

Committee: **Executive Committee**

Date of meeting: **9th December 2020**

Report Subject: **Revenue Budget Monitoring -2020/2021, Forecast
Outturn to 31 March 2021 (As at 30 September 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)
	05/11/2020	24.11.20			23/11/20	9/12/20		

1. **Purpose of the Report**

1.1 The purpose of the report is to provide Members with the forecast financial outturn position across all portfolios for the financial year 2020/2021 (as forecast at 30 September 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 **Option 1 (Recommended Option)**

Members to consider and provide appropriate challenge to the financial outcomes in the report

3.2 **Option 2**

Members 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 September 2020, is an adverse variance of £3.402m. This is before the application of Welsh Government Hardship funding, reducing the forecast adverse variance to £0.248m. This is an improved position compared to the forecast as at June 2020, which indicated an adverse variance of £1.2m (after the application of Hardship and furlough funding).

5.1.2 The forecast overall financial position across all portfolios at 30 September 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 Sept 2020	Favourable/ (Adverse) To 31 March 2021	Append ref:
	£m	£m	£m	
Underspending Portfolios				
Corporate Services & Financial Management & Strategy	16.726	16.639	0.087	2a
Education & Leisure	62.132	61.840	0.292	2c
Social Services	45.352	45.236	0.116	2b
Sub Total (1)	124.21	123.715	0.495	

Overspending Portfolios				
Economy	1.215	1.436	(0.221)	2d
Environment	25.532	25.934	(0.402)	2e
Planning	1.118	1.132	(0.014)	2f
Licensing	0.070	0.097	(0.027)	2f
Sub Total (2)	27.935	28.599	(0.664)	
Total	<u>152.145</u>	<u>152.314</u>	<u>(0.169)</u>	
Covid-19 Costs				
Social Services		1.474	(1.474)	
Education		0.059	(0.059)	
Environment		1.701	(1.701)	
Sub Total – Covid19		<u>3.234</u>	<u>(3.234)</u>	
WG Hardship funding			<u>2.454</u>	
WG SS Hardship funding			<u>0.701</u>	
Revised Total			<u>(0.248)</u>	

5.1.3 The forecast includes actual and estimated funding from the Hardship fund for April to September 2020 of £3.155m. In addition, the Council has been successful in claiming furlough funding from the national scheme for the period and £183,000 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 forecast shows a positive movement of approximately £1m from the quarter 1 forecast. Movements greater than £100,000 relates to:

- Corporate Services - £163,000
- Economy - £104,000
- Environment - £687,000
- Infrastructure - £113,000

- 5.1.4 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 tranche 2 (Social Services, room hire/ground rents, rechargeable fees) and the Council has received a total sum of £1,104,000 of which:
- £744,000 relates directly to portfolio budgets
 - £88,000 for schools who arrange their own catering arrangements and
 - £272,000 for the Leisure Trust.

Subsequently, £744,000 of lost income has been re-instated in the portfolio forecasts above. Claims for loss of income for quarter 2 are being collated, in line with a set of principles issues by Welsh Government. Consequently, the assumption in the portfolio forecasts is that loss of income will be funded to 31st March 2021.

- 5.1.5 Taking Hardship funding , Furlough income and the initial claims for lost income into account, the net impact on the Council's revenue budget is a forecast adverse variance of £0.248m.
- 5.1.6 The increased caseload in the Council Tax Reduction Scheme is currently forecasting an adverse variance of £0.5m. Welsh Government are committed to revisiting the situation across Wales by the end of the financial year.

