

Committee: **Executive Committee**

Date of meeting: **14th April 2021**

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

Portfolio Holder: **Cllr N 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) |
| x | 04/02/2021 | 23.03.21 | | | 15.03.21 | 14 /04/21 | | |

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 31st December 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 December 2020, is an adverse variance of £4.719m. This is before the application of Welsh Government Hardship funding, moving the forecast adverse variance to a favourable variance £0.552m. This is a much improved position compared to the forecast as at September 2020, which indicated an adverse variance of £0.248m (after the application of Hardship and furlough funding).

5.1.2 The forecast overall financial position across all portfolios at 31 December 2020 (and before the inclusion of Covid-19 related expenditure) is shown in the table below:

| Portfolio/ Committee | 2020/2021 Revised Revenue Budget £m | 2020/2021 Forecast Outturn @ 31 Dec 2020 £m | Favourable/ (Adverse) To 31 March 2021 £m | Append ref: |
|--|---|--|---|----------------|
| Underspending Portfolios | | | | |
| Corporate Services & Financial Management & Strategy | 16.726 | 15.808 | 0.918 | 2a |
| Education & Leisure | 62.132 | 61.905 | 0.227 | 2c |
| Social Services | 45.352 | 45.242 | 0.110 | 2b |
| Sub Total (1) | 124.210 | 122.955 | 1.255 | |
| Overspending Portfolios | | | | |
| Economy | 1.215 | 1.378 | (0.163) | 2d |
| Environment | 25.532 | 25.853 | (0.321) | 2e |
| Planning | 1.118 | 1.132 | (0.014) | 2f |
| Licensing | 0.070 | 0.097 | (0.027) | 2f |
| Sub Total (2) | 27.935 | 28.460 | (0.525) | |

| | | | | |
|---|-----------------------|-----------------------|-----------------------|--|
| | | | | |
| Crosscutting costs as a result of the pay date move (October 2020) | | <u>0.111</u> | | |
| Total | <u>152.145</u> | <u>151.526</u> | <u>0.619</u> | |
| Covid-19 Costs | | | | |
| Social Services | | 2.275 | (2.275) | |
| Education | | 0.285 | (0.285) | |
| Environment | | 2.778 | (2.778) | |
| Sub Total – Covid-19 | | <u>5.338</u> | <u>(5.338)</u> | |
| WG Hardship funding | | | <u>3.417</u> | |
| WG SS Hardship funding | | | <u>1.854</u> | |
| | | | | |
| Revised Total | | | <u>0.552</u> | |

- 5.1.3 The forecast includes actual and estimated funding from the Hardship fund for April to December 2020 of £5.271m.
- 5.1.4 The forecast shows a positive movement of approximately £0.8m from the quarter 2 forecast. Movements greater than £100,000 relates to:
- Corporate Services/ Financial Management - £832,000.
- 5.1.5 Welsh Government has considered and paid claims from local authorities for loss of income for quarter 1 and 2 totalling £1.3m of which:
- £1m relates directly to portfolio budgets
 - £115,000 for schools who arrange their own catering arrangements and
 - £272,000 for the Leisure Trust.
- 5.1.6 A Claim has been submitted for quarter 3 loss of income of £0.467, in line with a set of principles issues by Welsh Government and the assumption in the portfolio forecasts is that loss of income will be funded to 31st March 2021.
- 5.1.7 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 favourable variance of £0.552m.
- 5.1.8 The increased caseload in the Council Tax Reduction Scheme is currently resulting in an adverse variance of £0.23m after applying hardship funding of £0.35m. It has been assumed that Welsh Government are committed to funding the cost pressure to the end of the financial year.

5.1.9 **PORTFOLIO ANALYSIS**

5.1.10 A summary of the main adverse variances is shown as Appendix 1 and details on the main variances within the Portfolios are included below.

5.1.11 Action plans to address cost pressures are attached at Appendix 4.

5.1.12 **Corporate Services – £918,595 favourable variance (quarter 2 £87,365 favourable variance)**

5.1.13 The movement in the favourable variance from quarter 2 to quarter 3 of £831,000 mainly relates to:

- Departmental Budget - £199,000 and this is due to the delayed implementation of the Commercial Services Restructure and savings from staff secondments
- Council Tax Collection - £76,000 due to an increase in the forecasted Surplus on Collection income
- CTRS - £311,000 due to the inclusion of loss of income from WG £348,000
- Cross Cutting Budgets - £246,000 – Committed spend on the Transformation Fund budget has been reduced to 50% of the total budget.

5.1.14 There are three main adverse variances within the Portfolio:

5.1.15 ***Council Tax Reduction Scheme (CTRS) - £229,959***

5.1.16 As previously reported, this is due to an increase in the number of claimants resulting from the economic impact of the Covid-19 pandemic. Recent information indicates that the level of new claims has now decreased when compared to the same period in 2019. This is shown by the decreasing cost pressure compared to the start of the year. However, the full effect of the recent national lockdown that was enforced in December, is not known at this stage.

5.1.17 WG has now considered the CTRS cost pressure across Wales, with income of £174,000 being received in respect of quarters 1 and 2. A commitment for financial support for the period October to March 2021 has been assumed.

5.1.14 ***ICT Service - £160,000***

5.1.15 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 to try to mitigate this adverse variance has not been possible, with a cost pressure being identified for the financial year 2021/2022.

