POLICY & RESOURCES COMMITTEE	Agenda Item 20 Brighton & Hove City Council

Subject:		**Targeted Budget Management (TBM) Provisional Outturn 2019/20**	
Date of Meeting:		**9 July 2020**	
Report of:		**Acting Chief Finance Officer**	
Contact Officer:	**Name:**	**Jeff Coates**	**Tel: 29-2364**
	Email:	**jeff.coates@brighton-hove.gov.uk**	
Ward(s) affected:		**All**	

FOR GENERAL RELEASE

1 PURPOSE OF REPORT AND POLICY CONTEXT:

1.1 The Targeted Budget Monitoring (TBM) report is a key component of the council's overall performance monitoring and control framework. This report sets out the provisional outturn position (i.e. Month 12 year-end) on the council's revenue and capital budgets for the financial year 2019/20.

1.2 The final outturn position is subject to the annual external audit review of the council's accounts. The final position will be shown in the council's financial statements which must be signed by the Chief Finance Officer (CFO) by 31 August 2020 and the audited set approved by the Audit & Standards Committee by 30 November 2020.

1.3 In summary, the provisional outturn for the council in 2019/20 was an overspend of £2.821m which represents an adverse movement of £0.350m compared to the position assumed when setting the budget for next year (see Section 3). This change is explained by a small number of significant adverse and favourable movements detailed in the report and appendices. Section 3 sets out how the outturn position can potentially be managed and brought into balance.

1.4 The position demonstrates that the council has been able to plan and manage its resources during 2019/20 in an environment of significant financial challenges, including the achievement of over £11m savings during the year. Notwithstanding the impact of the pandemic, this is important in the context of growing pressures on demand-led services, the requirement to achieve further substantial savings, and uncertainties over funding in future years, particularly concerning business rates and the longer term funding of health and social care with health partners.

2 RECOMMENDATIONS:

2.1 That the Committee note that the provisional General Fund outturn position is an overspend of £2.821m and that this represents an adverse movement of £0.350m compared to the projected and planned resource position at Month 9 taken into account when setting the 2020/21 budget.

2.2 That the Committee approve the release of surplus Waste PFI resources of £0.385m to achieve a balanced outturn position.

2.3 That the Committee note the provisional outturn includes an underspend of £0.011m on the council's share of the NHS managed Section 75 services.

2.4 That the Committee note the provisional outturn for the separate Housing Revenue Account (HRA), which is an underspend of £0.679m.

2.5 That the Committee note the provisional outturn position for the ring-fenced Dedicated Schools Grant, which is an underspend of £0.703m.

2.6 That the Committee approve carry forward requests totalling £10.700m as detailed in Appendix 5 and included in the provisional outturn.

2.7 That the Committee note the provisional outturn position on the capital programme which is an underspend variance of £0.447m.

2.8 That the Committee approve the capital budget variations and re-profiling requested in Appendix 7 and new schemes in Appendix 8.

3 CONTEXT / BACKGROUND INFORMATION:

Change in resources since Month 9 (Budget Setting)

3.1 The forecast outturn position at Month 9 was projected to be an overspend of £3.355m. When setting the 2020/21 revenue budget, the overspend was assumed to improve by £0.884m by the year-end, leaving a net overspend of £2.471m requiring mitigation. In this respect, the council had set aside a one-off financial risk safety net of £0.805m and the remaining pressure of £1.666m was planned to be managed through an identified Collection Fund surplus of £0.947m and through switching £0.719m of modernisation programme financing to borrowing.

3.2 The provisional outturn position at the year-end, subject to the approval of carry forward requests, is an overspend of £2.821m, which is an adverse movement of £0.350m compared to the Month 9 position assumed at budget setting time. However, it was necessary to utilise a further £0.035m of the financial risk safety net at the end of the year to offset an unachievable saving, meaning that the overall change in resources to what was assumed at budget setting is an adverse movement of £0.385m.

3.3 The management of the outturn position and the change from the position projected when setting the 2020/21 budget is summarised in the table below.