5.1.7 **PORTFOLIO ANALYSIS**

- 5.1.8 It has been assumed that "normal" budget activity would resume for the second half of the financial year. Future forecasts can be updated to take account of any revisions to the current situation, or example the local lockdown in Blaenau Gwent and the national "firebreak" lockdown across Wales. A summary of main adverse variances is shown as Appendix 1. Portfolio summaries are also included below.
- 5.1.9 The report also indicates the number of vacant posts as at 30th September 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 4 vacant posts at a total monthly salary value of £14,000 in this category. This equates to a potential saving of £84,000 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 £36,000.
- 5.1.10 Action plans to address cost pressures are attached at Appendix 4.
- 5.1.11 **Corporate Services – £87,365 favourable variance (qtr1 £75,570 adverse variance)**

The movement in the quarter 1 adverse variance of £76,000 to a favourable £87,000 variance relates to:

- WG loss of income received for CTRS £87,000

- Increase in the Corporate Services Departmental Budget favourable variance £53,000

There are three main adverse variances within the Portfolio:

5.1.12 **CTRS - £541,007**

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”. Income of £87,000 has now been received from WG in respect of quarter 1.

5.1.13 **ICT Service - £160,000**

This adverse variance is mainly as a consequence of income being built into the budget which was intended to be funded by reserves, with the view that future savings, due to merging of software systems, would produce savings and therefore reduce the need of reserve funding. These savings have not yet been achieved, as the Software Contracts are still Blaenau Gwent’s responsibility.

Attempts are being made to try to mitigate this adverse variance, with all IT contracts now being reviewed and re-negotiated through the Procurement team. In addition, following the deployment of Office 365, opportunities to scale back the number of systems operating across the council, are being explored, to reduce costs. However, this continues to be a cost pressure for the council.

5.1.14 **Registrars - £40,798**

The forecast adverse variance is due to a reduction in income from fees & charges. £3,958 has been received from WG in respect of loss of income for quarter 1, however this only equates to 50% of our initial claim, as it is assumed that income will improve throughout the year. Welsh Government will review this situation towards the end of the financial year as it is anticipated that this adverse variance will improve as services are re-introduced

5.1.15 These adverse variances have been offset by two main favourable variances:

5.1.16 **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. .

5.1.17 **Departmental Budgets £202,508**

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.

5.1.18 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.

5.1.19 **Social Services – £116,000 favourable variance (qtr1 £64,000 favourable variance)**

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

- Children's Services
There is an overall adverse variance of £58,000 (down from £124,000 in qtr1) which is mainly due to the continuing cost pressure in legal fees resulting from court proceedings in relation to Children Looked After.

5.1.21 The adverse variance has been partially offset by the following areas:

- Adult Services
The favourable variance of £125,000 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 the end of the calendar year.
- Support Services and Management Costs
The favourable variance of £50,000 is due to accumulated underspends in staffing costs, travelling expenses and Supplies and Services within the departmental budget and the Workforce Development Plan budget.

5.1.22 **Education and Leisure– £293,000 favourable variance (qtr 1 £370,000 favourable variance)**

5.1.23 As the Leisure Services budget now falls under the remit of the Corporate Director of Education, the relevant budgets are grouped together in this section. There are five main areas of favourable variances :-

- School Budget Supporting SEN £106,000 favourable – relating mainly to a higher than estimated number of out of county SEN pupils attending BGCBC schools.
- Assuring Access £27,000 favourable – relating mainly to the 25% agreed reduction on Home to School Transport contracts. In addition, an estimated increase in Home to School Transport for pupils attending Pen y Cwm School has been forecast.
- LEA Budget Supporting SEN £77,000 favourable – relating to the secondment income for the Principal School Psychologist.

- Home to College Transport £32,000 favourable - relating a saving from the non-payment of travel passes for the summer term 2020.
- Strategic Management £35,000 favourable – relating to pension contributions to the local government pension scheme for school based staff.

5.1.24 **Economy – £221,000 adverse variance (qtr 1 £325,000 adverse variance)**

The forecast is made up of the following main variances:

- Industrial Units £182,000 adverse variance –down from £226,000 in quarter 1, as a result of a loss of income claim. At present the adverse variance relates to a contingency for loss of rental income for 6 months from tenants who are deemed high risk in terms of rent payment. It is intended to submit further claims for loss of income in quarters 3 and 4.
- Estates Non Rechargeable £11,000 adverse variance – The impact on COVID-19 on the collection of ground rents, albeit an improvement on the quarter 1 forecast of a £55,000 adverse variance. At this stage it is unclear if this income will be lost to the Council or the collection is delayed.

