
2020/21 Revenue Financial Performance Quarter One

Committee considering report:	Overview and Scrutiny Management Commission on 6 October 2020
Portfolio Member:	Councillor Ross Mackinnon
Date Portfolio Member agreed report:	14 August 2020
Report Author:	Melanie Ellis
Forward Plan Ref:	EX3905

1 Purpose of the Report

- 1.1 To report on the in-year financial performance of the Council's revenue budgets.

2 Recommendation

- 2.1 To note the Quarter One forecast of £590k under spend.

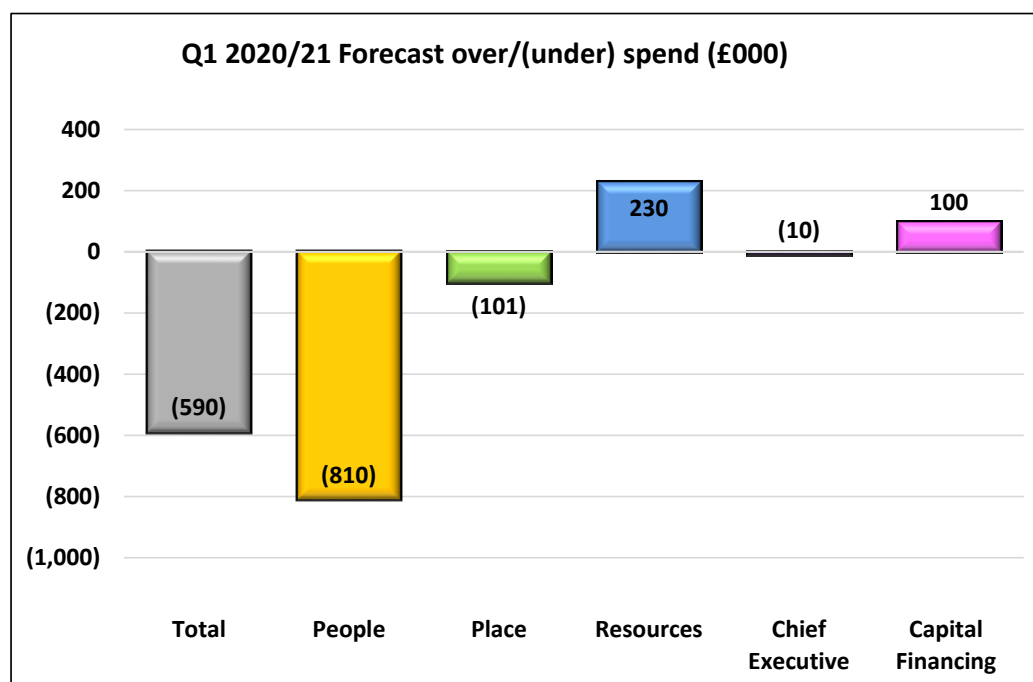
3 Implications and Impact Assessment

Implication	Commentary
Financial:	The financial implications are included in detail throughout the report. Any over or under spend remaining at year end would impact on the Council's level of reserves. Melanie Ellis 22.7.20
Human Resource:	None
Legal:	None
Risk Management:	Risks to next years' budget are included where relevant in the report. Where identified these will form part of the budget build process for 2021/22.
Property:	Impact on income due to an unlet commercial property.
Policy:	No

	Positive	Neutral	Negative	Commentary
Equalities Impact:				
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		Y		
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		Y		
Environmental Impact:		Y		
Health Impact:		Y		
ICT Impact:		y		
Digital Services Impact:		y		
Council Strategy Priorities:		y		Business as usual
Core Business:		y		
Data Impact:		y		
Consultation and Engagement:	Budget holders, Heads of Service and Directors.			

4 Executive Summary

- 4.1 The Quarter One forecast is an under spent of £590k, which is 0.5% of the Council's 2020/21 net revenue budget of £130m.



- 4.2 The People Directorate is forecasting an under spend of £810k, arising from Adult Social Care (ASC) and Children and Family Services (CFS).

