

Decision Pathway –Report



TITLE	2020/21 Period 4/5 (July - August) Finance Report		
Ward(s)	n/a		
Author: Tian Ze Hao	Job title: Senior Finance Business Partner		
Cabinet lead: Cllr Craig Cheney	Statutory Officer lead: Denise Murray		
Proposal origin: Other			
Decision maker: Cabinet Member			
Decision forum: Cabinet			
Purpose of Report:			
<p>The Council budget for 2020/21 was agreed by Council in February 2020 and this report provides the update on the Council's financial performance at Period 5 (end of August) against the approved budget and forecast use of resources for the financial year 2020/21.</p> <p>The Council continues to operate Directorate cash limited budgets and Executive Directors are responsible for ensuring that appropriate action is taken to contain both revenue and capital spending within the directorate's overall budget limit. Budget holders forecasting a risk of overspend which is not related to the pandemic and potentially recoverable, should in the first instance set out in-service options for mitigation. Where these are considered undeliverable or pressures cannot be contained across the directorate the budget scrutiny process will be triggered and a request may be made for the Executive to consider granting a supplementary estimate redirecting funds from an alternative source.</p> <p>The report also includes an update on the estimated financial impact of the COVID 19 pandemic on the Council's finances.</p>			
Evidence Base:			
<p>The original budget set in February 2020 was balanced over 5 year medium term. For 2020/21 full Council agreed the following:</p> <ul style="list-style-type: none"> ○ The General Fund net budget of £395.7m; (forecast variation at P5 is £75.8m overspend, at P3 was £76.9m) <p>The Ring-fenced Accounts</p> <ul style="list-style-type: none"> ○ Housing Revenue Account (HRA) of £122.4m gross expenditure budget (forecast underspend of £1.6m at P5) ○ The Dedicated Schools Grant (DSG) budget, including amounts recouped by the Education and Skills Funding Agency for Academies is £374.2m (forecast £8.3m in-year deficit at P5 and a total £11.1m carried forward deficit) ○ The Public Health budget is £37.5m (no forecast variation at P5, with £0.5m planned drawn down from reserves to cover the leisure contract pressures). <p>Capital Programme</p> <ul style="list-style-type: none"> ○ Capital programme revised budget 2020/21 only is £213.7m for General fund and £83m for HRA. (forecast variation at P5 £66.8m underspend) 			
COVID-19			
<p>The financial challenges as a result of the COVID 19 pandemic is currently estimated to be £68.7m (£70.1m in P3) and are attributed to additional costs incurred in responding to the pandemic and significant loss on income directly related to restricted activities and /or changing economic climate (see Appendix A for details) noting that this figure will be subject to change as the position evolves. This position has reduced by £1.4m primarily as a result of income losses being lower than initially anticipated, however this does have an impact of the level of grant support available to the Council for these losses.</p> <p>At the time of writing this report, the Government has allocated £30.5m of emergency funding to the Council to support the response (£0.5m was utilised against the Covid-19 financial impact for the month of March 2020 in</p>			

2019/20) as well as several specific grants associated with specific directions.

Government has confirmed that income shortfalls and support will be assessed separately, based on a new methodology and actual losses incurred at the end of the year. The original estimate was in the region of £20.6m which left a residual estimated budget shortfall of £13.9m due to COVID-19. However the recent guidance adds greater complexity and indicates a material deterioration from the income grant originally estimated for the Council. The latest estimates indicate a significantly lower grant for sales, fees and charges losses, resulting in an increased shortfall of £15.7m. Members should note that this remains an evolving situation and these figures are subject to change as final sales, fees and charges grant will be based on actual income losses at the end of the year.

Since P03 the Council has also been awarded £1.9m grant for costs associated with homelessness and move on scheme following early direction to house all rough sleepers.

Corporate mitigating actions were put in place at P05 to alleviate the short term effect on the Council's finances. The strategy for dealing with the implications in the current year are as follows:

- Capital financing proposals for planned investments have been revised to provide greater liquidity and flexibility to enable a release of revenue going forward (£6.0m)
- Utilisation of the governments coronavirus Job retention scheme (£1.7m)
- Utilising the balance in General Reserves (above the policy compliant level of 5%) generated from a more favourable 2019/20 outturn and additional business rates s31 grant (£3.1m)
- Utilise £1.7m from earmarked resilience reserve, established for variations in future local government funding formulas to support the in-year budget gap.

The latest forecast shows there is now a potential shortfall of £1.8m after the previously agreed mitigations. As the country increases social distancing measures and the impact will be expected on a more prolonged period the Council will continue to lobby Government to request additional emergency grant funding to mitigate the additional costs associated.

The COVID 19 related forecast excludes any new burdens associated with operating services such as Home to School Transport (still under detailed review) following social distancing measures, and collection fund income losses c£25.0million attributed to the reduction in the levels of Council Tax and business rates collected, which will have a budgetary impact in 2021/22 and beyond. Plans to address this will be outlined in the 2021/22 budget.