Budget Item:	**Budget Setting (Month 9)**	**Provisional Year-end Outturn**	***Change Worse (+) Better (-)***
Forecast TBM Overspend at Month 9	3.355		
Improvement assumed by year-end	-0.884		
TBM Outturn	**2.471**	**2.821**	***+0.350***
Planned/Outturn Mitigations:			
Available Risk provision	-0.805	-0.770	*+0.035*
Collection Fund Surplus (Net)	-0.947	-0.947	*0.000*
Modernisation re-financing	-0.719	-0.719	*0.000*
Waste PFI Surplus (one-off)	0	-0.385	*-0.385*
OVERALL OUTTURN POSITION	**0**	**0**	***0***

3.4 The remainder of this report is in the standard TBM format and compares the movement from Month 9 to outturn as normal.

Targeted Budget Management (TBM) Reporting Framework

3.5 The TBM framework focuses on identifying and managing financial risks on a regular basis throughout the year. This is applied at all levels of the organisation from Budget Managers through to Policy & Resources Committee. Services monitor their TBM position on a monthly or quarterly basis depending on the size, complexity or risks apparent within a budget area. TBM therefore operates on a risk-based approach, paying particular attention to mitigation of growing cost pressures, demands or overspending together with more regular monitoring of high risk 'demand-led' areas as detailed below. At year-end, the TBM report will additionally include consideration of the treatment of any underspend or overspend with recommendations to the committee.

4 GENERAL FUND REVENUE BUDGET PERFORMANCE (APPENDIX 4)

Summary of the position at Outturn

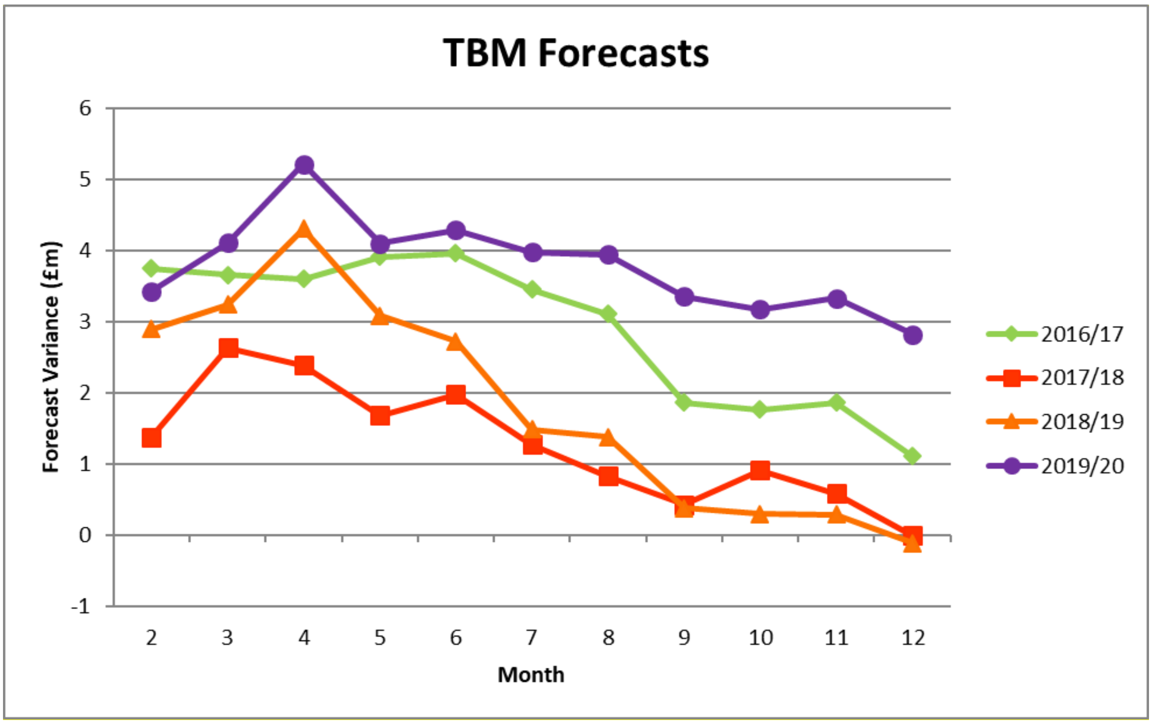
4.1 Appendix 2 provides a high level RAG (Red/Amber/Green) rating of financial performance for each major service heading. The table below shows the provisional outturn for council controlled revenue budgets within the General Fund. These are budgets under the direct control and management of the Executive Leadership Team. More detailed explanation of the variances can be found in Appendices 3 and 4.

