Revenue Budget & Capital Programme Monitoring As at 31st March 2020

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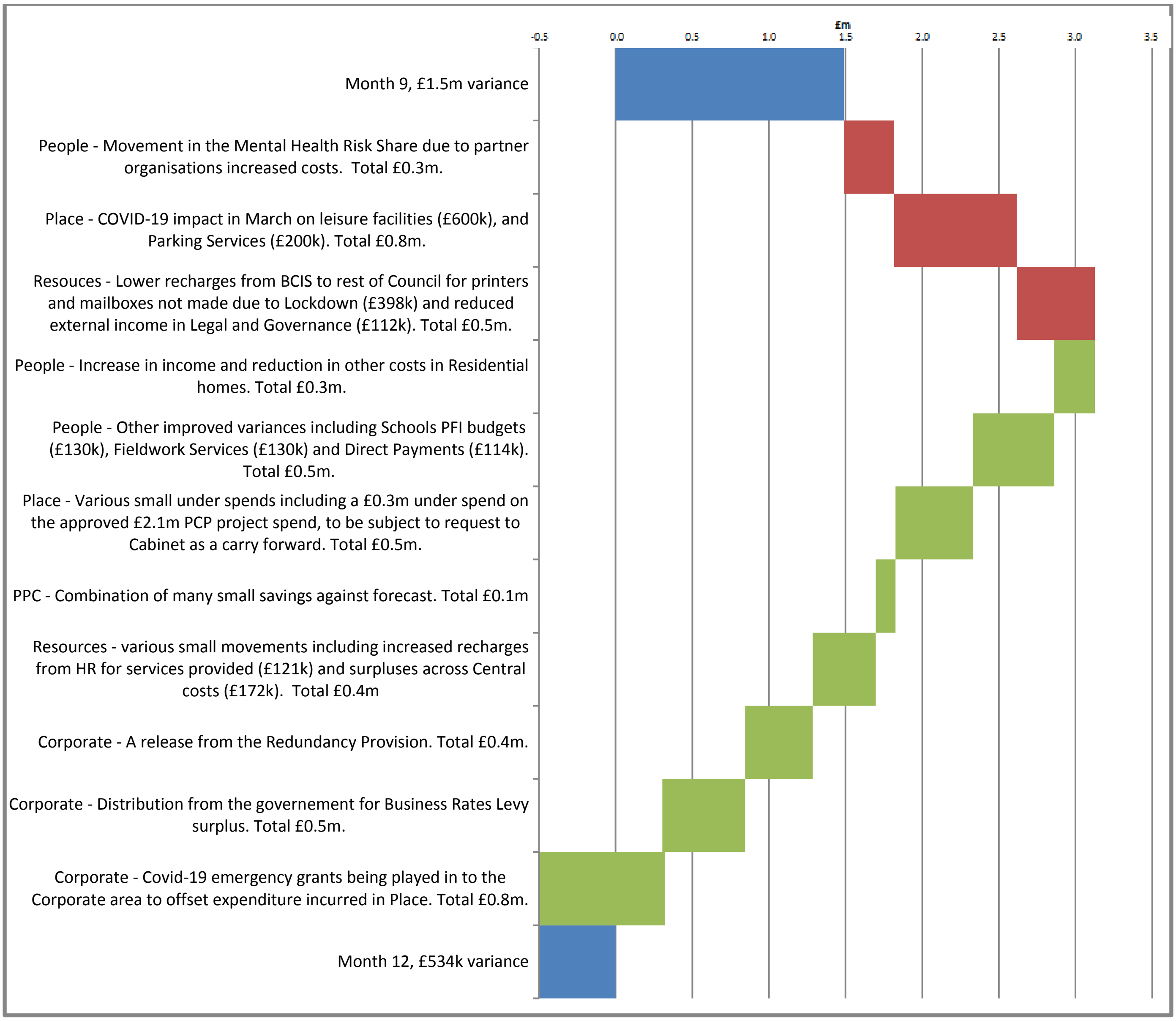
Purpose of the Report

1. This report describes the budget monitoring position on the City Council's Revenue Budget and Capital Programme as at Month 12.