- In ASC, long term services is forecast to be £844k under spent, generated by higher levels of deceased clients due to Covid-19, with an additional 51 deaths compared to the same quarter last year. There is a forecast income pressure of £311k in the four council care homes due to falling occupancy.
- In CFS, the forecast under spend of £247k is in placements, where since the end of the financial year 2019/20, there has been a decrease in the number of clients. The Quarter One forecast allows for an increase to client numbers during the financial year, as there are indications that the impact of Covid-19 pressures on families may result in an increase in children entering care.

- 4.3 The Place Directorate is forecasting an under spend of £101k.

- There is a £76k under spend in Development and Planning largely due to vacancies in the Minerals and Waste team and additional rental income in the Housing service. Development control income is forecast to under achieve, after taking account of Covid-19 grants, due to a reduced level of planning applications.
- Public Protection and Culture are forecasting an over spend of £75k arising from income pressures in Shaw House, building control and libraries.
- Transport and Countryside are forecasting an under spend of £99k mainly from increased energy from waste and garden waste subscriptions which are anticipated to exceed target.

- 4.4 The Resources Directorate has a £230k forecast over spend. The main variances are:
- In Finance and Property, an over spend of £123k has arisen from a vacant commercial property and unbudgeted rates and service charges, that will need to be factored into next year's budget.
 - Legal and Strategic Support is forecasting an over spend of £115k from unachievable income in land charges, graphics, digital transformation and an as yet unmet savings target (which may be compensated via the Covid-19 grant).
- 4.5 The Capital Financing Quarter One forecast position is a £100k over spend, which relates to a corporate commercialisation target that is not achievable. This will be removed as part of the 2021/22 budget build.
- 4.6 The 2020/21 savings and income generation programme of £3.2m, is 82% Green, 16% Amber and 2% Red.

Covid-19 impact on the 2020/21 budget

- 4.7 There will continue to be a significant impact on the 2020/21 budget due to Covid-19. To date, the Council has been awarded three tranches of expenditure funding from Central Government to mitigate the initial impact of Covid-19 totalling £8.6m of un-ring-fenced funding. In addition to this there will be funding for lost income, which could total between £1m and £2m depending on the terms of the funding.
- 4.8 The latest assessment is that the funding provided by Government and the income scheme below are sufficient for the 2020-21 Financial Year based on current estimates. Clearly, these can fluctuate, and will in light of further impacts from the Covid-19 outbreak. The Council also has general reserves to support further impacts and these are above the minimum level set by the s151 officer. Further detail is provided in the main report.
- 4.9 Service Covid related expenditure, lost income and unmet savings are being recorded and estimated and reported to GOLD. The latest forecast through to March 2021 is that the Council faces expenditure and income pressures of £10.7m for 2020/21. At Quarter One, £1.5m of the grant funding has been transferred to services. This will continue to be transferred on a quarterly basis. The assumptions in budget monitoring is that there will be enough funding to cover all losses. The longer term position will require further analysis and announcements from Central Government on the funding position for Local Government, before the impact on 2021/22 and beyond is known.
- 4.10 The Council has submitted a fourth forecast to Central Government on the Covid-19 financial impact at the end of July and awaits any response to this and the finalisation of the income guarantee scheme.