4.2 The General Fund includes general council services, corporately-held budgets and central support services. Corporately-held budgets include centrally held provisions and budgets (e.g. insurance). Note that General Fund services are accounted for separately to the Housing Revenue Account (Council Housing). Note also that, although part of the General Fund, financial information for the Dedicated Schools Grant is shown separately as this is ring-fenced to education provision (i.e. Schools).

Provisional Outturn for Council-controlled General Fund Budgets

Forecast Variance Month 9 £'000	Directorate	2019/20 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
(1,024)	Families, Children & Learning	87,091	86,044	(1,047)	-1.2%
4,524	Health & Adult Social Care	58,426	63,127	4,701	8.0%
(659)	Economy, Environment & Culture	28,918	27,344	(1,574)	-5.4%
(183)	Housing, Neighbourhoods & Communities	12,253	12,134	(119)	-1.0%
29	Finance & Resources	24,312	24,449	137	0.6%
181	Strategy, Governance & Law	6,173	6,225	52	0.8%
2,868	Sub Total	217,173	219,323	2,150	1.0%
487	Corporately-held Budgets	(5,379)	(4,708)	671	12.5%
3,355	Total General Fund	211,794	214,615	2,821	1.3%

4.3 The chart below shows the monthly forecast variances for 2019/20 and the previous three years for comparative purposes. To ensure a like for like comparison of the underlying position, the data for the three years excludes the allocation of risk provisions.