Summary

2. The Council's revenue budget as at 31st of March is underspent by £534k. This underspend is prior to a £335k carry forward request from the Place portfolio. If agreed, the underspend will reduce to £199k. The below graph summarises the movements towards this outturn from the Month 9 position[1].



[1] Cabinet Item 11 - 19th February 2020

3. It should be noted that this position represents a significant improvement in the overall budget outturn since the Month 9 (£1.5m over spend) and Month 6 (£2.6m over spend) forecasts. This was expected as measures to control demand and spending have taken effect.

4. The Children and Families Service was the most significant area of over spend (£6.2m), reflecting nation-wide and much publicised demand and cost pressures in Children's social care. The Place portfolio also over spent due to pressures within leisure facilities and parking services as a result of a loss in income from the impact of the Covid-19 outbreak. This was though offset by the release of Emergency grants in relation to Covid-19 showing in Corporate. There were also positive movements in budgets, such as unexpected grant income, deferred capital financing charges and reductions in spend in other services.

5. Covid aside, this is a similar message to recent years – large social care overspends, offset by improvements in other services and corporate budgets to balance the position. The longer term impacts of Covid 19 have been covered in greater detail in the Corporate Risk Register below.

Portfolio Outturn Position

6. The below table summarises the Month 12 Outturn position split by individual portfolios. The movements to the Month 9 position are given in the above chart.

Portfolio	Forecast Outturn	Full Year Budget	Forecast Variance	Movement from Month 9
People	270,823	263,523	7,300	⇩
Place	201,709	201,017	692	⇧
Policy, Performance & Communications	3,133	3,344	(211)	⇩
Resources	10,399	10,493	(94)	⇔
Corporate	(486,599)	(478,377)	(8,222)	⇩
Grand Total	**(534)**	**-**	**(534)**	⇩

Carry Forward Request

7. Cabinet approved a Place Change Programme project budget of £2.1m to deliver the planned change programme and its associated 4 year savings plan. To date it has cost £1.8m leaving a balance of £335k still to be incurred. Funds have been identified within the overall Place provisional outturn, within the Strategy & Change service area, which could be used to cover these future costs and hence the carry forward request.

8. If this were not approved, Place would have to fund the activity from prioritising spend elsewhere or borrow from Corporate reserves (as per original Invest to Save approval) and subsequently repay from future savings to be identified.

9. The money will be used to fund four staff engaged on enabling activities improving information systems, and, providing additional HR and Finance and Commercial Services support to the project. Poor management data has been identified as a barrier to performance improvement. Work to date has already delivered productivity improvements in services such

as Pest Control which are engaged in commercial activities. This is part of the Fees and Charges work stream, which along with annual price increases was expected to generate £3m out of a planned total of £17.2m savings over four years.

Dedicated Schools Grant (DSG)

10. At Month 12, the Council is forecasting a £1.6m overspend on DSG budgets. The key reasons for this over spend are a forecast £1.1m overspend relating to SEND, mainly in placements, reflecting higher costs and demands for these placements, £104k overspend in Children's Residential Homes, due to an overspend on staffing costs, an £84k overspend on Children with Disabilities placements, due to an increase in the number and costs for these placements and £239k overspend on Home to School Transport, due to an increase in demand and costs. The Portfolio has identified sufficient funds within the DSG reserve to cover this overspend.

11. The movement from month 9 is an improvement of £307k. The key reasons for this are improvements in SEND, due to slippage in placement costs, a reduction in forecast on growth fund for special schools and a reduction in payments for out of city placements.

Public Health

12. Public Health services are funded by Public Health Grant – any variances to budgeted expenditure will be managed by adjusting the drawdown of grant income to match, therefore Public Health variances will be nil in terms of net expenditure and therefore do not impact the above reported position. The Public Health reserve will be utilised in case of any overspend at year end – there has been no General Fund impact this year. This table demonstrates the variances to budget before the application of grant income.