5.1.16 ***Registrars - £33,431***

5.1.17 The forecast adverse variance is due to a reduction in income from fees & charges due to Covid-19 pandemic. £4,000 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. Quarter 3 has shown improvement as suggested, so it has been assumed that this will continue until the end of the financial year along with a commitment that WG will fund any lost income for the year.

5.1.18 ***Apprenticeship Levy - £21,379***

5.1.19 The forecast adverse variance is due to an increase in the NI-able pay of staff paid to date. This is mainly due to the additional staff and backdated pay for TTP staff, increase in overtime claims and additional hours (due to the Covid-19 pandemic) and the four weekly staff who transferred over to the new monthly payroll (receiving additional pay for days owing from September 2020).

This is an in year pressure only and should not be an issue in future years.

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

5.1.21 ***Cross Cutting Budgets - £742,410***

5.1.22 Commercial & Contract Management (£496,410) – This budget has been set up to fund contract price increases during 2020/2021, that cannot be managed within portfolio budgets. However, no requests for funding have been considered to date.

5.1.23 The Transformation Fund of £492,000 has been assumed to be 50% committed at this stage, to progress and support the Bridging the Gap programme. However, the only transformation project that has been considered to date was the business case for the development of the Festival Park estate.

5.1.24 ***Departmental Budgets - £401,734***

5.1.25 The forecast favourable variance mainly relates to employee related savings due to vacant posts (as a result of long term/new secondments), maternity leave, staff on temporary reduced hours and the utilisation of one-off grant funding. In addition, the delayed implementation of the Commercial Services restructure has further increased this favourable variance.

5.1.26 ***Council Tax Collection - £166,870***

5.1.27 The forecasted favourable variance mainly relates to an increase in the Surplus on Collection income budget.

5.1.28 **Social Services – £109,000 favourable variance (quarter 2 £116,000 favourable variance)**

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

- Children's Services
There is an overall adverse variance of £468,000 (£58,000 adverse variance in quarter 2) which is mainly due to the continuing cost pressure in legal fees resulting from court proceedings in relation to Children Looked After.

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

- Adult Services
The favourable variance of £518,000 is mainly due to the application of ICF and Home First Grant funding for a number of established posts and the significant loss of income within Provider Services has been offset by the loss of income grant from Welsh Government 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 £60,000 is due to accumulated underspends in staffing costs, travelling expenses and Supplies and Services within the departmental budget and the Workforce Development Plan budget.

5.1.31 **Education and Leisure – £227,000 favourable variance (quarter 2 £293,000 favourable variance)**

5.1.32 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 £13,000 favourable variance (£106,000 favourable variance in quarter 2)– relating mainly to a higher than estimated number of out of county placements in independent SEN schools.
- Assuring Access £33,000 favourable variance (£27,000 favourable in quarter 2)– 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 £70,000 favourable variance (£77,000 favourable variance in quarter 2) – relating to the secondment income for the Principal School Psychologist.
- Home to College Transport £32,000 favourable variance (no change from the quarter 2 variance)- relating a saving from the non-payment of travel passes for the summer term 2020.

- Strategic Management £35,000 favourable variance (no change from the quarter 2 variance) – relating to pension contributions to the local government pension scheme for school based staff.
- Departmental budget - £37,000 favourable variance (£11,000 adverse variance in quarter 2) – mainly relating to the forecast delay in the appointment of the Head of School Improvement & Inclusion post.

5.1.33 **Economy – £163,000 adverse variance (quarter 2 £221,000 adverse variance)**

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

- Industrial Units £123,000 adverse variance – down from £182,000 in quarter 2, 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 (amounting to approx. £100,000). Work is ongoing to secure rent repayment agreements.
- 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.

5.1.35 **Environment Portfolio – £432,000 adverse variance (quarter 2 £402,000 adverse variance)**

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

- Increased salary costs of £111,000 as a result of the revised single pay date. These will be one-off in year only costs for 2020/2021.
- Waste collection, transfer and disposal which is forecasting an adverse variance of £0.315m, 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 recycle 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 recycle 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.

5.1.37 **Cross cutting issues**

5.1.38 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 £238,000 comparing April to December 2020 to the previous financial year.
- Energy costs – the closure of some Council buildings and schools has led to a reduction in expenditure. For information, there has been a reduction in expenditure of approximately £106,000 comparing April to December 2020 to the previous financial year.
- There are also a number of vacant posts as at 31st December 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 21 vacant posts at a total monthly salary value of £80,000 in this category. This equates to a potential saving of £240,000 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 £12,000.

Additional costs of £111,000 will be incurred in the 2020/2021 financial year as a result of transferring staff paid on a 4 weekly basis to a monthly basis. period. In previous years the 4 weekly pay period ended in the middle of March and pay for the latter March period was accounted for in the following financial year. However, this will be a one-off cost for the 2020/2021 financial year.

5.1.39 **Fees & Charges**

5.1.40 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 £1.44m, primarily relating to lost income in the sale of recycle, charges for Community Care and rental income for Industrial Units.

5.1.41 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.

5.1.42 Bridging the Gap Programme

5.1.43 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 financial progress within each proposal is attached as Appendix 5.

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

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 has 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.

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

6.3.1 CLT have considered the forecast financial position for 2020/2021 (as 31st December 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*
 N/A

6.8 **EqlA**

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**

7.1 Financial reporting to Joint Scrutiny Committee and the Executive Committee 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

Appendix 2

Appendix 3

Appendix 4

Appendix 5

Appendix 6