Conclusion

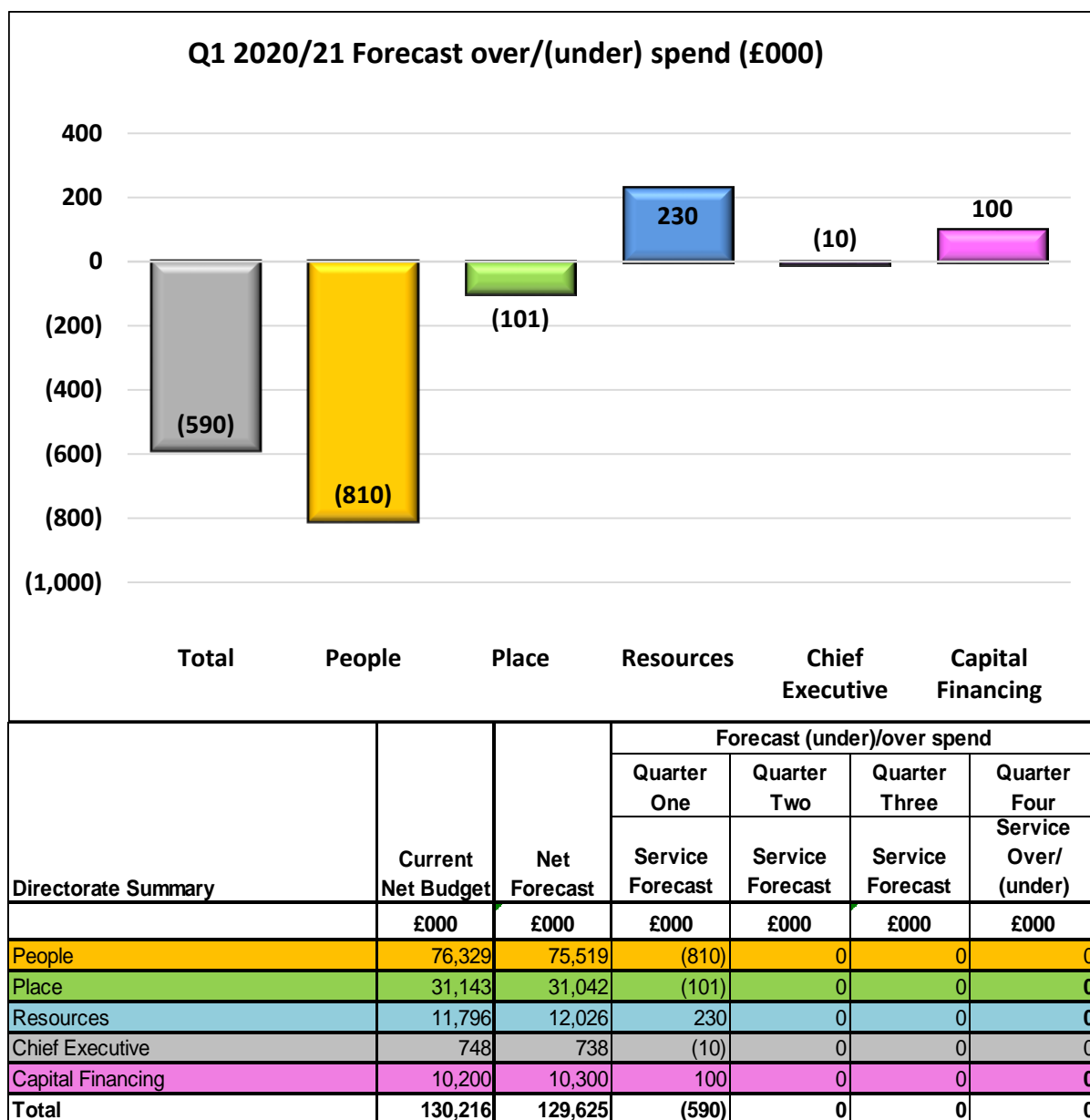
- 4.11 The Council is forecasting an under spend of £590k. The report highlights each directorate position and any implications for budget setting in 2021/22. There is a £3.2m savings and income generation programme which is forecasting 82% achieved at Quarter One. The Covid-19 grant funding received from Government to date, and the

Council's level of general fund reserves mean that the Council is well placed to focus its efforts on response and recovery from the Covid-19 in the current financial year.

5 Supporting Information

Introduction

5.2 The Quarter One forecast is an under spend of £590k. This is 0.5% of the Council's 2020/21 net revenue budget of £130m. The Directorate forecasts are shown in the charts below:



5.3 The Service forecasts are shown in the following chart:

2020/21 Revenue Financial Performance Quarter One

	Current Net Budget	Net Forecast	Forecast over/ (under) spend			
			Quarter One	Quarter Two	Quarter Three	Quarter Four
			Service Forecast	Service Forecast	Service Forecast	Over/ (under) spend
	£000	£000	£000	£000	£000	£000
Adult Social Care	50,508	49,920	(588)	0	0	0
Children & Family Services	17,179	16,931	(247)	0	0	0
Executive Director	336	340	3	0	0	0
Education DSG funded	(444)	(444)	0	0	0	0
Education	8,830	8,851	22	0	0	0
Public Health & Wellbeing	(80)	(80)	0	0	0	0
People	76,329	75,519	(810)	0	0	0
Executive Director	197	197	0	0	0	0
Development & Planning	3,180	3,104	(76)	0	0	0
Public Protection & Culture	3,895	3,970	75	0	0	0
Transport & Countryside	23,871	23,772	(99)	0	0	0
Place	31,143	31,042	(101)	0	0	0
Executive Director	101	101	0	0	0	0
Commissioning	799	742	(58)	0	0	0
Customer Services & ICT	2,983	3,042	59	0	0	0
Finance & Property	2,887	3,010	123	0	0	0
Human Resources	1,704	1,694	(10)	0	0	0
Legal and Strategic Support	3,322	3,437	115	0	0	0
Resources	11,796	12,026	230	0	0	0
Chief Executive	748	738	(10)	0	0	0
Capital Financing	11,197	11,297	100	0	0	0
Movement through Reserves	(996)	(996)	0	0	0	0
Capital Financing	10,200	10,300	100	0	0	0
Total	130,216	129,625	(590)	0	0	0

NB: Rounding differences may apply to the nearest £k.

People Directorate

5.4 The Directorate is forecasting an under spend of £810k, arising from Adult Social Care (ASC) and Children and Family Services (CFS).

- In ASC, long term services is forecast to be £844k under spent, generated by higher levels of deceased clients due to Covid-19, with an additional 51 deaths compared to the same quarter last year. There is a forecast income pressure of £311k in the four council care homes due to falling occupancy. Covid-19 has had a significant impact on client numbers, but the full impact is not yet clear. Forecasts are based on a number of assumptions that will be updated monthly during the financial year.
- In CFS, the forecast under spend of £247k is in placements. Since the end of the financial year 2019/20, there has been a decrease in the number of clients,

particularly in-house fostering placements and unaccompanied asylum seekers (UASC). The Quarter One forecast allows for an increase to client numbers during the financial year, as there are indications that the impact of Covid-19 pressures on families may result in an increase in children entering care.

Place Directorate

5.5 The Directorate is forecasting an under spend of £101k.

- There is a £76k under spend in Development and Planning largely due to vacancies in the Minerals and Waste team and additional rental income in the Housing service. Development control income is forecast to under achieve, after taking account of Covid-19 grants, due to a reduced level of planning applications.
- Public Protection and Culture are forecasting an over spend of £75k arising from income pressures in Shaw House, building control and libraries.
- Transport and Countryside are forecasting an under spend of £99k mainly from increased energy from waste and garden waste subscriptions which are anticipated to exceed target.

Resources Directorate

5.6 The Directorate has a £230k forecast over spend. The main variances are:

- In Finance and Property, an over spend of £123k has arisen from a vacant commercial property and unbudgeted rates and service charges, that will need to be factored into next year's budget.
- Legal and Strategic Support is forecasting an over spend of £115k from unachievable income in land charges, graphics, digital transformation and an as yet unmet savings target (which may be compensated via the Covid-19 grant).

Chief Executive

5.7 An under spend of £10k is being forecast in the contingency budget.

Capital Financing and Risk Management

5.8 The Quarter One forecast position is a £100k over spend, which relates to a corporate commercialisation target that is not achievable. This will be removed as part of the 2021/22 budget build.

Covid-19 impact on the 2020/21 budget

5.9 There will continue to be a significant impact on the 2020/21 budget due to Covid-19. To date, the Council has been awarded three tranches of expenditure funding from Central Government to mitigate the initial impact of Covid-19 totalling £8.6m of un-ring-fenced funding. In addition to this there will be funding for lost income, which could total between £1m and £2m depending on the terms of the funding.