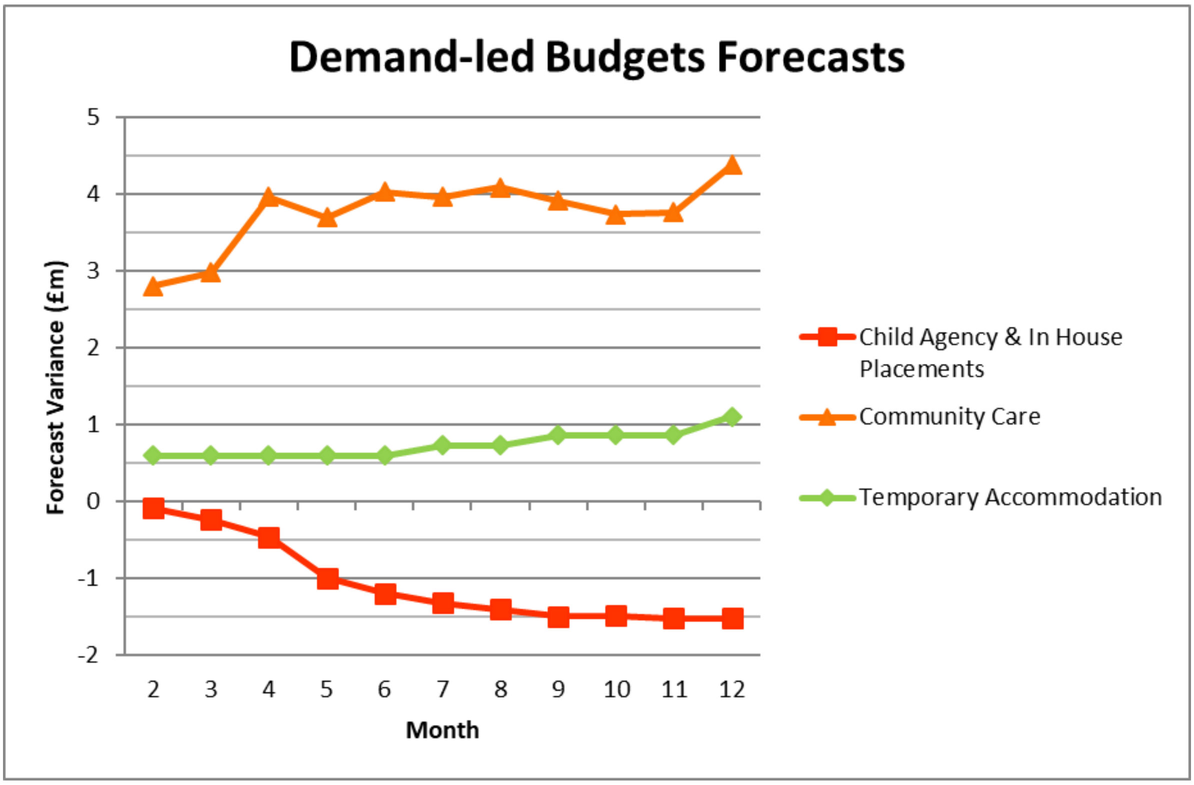


Demand-led Budgets

4.4 There are a number of budgets that carry potentially higher financial risks and therefore could have a material impact on the council's overall financial position. These are significant budgets where demand or activity is difficult to predict and where relatively small changes in demand can have significant implications for the council's budget strategy. These therefore undergo more frequent and detailed analysis.

Forecast Variance Month 9 £'000	Demand-led Budget	2019/20 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
(1,488)	Child Agency & In House Placements	22,117	20,599	(1,518)	-6.9%
3,967	Community Care	59,924	64,311	4,387	7.3%
730	Temporary Accommodation	2,606	3,716	1,110	42.6%
3,209	Total Demand-led Budget	84,647	88,626	3,979	4.7%

4.5 As always, it is important to monitor underlying trends in the context of the 2020/21 budget for which approximately £9m service pressure funding for demand-led budgets was provided, reflecting the pressures on these budgets indicated above. The chart below shows the monthly forecast variances on the demand-led budgets for 2019/20.



Significant Areas of Variance

The main pressures identified during the year were across parts of Families, Children & Learning, Health & Adult Social Care, Homelessness and City Environment Management. Information about these pressures and measures to mitigate them are summarised below:

4.6 **Children's Services:** The outturn position showed significant cost pressures: £0.320m on Services for Children with Disabilities; £0.123m on Services for Adults with Learning Disabilities; and £968m on Home to School Transport. However, there were services with such as Children in Care (£1.707m); Adoption (£0.362m); Preventive/s17 (£0.240m); together with other variances (£0.149m), which resulted in a final outturn of £1.047m underspent at the year-end.

4.7 **Adults Services:** The service has faced significant challenges in 2019/20 in mitigating the risks arising from increasing demands from client needs, supporting more people to be discharged from hospital when they are ready and maintaining a resilient local provider market. This was alongside delivering a significant budget savings programme and developing integration plans through the Better Care Fund.

- Service pressure funding of over £9.000m, including Better Care and Winter Pressure funding, was applied in 2019/20 and used to fund budget pressures resulting from the increased demands and complexity in the city. However, £1.563m was needed to offset the tapered reduction in iBCF funding, £0.383m to backfill the further withdrawal of CCG funding contributions, and £0.500m for the reduction in the Public Health Grant. Over the last two years there has been an overall £3.750m reduction in CCG funding due to pressures on local NHS budgets, however, this has all been borne by the HASC budget although CCG funding also relates to services in other directorates.

- At the end of the financial year, £0.633m of the total approved budget savings of £4.354m were unachievable.

- Overall, HASC has overspent by £4.701m in 2019/20 which clearly indicates the scale of the current challenges. Actions are focused on attempting to manage demands on and costs of community care placements across Assessment Services and making the most efficient use of available funds. The overspend is a result of:

    - Additional care home placements and home care packages for Older People relating to pressure from hospital discharge £1.765m;
    - Covid-19 related spend £0.150m (offset by COVID grant shown under Corporate-held Budgets);
    - Unfunded element of cumulative CCG funding reductions of £0.800m;
    - Physical Support shortfall in Section 117 funding of £0.612m;
    - Unachieved savings from the previous Sustainable Social Care Programme of £0.440m;
    - Other unachievable budget savings of £0.633m; and

  - £0.300m due to System control issues following the implementation of new software in April 2018, which have been identified and are being addressed.

