7 There is a risk that Welsh Government will not provide Hardship funding for a all cost pressures identified. This risk can be mitigated by a continuing dialogue and lobbying with Welsh Government, through the WLGA and the continuing development of action plans by budget holders.

5.2.8 There is a risk of increase costs for food, fuel and other essential goods and services following the ongoing situation regarding Brexit.

5.2.9 Brexit has been added as an organisational risk to the corporate risk register, whilst a separate, more detailed Brexit high level action plan has been developed and is being monitored by the Brexit Core Planning Group.

5.3 Legal
N/A

5.4 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)**

6.3.1 CLT have considered the forecast financial position for 2020/2021 (as 30 June 2020).

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

6.4.1 For new and emerging cost pressures identified during the financial year, budget holders have produced Action Plans which should 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.

6.4.2 Cost Pressures are also considered as part of the Medium Term Financial Plan.

6.5 **Preventative focus**

6.5.1 Budget holders will continue to develop and monitor Action Plans which should mitigate the forecast adverse variance during the financial year. It may be necessary to implement further actions including maintaining vacant posts and limiting non-essential spend during the remainder of the financial year, where it is possible to do so, to prevent any unplanned draw from reserves at the year end.

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(screening and identifying if full impact assessment is needed)**

6.8.1 All Bridging the Gap Projects that were approved as part of the budget setting process had gone through the EqlA process.

7. **Monitoring Arrangements**

State how the work will be monitored e.g. through scrutiny or directorate performance management 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*
- *Appendix 2 – Portfolio Summaries*
- *Appendix 3 – Fees and Charges*
- *Appendix 4 – Action Plans*
- *Appendix 5 – Bridging the Gap*
- *Appendix 6 – Vacant Posts*