5.1.25 **Environment Portfolio – £402,000 adverse variance (qtr1 £1,202,000 adverse variance)**

5.1.26 The movement in the quarter 1 adverse variance of £1.2m to an adverse £0.4m variance relates to:

- There is a revised assumption that schools will fund the SLA for catering and cleaning services - £460,000 movement in the overall adverse variance.
- An improved Departmental Budget position - £120,000 movement in the overall adverse variance (primarily due to a loss of income claim)
- An improved waste collection/disposal position - £285,000 movement in the overall adverse variance (primarily due to WG Hardship funding, charging revenue costs to a capital grant and the resumption of side waste enforcement leading to a forecast reduction in residual waste disposal)

The main reason for the current adverse variance is due to:

Waste collection and disposal which is forecasting an adverse variance of- £0.331m, mainly due to

- Additional cost of 2 Waste Wardens which cannot be met within existing resources.
- An increase in residual waste tonnages during the lockdown period, which has only been partly offset by the WG Hardship Fund.

- There is a decrease in recyclate income of £90,000 compared to financial year 2019/2020. This is due to fluctuations in the market prices and a general downturn in activity. Only the decrease in income from the plastics, cardboard and textiles market has been directly affected by Covid-19 and hardship funding has been built in to partly offset this decrease.
- The delay to the opening of the HWRC as a result of Covid-19, has impacted on the forecast increase in the volume and sale of recyclate material.
- An increase in green waste recycling costs - £40,000 mainly as a result of the contractor closing for business which resulted in a contingency arrangement put in place at short notice, which has been costly. There is now a new contract in place for a longer term solution. The increased tonnage collected during the first lock down period has been partly been offset by the WG Hardship Fund.

5.1.27 **Cross cutting issues**

5.1.28 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 £144,000 comparing April to September 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 £230,000 comparing April to September 2020 to the previous financial year.

5.1.29 **Fees & Charges**

5.1.30 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 £1.33m, primarily relating to lost income in the sale of recyclate, charges for Community Care and rental income for Industrial Units.

5.1.31 Whilst the analysis of fees and charges 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.

5.1.32 **Bridging the Gap Programme**

5.1.33 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.

5.1.34 Appendix 5 forecasts that £1.218m (83%) of savings will be achieved in this financial year. This forecast will be updated for the quarter 3 forecast and is therefore subject to change.

Sensitivity Analysis

5.1.35 Given that Public Health Wales (PHW) predictions of a further spike in Covid-19 relates cases in the autumn of 2020 are coming to fruition, it is prudent to consider the financial impact on the Council's finances, through sensitivity analysis.

5.1.36 Areas where there could be significant budgetary impact 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)

5.1.37 On the basis that the forecast Covid-19 cost pressure for the April to September 2020 period in this report is £3.2m (as per the summary portfolio table above), the potential worst case scenario is as follows:

- October 2020 to December 2020 – additional cost pressure of £1.6m
- October 2020 to February 2021 – additional cost pressure of £2.65m
- October 2020 to March 2021 – additional cost pressure of £3.2m

5.1.38 A mid case scenario would suggest that the forecast Covid-19 cost pressure for the April to September 2020 period in this report is 50% of the worst case scenario ie £1.6m. The potential financial implications of this scenario are as follows:

- October 2020 to December 2020 – additional cost pressure of £0.8m
- October 2020 to February 2021 – additional cost pressure of £1.33m
- October 2020 to March 2021 – additional cost pressure of £1.6m

5.1.39 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.

5.1.40 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/loss of income funding for 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 the U.K. Exiting the E.U..

5.2.9 The UK Exiting the EU has been added as an organisational risk to the corporate risk register, whilst a separate, more detailed high level action plan has been developed and is being monitored by the 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 September 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 **EqIA(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 EqIA 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 Forecast Adverse Variances 2020/21

Appendix 2 – Portfolios

Appendix 3 – Fees and Charges

Appendix 4 – Action Plan

Appendix 5 – Bridging the Gap Strategic Business Reviews

Appendix 6 – Vacant Posts