5.10 The Council has received other specific funding as part of the response to Covid-19. There are a range of funds, and some of the key areas include:

- £29m for business grants to specific businesses

- £548k local council tax welfare support
- £108k for supported bus services
- £140k for high streets
- £1,401k for infection control
- £540k Public Health test and trace
- £170k new burdens funding
- £124k for active travel funding (capital) for cycling and walking provision

5.11 The funding received from Government to date, and the Council's level of general fund reserves mean that the Council is well placed to focus its efforts on response and recovery from the Covid-19 in the current financial year.

5.12 The table below sets out some of the key items raised during Covid-19 and the response provided through the Council.

Item	Response
<p>Additional expenditure pressures – especially:</p> <ul style="list-style-type: none"> - Adult Social Care - Leisure services - Community Hub - Housing 	<p>Government have provided non ring-fenced funding of £8.6m to support the Council in its response to Covid-19. This figure has been received in three separate tranches.</p> <p>The Council monitors this on a weekly basis.</p> <p>The latest assessment is that the funding provided by Government and the income scheme below are sufficient for the 2020-21 Financial Year based on current estimates. Clearly, these can fluctuate, and will in light of further impacts from the Covid-19 outbreak. The Council also has general reserves to support further impacts and these are above the minimum level set by the s151 officer.</p>
<p>Income pressures, the most significant being:</p> <ul style="list-style-type: none"> - Car parking income - Adult Social Care - Other Sales, fees and charges 	<p>Government have provided an income share scheme. The details, at the time of writing, have not been provided in full, but the overview is:</p> <ul style="list-style-type: none"> - That the Council funds the first 5% of losses - That the Council shares 25% and Government 75% of all further losses.

Item	Response
Cashflow risks	Government provided up front funding of, for example, business grants and paused the payment required for business rates
<p>Specific grants provided by Government for key areas of activity, for example (though not exhaustive);</p> <ul style="list-style-type: none"> - £1.4m for care home infection grant - £0.1m for high street support - £0.5m for outbreak control - £0.6m for Council Tax support - £0.1m for Active Travel 	These funds are being applied to support service specific pressures and/or to provide services through the grant.
Losses on Council Tax and Business Rates	<p>The Council Tax collection rate has held up well to date; collection is marginally down, but the Council did offer the ability to amend the two months of non Council Tax payment to early in the financial year.</p> <p>The Council made a quick early decision in March to suppress business rates recovery and the initial direct debit to support businesses. The Government have also provided a significant amount of business rates reliefs.</p> <p>The Government have announced that the collection fund deficit can be spread across a three year period rather than one year. This option will be considered as part of the budget setting process for the March Council.</p>
Impact on 201-22 budget setting	<p>The long term flow of changed costs and lost income is difficult to estimate in detail. However, the budget for the year ahead is being prepared with adjustments for Covid-19.</p> <p>The Government has also paused the roll out of the fair funding review and further retention of business rates which reduces by just over £1m the savings requirement for 2021-22 on the assumption that all changes are paused, including the rest of business rates baselines.</p>

5.13 The longer term position will require further analysis and announcements from Central Government on the funding position for Local Government, before the impact on 2021/22 and beyond is known. The Government have announced a pause to the fair

funding review for 2021/22 and so the Council is planning for a similar financial settlement for 2021/22 as it received in 2020/21.