- The HASC directorate is beginning a transformation programme called ‘Better Lives, Stronger Communities’ which aims to implement a consistent approach of adopting strengths based practice, ensuring robust pathways are in place, developing a community reablement offer and re-designing the front door service. This new way of working across the directorate will be reliant on a corporate and city-wide approach. However, the evidence at present indicates that the Health & Social Care system is under considerable pressure and this is generating additional costs for the council due to:

  - Pressures on NHS budgets resulting in reduced funding contributions from the CCG;
  - Significant pressures on the acute hospital resulting in increased costs to support timely discharge into residential and nursing home care;
  - Ongoing transformation of GP practices and enhancement of their clinical screening and general medical services which contribute to preventative support;
  - Pressures on NHS outreach and other preventative services including community nursing (known as Integrated Primary Care Teams); and
  - There is also focus nationally on improving rates of hospital discharge in order to accommodate winter pressures.

  The funding of all care packages is scrutinised for Value for Money, ensuring that eligible needs are met in the most cost-effective manner which will not always meet people’s aspirations. Established safeguards are in place to provide assurance within this process.

4.8 **Housing Services and Temporary Accommodation:** The outturn position for the total Housing Needs service for 2019/20 is an overspend of £1.090m. This relates to a £1.110m overspend on Temporary Accommodation, £0.165m on Seaside Homes and £0.029m on the Homemove service, offset by a £0.214m underspend on Housing options staffing costs. This overspend has been met from the release of Flexible Support Homelessness Grant.

The Temporary Accommodation (TA) 2019/20 provisional overspend of £1.110m is driven by higher than budgeted volumes of temporary accommodation due to the continuing local pressures and bedding in the statutory requirements of the Housing Reduction Act. The budget for 2019/20 was set with the view that numbers of households requiring TA would reduce, especially those using the more expensive emergency spot purchased accommodation. However, although the service has prevented 775 households from becoming homeless, of which 360 households were assisted into the private rented sector accommodation using 'Private Access Grant' funding, the overall numbers requiring TA remained stable for 2019/20, which was higher than anticipated at budget setting time. While leased accommodation was reduced in anticipation of a reduction in numbers of households requiring TA, the number of households did not reduce as quickly and the impact has been an increased use of more expensive spot purchase accommodation.

The service continues to work to reduce the volume of households in temporary accommodation by focusing resources on earlier prevention of homelessness and using the grant funding to transform the service. The service transformation was due to be rolled out in March but has been delayed due to COVID-19. We are continuing to work on changing the service to reflect the new approaches required under COVID-19 restrictions and how we can engage differently with people at risk of homelessness.

The Seaside Homes overspend of £0.165m is due to lower income collection following the impact of Universal Credit and void losses due to higher churn as households are moved on from temporary accommodation. The service is focusing on how to improve income collection which may become more difficult as Universal Credit is rolled out (the benefit payment for rent is not always paid directly to the landlord).

4.9 **Environment, Economy & Culture:** The underspend is substantially due to overachievements of various income streams, particularly parking income and commercial rents. This is partly offset by a number of service pressures, particularly CityClean service employee and fleet related costs both to meet service requirements and additional costs as a result of a fire at the Hollingdean Waste Transfer Station.

4.10 **COVID-19 Emergency:** Following the emergence of the coronavirus pandemic and implementation of lockdown towards the end of 2019/20, the council incurred a range of costs in responding to the emergency in the final two weeks of 2019/20. These are summarised in the table below.

