

Decision Pathway –Report



TITLE	2020/21 Period 7 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 7 (end of October) 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 directly related to the pandemic and where 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>			
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 P7 is £80.6m overspend, at P6 was £73.2m), prior to the application of the COVID-19 funding. <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 £3.6m at P7) ○ The Dedicated Schools Grant (DSG) budget, including amounts recouped by the Education and Skills Funding Agency for Academies is £374.2m (forecast £8m in-year deficit at P7 and a total £10.91m carried forward deficit) ○ The Public Health budget is £37.5m (no forecast variation at P7, with £0.5m potential drawn down from reserves to cover leisure contract pressures not mitigated by government). <p>Capital Programme</p> <ul style="list-style-type: none"> ○ Capital programme revised budget 2020/21 only is £155.3m for General fund and £50.2m for HRA. (forecast variation at P7 £3.6m underspend) <p>COVID-19</p> <p>The financial challenges as a result of the COVID 19 pandemic is currently estimated to be £74m (£67.9m in P6) and are attributed to additional costs incurred directly 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 and national guidance changes.</p> <p>Up to the end of October the Council had received from the government four tranches of emergency funding support, additional specific grants and estimated funding in the recovery of income losses totalling £69.2m for 2020/21. This can be earmarked that can be used to mitigate the in-year overspend, leaving a residual £4.8m to be addressed and mitigated from Council resources. It should be stated that the impact of the second national lockdown</p>			

and any further restrictive measures to follow to 31 March 2021 has not been fully captured in the above. Further work is required to quantify these costs and any further funding that will be forthcoming from government.

It should be noted that the residual mitigations previously identified will be held in abeyance to manage any related variations that may occur in 2020/21 with any residual amount carried forward to 2021/22 offsetting future year COVID financial pressures.

Also note the COVID 19 related forecast excludes income losses c£12.8million (latest figures) attributed to the reduction in the levels of Council Tax and business rates collected (full detail is available in the Collection Fund Surplus Deficit report) 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 £6.6m (£5.3m in P6) overspend mainly relates to pressures in Adult Social Care (£7.8m) which including non-delivery of savings aligned to the Better Lives Programme and Facilities Management. This pressure is partly offset by mitigations identified in other Directorates and service areas. The forecast movements in month are detailed in appendix A.

Ring Fenced budgets

Public Health reported £0.5m potential draw-down from Earmarked Public Health Reserves to support Leisure Services contract pressure during the pandemic not mitigated by the government. HRA reported a forecast underspend of £3.6m due to delays in recruitment and the repairs and maintenance programme. DSG reported a forecast in-year overspend of £8m mainly relates to increase activities in the high-need block and increasing pressures relation COVID and the reopening of the school.

Future Action

General Fund recovery plans continue to be considered across all directorates including a range of management actions that could 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.

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.

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. Please see more details in the published MTFP.

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 Approve:

1. The acceptance and incorporation of £2.635m prospective grant funding into the Council's Revenue budget from new grants as detailed in Appendix A, Section 3.4.2.

That Cabinet note:

2. Risks associated with the forecast outturn and the long-term financial impact on the Council as a result of COVID-19 pandemic.
3. The estimated Collection fund deficit of £12.8m 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 £6.6m

for 20/21 at Period 7, representing 1.7% of the approved budget.

5. Forecasts underspend of £3.6m with regard to the Housing Revenue Account.
6. A forecast in-year deficit of £8m and a total £10.9m carried forward deficit in the ring fenced Dedicated Schools Account (DSG).
7. In line with the scheme of delegation the emergency decision record with regards to the distribution of Round 2 (phase 1) Infection Control fund (Appendix A7).
8. A forecast £3.6m underspend against the approved Capital Programme.

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)

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

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

IT Team Leader : Simon Oliver, ICT

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

EDM Sign-off	Denise Murray	23/11/20
Cabinet Member sign-off	Cllr Cheney	23/11/20
For Key Decisions - Mayor's Office sign-off	Mayor's Office	23/11/20

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