

Decision Pathway –Report



TITLE	2020/21 Period 9 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 9 (end of December) 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 P9 is £90.2m overspend, at P8 was £87.3m), 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 £3.2m at P9) ○ The Dedicated Schools Grant (DSG) budget, including amounts recouped by the Education and Skills Funding Agency for Academies is £374.2m (forecast £8.6m in-year deficit at P9 and a total £11.5m carried forward deficit) ○ The Public Health budget is £37.5m (no forecast variation at P9, 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 £156.9m for General fund and £50.2m for HRA. (forecast variation at P9 £16.6m underspend on General fund and £6.8m underspend on HRA) <p>COVID-19</p> <p>The financial challenges as a result of the COVID 19 pandemic is currently estimated to be £84.5m (£81m in P8) 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 December 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 £94.8m in 2020/21. These are used to mitigate the in-year financial pressures, taking into account other potential forecast</p>			

funding yet to be confirmed, it is currently forecasted that no in-year mitigation from local resource would be required. It should be stated that the impact of latest national lockdown and any further restrictive measures to follow this financial year may present further uncertainties.

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

Also note, the COVID 19 related forecast excludes council tax and business rates losses c£12.8million 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

The non COVID forecast variations for General Fund in 2020/21 equates to a net £6.3m (£6.6m in P7) overspend mainly relates to pressures in Adult Social Care (please see proposed supplementary estimates under this report) 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 £3.2m due to delays in recruitment and the repairs and maintenance programme. DSG reported a forecast in-year overspend of £8m, and £11.4m forecast cumulative deficit 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.

The Council is required to ensure that it has a balanced financial plan with achievable cost savings plans, realistic local income strategies, as well as available useable reserves. If during monitoring, the original budget presents significant variations in either expenditure or income that may result in an unbalanced budget, then alternative actions must be identified 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 and the Council's proposal for 2021/22 budget.

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 supplementary estimate submitted for People Directorate up to £7.2m under Appendix C, funded by draw-down from general reserve (£3.9m), earmarked reserve (ASC Earmarked Reserve £2.1m) and in-year efficiencies from other directorate and services.
2. The acceptance of £1.021m grant funding from the National Leisure Recovery Fund (application and funding detailed under P8 report) and the incorporation of this grant into the 2020/21 Budget for spending according to the grant conditions.

That Cabinet note:

3. Risks associated with the forecast outturn and the financial impact on the Council as a result of COVID19 pandemic.

4. The Council's COVID 19 Winter Grant Scheme Policy attached in Appendix D.
5. A risk of non-COVID related overspend on General fund services, an overall forecast overspends of £5.7m for 20/21 at Period 9 (prior to applying supplementary estimates), representing 1.4% of the approved budget.
6. Forecasts underspend of £3.2m with regard to the Housing Revenue Account.
7. A forecast in-year deficit of £8.6m and a total £11.5m carried forward deficit in the ring-fenced Dedicated Schools Account (DSG).
8. A forecast £23.4m 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	12/02/20
Cabinet Member sign-off	Cllr Cheney	12/02/20
For Key Decisions - Mayor's Office sign-off	Mayor's Office	12/02/20

Appendix A – P02 Revenue Budget Monitoring Report	YES
Appendix B – P02 Capital Budget Monitoring Report	YES
Appendix C – Supplementary Estimate (People Directorate)	YES
Appendix D – COVID 19 Winter Grant Scheme Policy	YES