Directorate	**£'000**
Families Children & Learning	17
Health & Adult Social Care	141
Economy Environment & Culture	81
Housing, Neighbourhoods & Communities	55
Finance and Resources	4
Strategy Governance & Law	2
Total COVID-19 Emergency Costs 2019/20	**300**

The government provided emergency response funding of £8.157m in late March 2020 and therefore £0.300m of this has been utilised in 2019/20 to fund the costs shown above. The costs are included within the directorate outturns and the grant funding is shown within the Corporately-Held Budgets outturn. The remaining £7.857m emergency grant funding is included on the carry forward schedule with the intention of using it to fund the significant COVID-19 related pressures in 2020/21.

Carry Forward Requests (Appendix 5)

4.11 Under the council's Financial Regulations, the Director of Finance[1] may agree the carry forward of budget of up to £0.050m per member of the Corporate

[1] Director of Finance is a generic term used in Financial Regulations meaning the Chief Financial Officer or S151 Officer, which in this council is currently the Acting Chief Finance Officer.

Management Team (up to a maximum of £1m in total) if it is considered that this incentivises good financial management. Given the council's challenging financial position, carry forwards are only allowed where there is clear evidence of a fully-funded, prior commitment that was not able to be completed or undertaken by the end of the financial year. Due the challenging financial situation, these have been kept to a minimum and only £0.091m has been agreed for 4 service areas to ensure planned commitments can be met in 2020/21.

4.12 Policy & Resources Committee approval is required for carry forward requests in excess of £0.050m. These include grant funded and non-grant funded carry forwards totalling £10.700m and have been assumed in the outturn figures above. The principles outlined in paragraph 4.11 above also apply. An analysis of these is provided in Appendix 5 split into two categories as follows:

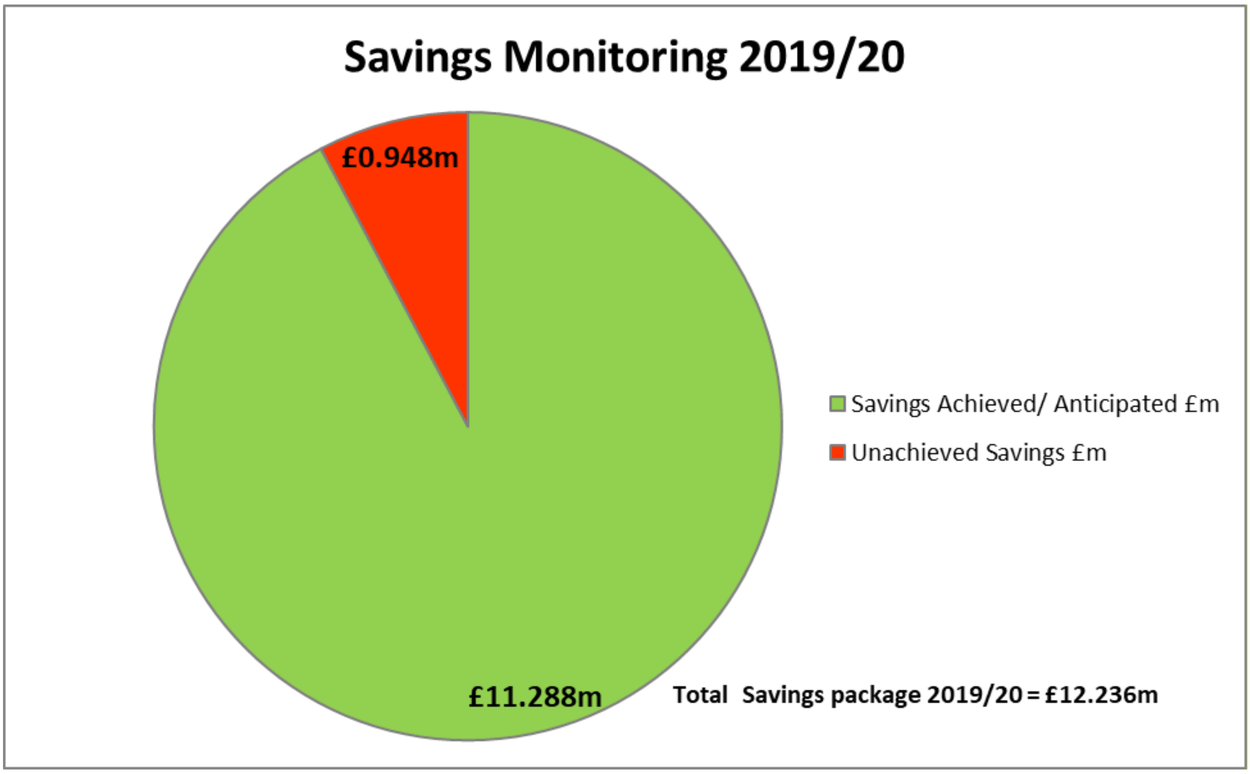
i) The non-grant funded element of carry forwards totals £1.192m. These items have been proposed where funding is in place for existing projects or partnership working that crosses over financial years and it is therefore a timing issue that this money has not been spent in full before the year-end.