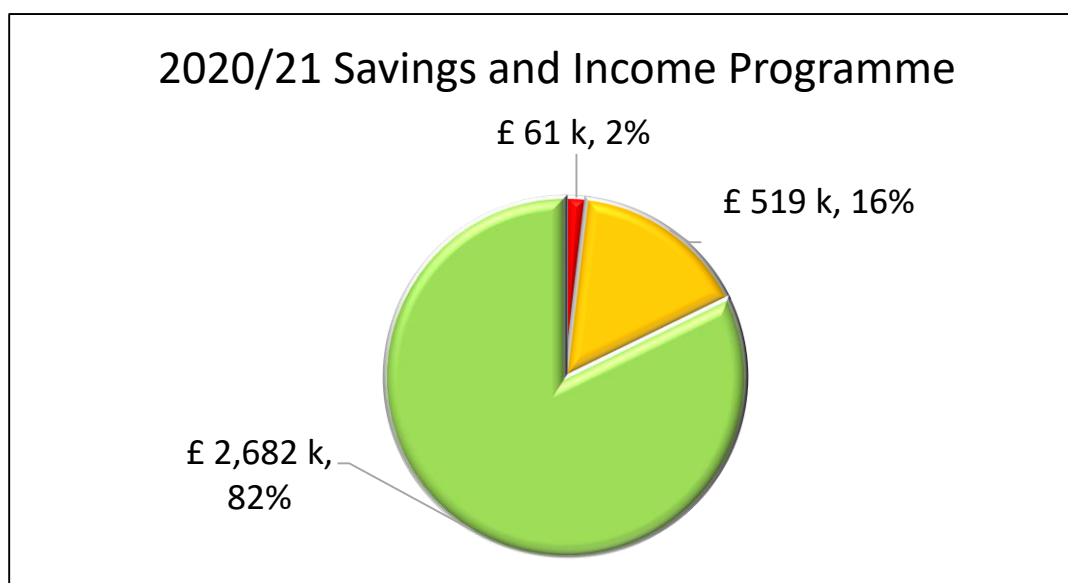
5.14 Service Covid related expenditure, lost income and unmet savings are being recorded and estimated and reported to GOLD. The latest forecast through to March 2021 is that the Council faces expenditure and income pressures of £10.7m for 2020/21, though these estimates fluctuate significantly and are dependent on how the Covid-19 response progresses and people's behavioural change to this. The Main areas of financial pressure for the Council are:

- Adult Social Care costs
- Children's service costs
- Reduced or delayed planning income
- Reduced car parking income
- Additional leisure services costs
- Funding the Community Hub
- Loss of income from other Council service areas

5.15 At Quarter One, £1.5m of the grant funding has been transferred to services. This will continue to be transferred on a quarterly basis. The assumptions in budget monitoring is that there will be enough funding to cover all losses. The longer term position will require further analysis and announcements from Central Government on the funding position for Local Government, before the impact on 2021/22 and beyond is known.

2019/20 Savings and income generation programme

5.16 In order to meet the funding available, the 2020/21 revenue budget was built with a £3.2m savings and income generation programme. The programme is monitored using the RAG traffic light system. The status of the programme is shown in the following charts



Proposals

5.17 To note the Quarter One forecast.

6 Other options considered

6.1 None.

7 Conclusion

7.1 The Council is forecasting an under spend of £590k. The report highlights each directorate position and any implications for budget setting in 2021/22. There is a £3.2m savings and income generation programme which is forecasting 82% achieved at Quarter One. The Covid-19 grant funding received from Government to date, and the Council's level of general fund reserves mean that the Council is well placed to focus its efforts on response and recovery from the Covid-19 in the current financial year.