Public Health	Forecast Outturn	Full Year Budget	Forecast Variance	Movement from Month 9	Variance Mth 9	Diff Mth 12 to Mth 9
People	28,123	27,687	436	⇩	565	(129)
Place	2,802	2,872	(70)	⇔	(56)	(14)
Director of Public Health	1,665	1,916	(251)	⇔	(160)	(91)
Total	**32,590**	**32,475**	**115**	⇩	**349**	**(234)**

13. The key reason for this position is additional costs relating to the sexual health services in Children's Public Health, relating to late commencement of the new contract (and services commissioned on the old basis in the interim), later implementation of improved delivery methods and the costs of the eventual contract. This results in a £436k overspend. This is partly offset by improvements in Place and Director of Public Health of a combined £321k. This is mainly due to underspends across employees, health checks and additional income sources reducing the grant requirement

14. This position has improved by £234k across the Council since the Month 9 Report. The majority of this improvement is from a reduction in costs in sexual health within the People portfolio.

Housing Revenue Account

15. The HRA income and expenditure account provides a contribution towards funding the HRA capital investment programme. As at Month 12 the full year outturn position is a positive variance of £1.2m from the budgeted position. As such the funding contribution to the capital investment programme will be revised to take this into account.

Housing Revenue Account (*excluding Community Heating*)	Forecast Outturn	Full Year Budget	Forecast Variance	Movement from Month 9	Variance Mth 9	Diff Mth 12 to Mth 9
1. Net Income - Dwellings	(138,816)	(138,761)	(55)	⇧	(388)	333
2. Other Income	(6,551)	(6,311)	(240)	⇩	(53)	(187)
3. Tenant Services incl. Repairs & Maintenance	88,318	89,240	(923)	⇔	(852)	(71)
4. Depreciation	25,080	25,080	0	⇔	0	0
5. Interest on borrowing	13,260	13,265	(4)	⇔	(79)	75
6. Contribution to Capital Programme	18,708	17,486	1,222	⇩	1,372	(150)
Total	**(0)**	**0**	**(0)**	⇔	**-**	**(0)**

16. The improvement on budget arises from a net saving in the operating costs of providing Tenant Services and Repairs and Maintenance to the housing stock.

17. The Month 12 position is £150k worse than forecast at Month 9 due to a number of variances including £0.5m reduced pension and interest costs offset by increased costs of providing furnished accommodation, repairs and bad debt provisions.

Un-earmarked and Earmarked Reserves

18. Within the existing statutory and regulatory framework, it is the responsibility of the Executive Director of Resources to ensure that the Council has an adequate level of reserves and that there are clear protocols for their establishment and use.

19. Useable revenue reserves balances as at 31st March 2020 are estimated to be £257.5m, pending audit scrutiny. These reserves comprise mainly earmarked reserves, but included in the above total is £12.6m for un-earmarked reserves, which represent 3.0% of the 2019/20 net budget requirement of £420.0m. The £12.6m is in line with the minimum prudent level recommended by the Executive Director of Resources.

20. Usable reserves have increased by £49.3m in 2019/20. £32.5m of this increase is related to the Covid 19 virus. The Government paid the Council £33.3m of funding late in March, £18.2m to cover general costs across the Council, particularly in Social Care, and a £15.1m prepayment for 2020/21 Business Rates Sections 31 grants, to aid the Council's cash flow position. As at 31st March 2020 £0.8m of the general Covid fund had been used. However it is likely the financial impacts of Covid 19 will greatly exceed this level of funding.

21. Earmarked reserves are set aside to meet known or predicted future liabilities. These liabilities mean that these reserves are not normally available to fund budget overspends. However we examine these reserves each year to see if any are no longer needed and can be released. The potential for the costs of Covid to far exceed the funding from Government will bring this sharply in to focus in 2020/21.

22. Earmarked reserves also exist because of the need to smooth the significant payments made on programmes such as the Major Sporting Facilities (MSF) and PFI schemes over the 20 year plus terms of the underlying agreements.

23. Further details on reserves and their use can be found in **Appendix 1**.

Insurance Funds

24. A review of the Insurance Account has been undertaken to identify the level of fund required. This review includes:

- Known outstanding liabilities.
- Incurred but not reported liabilities (IBNR)
- Claims previously paid by Municipal Mutual Insurance (one of the Council's Insurers who went in to a form of receivership in the 1990's)
- Emerging claims
- Uninsured asbestos related claims.