ii) The grant funded element of carry forwards totals £9.508m. Under current financial reporting standards, grants received by the council that are unringfenced or do not have any conditions attached are now recognised as income in the financial year in which they are received rather than in the year in which they are used to support services. Carry forward is therefore required to ensure the grants are available to fund the commitments against them next year. The total of £9.508m is significantly higher than in previous years as it includes £7.857m of Covid-19 Emergency Response Funding received in March that is proposed to be carried forward to meet Covid-19 pressures in 2020/21. The total also includes a sum of £0.703m relating to the Dedicated Schools Grant. Under the Schools Finance Regulations, the unspent part of the DSG must be carried forward to support the schools budget in future years.

Monitoring Savings

4.13 The savings package approved by full Council to support the revenue budget position in 2019/20 was £12.236m following directly on from a £12.678m savings package in 2018/19. This is very significant and follows 7 years of substantial packages totalling over £130m that have been necessary to enable the funding of cost and demand increases for statutory and priority services, alongside managing reductions in central government grant funding.

4.14 Appendix 4 provides a summary of savings in each directorate and indicates in total what was achieved or unachieved. Appendix 6 summarises the position across all directorates and presents the entire savings programme. The graph below provides a summary of the position as at Month 12. This shows that approximately £11.288m savings were achieved with £0.948m (8%) unachieved. The areas where savings were most at risk were Adult Social Care and Life Events. Service pressure funding in the 2020/21 budget recognises the underlying issues on these services.



5 Housing Revenue Account Performance (Appendix 4)

5.1 The Housing Revenue Account is a separate ring-fenced account within the General Fund that covers income and expenditure related to the management and operation of the council's housing stock. Expenditure is generally funded by Council Tenants' rents, Housing Benefits and Universal Credit. The forecast outturn is currently an underspend of £0.679m and more details are provided in Appendix 4.

6 Dedicated Schools Grant Performance (Appendix 4)

6.1 The Dedicated Schools Grant (DSG) is a ring-fenced grant which can only be used to fund expenditure on the schools budget. The schools budget includes elements for a range of services provided on an authority-wide basis including early years education provided by the Private, Voluntary and Independent (PVI) sector, and the Individual Schools Budget (ISB) which is divided into a budget share for each maintained school. The provisional outturn is an underspend of £0.703m and more details are provided in Appendix 4. Under the Schools Finance Regulations any underspend must be carried forward to support the schools budget in future years.

7 NHS Managed S75 Partnership Performance (Appendix 4)

7.1 The NHS Trust-managed Section 75 Services represent those services for which local NHS Trusts act as the Host Provider under Section 75 Agreements. Services are managed by Sussex Partnership Foundation Trust (SPFT) and include health and social care services for Adult Mental Health and Memory and Cognitive Support Services.

7.2 This partnership is subject to separate annual risk-sharing arrangements and the monitoring of financial performance is the responsibility of the respective host NHS Trust provider. Risk-sharing arrangements result in financial implications for the council where a partnership is underspent or overspent at year-end and hence the performance of the partnership is included within the provisional outturn for the Health & Adult Social Care directorate. A year-end underspend of £0.011m was achieved for 2019/20 and more details are provided in Appendix 4.