Non COVID 19

The non COVID 19 forecast variations for General Fund in 2020/21 equates to a net £7.1m (£6.9m in P3) overspend mainly relates to pressures in Adult Social Care (£7.7m) which including non-delivery of savings aligned to the Better lives programme. This pressure is partly offset by mitigations identified in other Directorates.

Ring Fenced budgets

Public Health reported £0.5m draw-down from Earmarked Public Health Reserves to support Leisure Services contract pressure during the pandemic. HRA reported a forecast underspend of £1.6m due to delays in the repair and maintenance programme. DSG reported a forecast in-year overspend of £8.3m mainly relates to increase activities in the high-need block and increasing pressures relation COVID and the reopening of the school.

Recovery plans are being developed across all directorates including a range of management actions that will enable expenditure to be held in abeyance, key service requirements to be delivered and a balance budget position achieved. This position and proposed mitigations will be reported in future monitoring reports once finalised and closely monitored thereafter.

Future Action

The Council is required to ensure that it has a balanced financial plan after taking into account deliverable cost savings and/or local income growth strategies as well as useable reserves. If during monitoring of the original budget it is considered that significant variations in either expenditure or income may result in an unbalanced budget then alternative action must be taken to bring the budget back into balance. Such action would include drawing-down

further from reserves or reducing expenditure.

Taking short term mitigating action now will give time for the financial impacts on the Council's finances to become clearer and enable the Council to give due consideration to all uncommitted expenditure alongside other priorities during the Medium Term Financial Planning process which will commence shortly.

We recognise that the impact of the pandemic and economic recovery will go beyond a single financial year, therefore significant, sustainable long-term additional finance will be required in order to deliver services in an adverse economic cycle where demand for public services will significantly increase. Work is underway to refresh our Medium Term Financial Plan which will be brought back to Cabinet and Council in the Autumn.

Full detail of revenue spending and forecast is provided in Appendix A and A1 to A6

Full details of Capital spending and forecast is provided in Appendix B and A1 to A6

Recommendations:

That Cabinet note,

1. Risks associated with the forecast outturn and the long-term financial impact on the Council as a result of COVID-19 pandemic
2. The £15.7m COVID 19 funding gap is indicative and will be amended to reflect the actual level of government funding received and local / national changes required in responding to potential local outbreaks.
3. The estimated Collection fund deficit of £25.0m impacting in future years Appendix A, Section 3.5.
4. A risk of non COVID-19 related overspend on General fund services, an overall forecast overspend of £7.1m for 20/21 at Period 5, representing 1.8% of the approved budget and that it is expected that the forecast overspend will be managed through management actions / mitigations through the rest of the financial year.
5. Forecasts underspend of £1.6m with regard to the Housing Revenue Account.
6. A forecast in-year deficit of £8.3m and a total £11.1m carried forward deficit in the ring fenced Dedicated Schools Account (DSG) and the significant deterioration in the forecast comparing to P3.
7. A forecast overspend of £1.4m in Public Health mitigated by drawing down from the Public Health and PFI reserves.
8. A forecast £66.8m underspend against the approved Capital Programme, which requires budget re-profiling at the end of P5.

Corporate Strategy alignment: This report sets out progress against our budget, part of delivering the financial plan described in the Corporate Strategy 2018-23 (p4) and acting in line with our organisational priority to 'Be responsible financial managers' (p11).

City Benefits: Cross priority report that covers whole of Council's business.

Consultation Details: n/a

Revenue Cost	See Above	Source of Revenue Funding	Various
Capital Cost	See Above	Source of Capital Funding	Various
One off cost <input type="checkbox"/>	Ongoing cost <input type="checkbox"/>	Saving Proposal <input type="checkbox"/>	Income generation proposal <input type="checkbox"/>

Required information to be completed by Financial/Legal/ICT/ HR partners:

1. Finance Advice: The resource and financial implications are set out in the report.

Finance Business Partner: Michael Pilcher (Chief Accountant) 28/09/2020

2. Legal Advice: The report, including the detail set out in the appendices, will assist Cabinet to monitor the budget position, the ongoing impact of COVID 19 and mitigations put in place, with a view to meeting the Council's legal obligation to deliver a balanced budget.

Legal Team Leader: Nancy Rollason, Head of Legal Service 28/09/2020

3. Implications on IT: There are no additional IT implications arising from production of this report.

IT Team Leader : Simon Oliver, ICT28/09/2020

4. HR Advice: Expenditure on staffing is monitored on a monthly basis. Managers are required to manage expenditure within the agreed staffing budget that has been set for 2020/21. As part of the work to refresh of the Medium Term Financial Plan, the workforce implications arising from estimated reductions in the Council's income will require consideration.

HR Partner: Mark Williams, Head of Human Resources 28/09/2020

EDM Sign-off	Denise Murray	28/09/20
Cabinet Member sign-off	Cllr Cheney	28/09/20
For Key Decisions - Mayor's Office sign-off	Mayor's Office	28/09/20

Appendix A – P02 Revenue Budget Monitoring Report	YES
Appendix B – P02 Capital Budget Monitoring Report	YES