8 Appendices

8.1 Appendix A – Forecast position

8.2 Appendix B – Budget changes

Appendix A – Forecast position

	Budget		Forecasted Performance						
	Original Budget for 2020/21 £	Revised Budget for 2020/21 £	Expenditure			Income			Net
			Annual Expenditure Budget for 2020/21 £	Annual Expenditure Forecast for 2020/21 £	Expenditure Variance for 2020/21 £	Annual Income Budget for 2020/21 £	Annual Income Forecast for 2020/21 £	Income Variance for 2020/21 £	Net Variance £
Adult Social Care	50,220,510	50,508,430	69,413,620	69,316,677	-96,943	-18,905,190	-19,396,180	-490,990	-587,933
Childrens and Family Services	17,102,250	17,178,510	19,155,130	18,943,760	-211,370	-1,976,620	-2,012,600	-35,980	-247,350
Executive Director - People	249,440	336,440	336,440	339,930	3,490	0	0	0	3,490
Education (DSG Funded)	-444,000	-444,000	108,034,100	108,034,100	0	-108,478,100	-108,478,100	0	0
Education	8,829,540	8,829,540	12,221,200	12,081,910	-139,290	-3,391,660	-3,230,540	161,120	21,830
Public Health & Wellbeing	-80,000	-80,000	5,951,590	5,911,590	-40,000	-6,031,590	-5,991,590	40,000	0
People	75,877,740	76,328,920	215,112,080	214,627,967	-484,113	-138,783,160	-139,109,010	-325,850	-809,963
Corporate Director - Economy & Environment	197,080	197,080	197,080	197,080	0	0	0	0	0
Development and Planning	3,070,650	3,179,740	6,007,530	5,769,190	-238,340	-2,827,790	-2,665,450	162,340	-76,000
Public Protection and Culture	3,903,550	3,895,150	9,255,920	9,264,420	8,500	-5,360,770	-5,294,770	66,000	74,500
Transport and Countryside	23,795,330	23,871,190	34,800,030	34,655,930	-144,100	-10,928,840	-10,883,950	44,890	-99,210
Place	30,966,610	31,143,160	50,260,560	49,886,620	-373,940	-19,117,400	-18,844,170	273,230	-100,710
Executive Director - Resources	120,870	100,870	100,870	100,870	0	0	0	0	0
Commissioning	814,420	799,340	10,300,370	10,268,570	-31,800	-9,501,030	-9,526,830	-25,800	-57,600
Customer Services and ICT	2,970,540	2,982,920	3,837,330	3,786,780	-50,550	-854,410	-744,540	109,870	59,320
Finance and Property	2,823,670	2,886,810	47,634,510	46,913,470	-721,040	-44,747,700	-43,903,390	844,310	123,270
Human Resources	1,723,870	1,703,670	2,103,600	2,138,220	34,620	-399,930	-444,550	-44,620	-10,000
Legal and Strategic Support	3,004,900	3,321,920	4,007,460	3,989,620	-17,840	-685,540	-552,430	133,110	115,270
Resources	11,458,270	11,795,530	67,984,140	67,197,530	-786,610	-56,188,610	-55,171,740	1,016,870	230,260
Chief Executive	833,510	747,830	757,830	747,830	-10,000	-10,000	-10,000	0	-10,000
Chief Executive	833,510	747,830	757,830	747,830	-10,000	-10,000	-10,000	0	-10,000
Capital Financing & Management	11,196,770	11,196,770	11,974,340	11,659,340	-315,000	-777,570	-362,570	415,000	100,000
Movement Through Reserves	-117,000	-996,310	-996,310	-996,310	0	0	0	0	0
Risk Management	0	0	0	0	0	0	0	0	0
Capital Financing and Risk Management	11,079,770	10,200,460	10,978,030	10,663,030	-315,000	-777,570	-362,570	415,000	100,000
Total	130,215,900	130,215,900	345,092,640	343,122,977	-1,969,663	-214,876,740	-213,497,490	1,379,250	-590,413

Appendix B – Budget Changes

Service	Original Net Budget	Approved Budget B/F from 2019/20	Changes not requiring approval	Approved by S151 & Portfolio Holder	Requiring Executive Approval	Approved Budget C/F to 2021/22	Current Net Budget
	£000	£000	£000	£000	£000	£000	£000
Adult Social Care	50,221	288					50,508
Children and Family Services	17,102	76					17,179
Executive Director	249	87					336
Education DSG funded	(444)						(444)
Education	8,830						8,830
Public Health & Wellbeing	(80)						(80)
Communities	75,878	451	0	0	0	0	76,329
Executive Director	197						197
Development & Planning	3,071	76	33				3,180
Public Protection & Culture	3,904		(8)				3,895
Transport & Countryside	23,795	71	5				23,871
Place	30,967	147	30	0	0	0	31,143
Executive Director	121		(20)				101
Commissioning	814	4	(19)				799
Customer Services & ICT	2,971	12					2,983
Finance & Property	2,824		63				2,887
Human Resources	1,724		(20)				1,704
Legal and Strategic Support	3,005	85	232				3,322
Resources	11,458	101	236	0	0	0	11,796
Chief Executive	834		-86				748
Capital Financing & Management	11,197						11,197
Movement through Reserves	(117)	(699)	(180)				(996)
Capital Financing	11,080	(699)	(180)	0	0	0	10,200
Total	130,216	0	0	0	0	0	130,216