25. In common with many other Local Authorities The Council was insured with MMI, a Mutual set up to provide Local Authority insurance.

26. MMI ceased trading in September 1992 and The Council is a member of the Scheme of Arrangement for its run-off. This Scheme manages the assets and liabilities of MMI and is administered by Ernst Young.

27. To date the scheme has clawed back 25% of claims paid from members. The Council currently has a potential further claw back of £3.744m with MMI and £642,000 relating to South Yorkshire Residuary Body (SYRB).

28. The Insurance Account as at 31 March 2020 has a balance of £19.3 Million; potential outstanding liabilities as at 31 March 2020 are £21.9 Million. The Insurance Account is therefore 88% funded as at 31 March 2020, which represents a satisfactory level of funding.

Capital Summary

29. The approved capital programme budget for 2019/20 at 31 of March 2020 was £152.3m. The overall outturn of expenditure against this approved budget is £128.5m, representing a variance of £23.8m. Further monitoring of the Capital Programme is reported in **Appendix 2**.

Corporate Risk Register

30. The Council maintains a Corporate Financial Risk Register which details the key financial risks facing the Council at a given point in time. There has been one significant addition to this Register since the Month 9 Report to reflect the Covid 19 outbreak.

31. The Covid virus and ongoing lockdown clearly present an unprecedented challenge to Local Authorities up and down the country. As well as having to engage in very different ways of working and overcome significant and varied problems, there is also a potentially huge financial impact.

32. At the latest estimate the Council anticipates around £70m of Covid related pressures, these include reduced Business Rates and Council Tax income, reduced fee income from areas such as Parking and Leisure Facilities and increased costs, particularly in relation to Social Care.

33. To date we have received £34.3m of funding from Central Government, to cover general costs across the Council. This still leaves us significantly short of the funding required. We continue to make plans to mitigate this gap, and to and lobby Government for an appropriate level of funding.

Annual Treasury Management Review

34. The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury review of activities, and the actual prudential and treasury indicators for 2019/20. This review is needed to meet the requirements of the CIPFA Code of Practice on Treasury Management (the code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code). During 2019/20 the Full Council received the Annual Treasury Strategy, whilst Cabinet were presented with the Outturn Report. Reports were also taken to the Cabinet Member for Finance during the year.

35. The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.

36. The Annual Treasury Management Review is attached as **Appendix 3**.

Implications of this Report

Financial implications

37. The primary purpose of this report is to provide Members with information on the City Council's Budget Monitoring position for 2019/20, but does request funding be carried into the next financial year to support project expenditure on the Place Change Programme.

Equal opportunities implications

38. There are no specific equal opportunity implications arising from the recommendations in this report.

Legal implications

39. There are no specific legal implications arising from the recommendations in this report.

Property implications

40. Subject to the description of the Capital Programme within **Appendix 2**, there are no other property implications arising from the recommendations in this report this report.

Recommendations

41. Cabinet are asked to:

(a) Note the updated information and management actions provided by this report on the 2019/20 Revenue Budget Outturn, and the information on reserves in attached **Appendix 1;**

(b) Consider for approval the Place Portfolio carry forward request as detailed from Paragraph 7;

(c) In relation to the Capital Programme, note the forecast Outturn position described in **Appendix 2;**

(d) Note the annual Treasury Management Outturn report for 2019/20, attached as **Appendix 3;** and

(e) Approve the actual 2019/20 prudential and treasury indicators presented in Annex 2 of Treasury Management Outturn report.

Reasons for Recommendations

42. To record formally changes to the Revenue Budget and the Capital Programme.

Alternative options considered

43. A number of alternative courses of action are considered as part of the process undertaken by Officers before decisions are recommended to Members. The recommendations made to Members represent what Officers believe to be the best options available to the Council, in line with Council priorities, given the constraints on funding and the use to which funding is put within the Revenue Budget and the Capital Programme.

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