8 Capital Programme Performance and Changes

8.1 The Capital programme spans more than one financial year and therefore monitoring is different to that of the revenue budget. Performance needs to be looked at from 5 different viewpoints at the end of the year as follows:

i) Variance: The 'variance' for a scheme or project indicates whether it has broken-even, underspent or overspent. Information on how forecast overspends will be mitigated is given in Appendix 7. If the project is completed, any underspend or overspend will be an outturn variance. Generally, only explanations of significant forecast variances of £0.100m or greater are given.

ii) Budget Variations: These are changes to the project budget within year, requiring members' approval, and do not change future year projections. The main reason for budget variations is where capital grant or external income changes in year.

iii) Slippage: This indicates whether or not a scheme or project is on schedule. Slippage of expenditure from one year into another will generally indicate overall delays to a project although some projects can 'catch up' at a later date. Some slippage is normal due to a wide variety of factors affecting capital projects, however substantial amounts of slippage across a number of projects could result in the council losing capital resources (e.g. capital grants) or being unable to manage the cashflow or timing impact of later payments or related borrowing. Wherever possible, the council aims to keep slippage below 5% of the total capital programme.

iv) Reprofiling: Reprofiling of budget from one year into another is requested by project managers when they become aware of changes or delays to implementation timetables due to unforeseeable reasons outside the council's direct control. Reprofiling requests are checked in advance by Finance to ensure there is no impact on the council's capital resources before they are recommended to Policy & Resources Committee.

v) IFRS changes: These accounting adjustments are only applied at year-end and are necessary for the council to comply with International Financial Reporting Standards (IFRS) for the Statement of Accounts. This concerns the determination of items of expenditure as either capital or revenue expenditure. Only items meeting the IFRS definition of capital expenditure can be capitalised; expenditure not meeting this definition must be charged to the revenue account.

For many capital schemes there may be instances where some of the costs are of a day-to-day servicing nature and are not true capital expenditure. It would be impractical for an authority to assess every item of expenditure when it is incurred as to whether or not it has enhanced an asset. A practical solution is therefore applied instead and as part of the closure of accounts process an assessment is made by capital programme managers and Finance to determine the correct classification of capital or revenue. Where an element of the scheme is deemed to be revenue, the capital budgets are reduced by the same amount as the items that are subsequently charged to the revenue account to ensure no overall budgetary impact. These changes are designated as 'IFRS Adjustments' in Appendix 7.

8.2 The table below provides a summary of capital programme performance by Directorate and shows that there is an overall underspend of £0.447m which is detailed in Appendix 7.

Forecast Variance Month 9 £'000	Capital Budgets	2019/20 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
0	Families Children & Learning	12,768	12,631	(137)	-1.07%
0	Health & Adult Social Care	604	555	(49)	-8.11%
(170)	Economy Environment & Culture	32,042	31,781	(261)	0.81%
0	Housing, Neighbourhoods & Communities	2,474	2,044	(430)	-17.38%
(666)	Housing Revenue Account	45,444	45,880	436	0.96%
0	Finance & Resources	1,969	1,969	0	0.0%
0	Strategy Governance & Law	504	498	(6)	-1.19%
0	Corporate Services	0	0	0	0.0%
(836)	Total Capital	95,805	95,358	(447)	-0.47%

(Note: Summary may include minor rounding differences to Appendix 7)

8.3 Appendix 7 shows the changes to the 2019/20 capital budget. Policy & Resources Committee's approval for these changes is required under the council's Financial Regulations. The following table shows the movement in the capital budget since approval in the Month 9 report.

Summary of Capital Budget Movements	2019/20 Budget £'000
Budget Approved at TBM Month 9 (December)	122,260
New Schemes (for approval – see Appendix 8)	219
IFRS Year-end changes (for noting)	(89)
Variations (for approval - see Appendix 7)	1,605
Reprofiles (for approval - see Appendix 7)	(27,314)
Slippage (for approval - see Appendix 7)	(876)
Total Capital Budget at Outturn	**95,805**

8.4 Appendix 7 also details any slippage into next year. In total, project managers have forecast that £0.876m of the capital budget may slip into the next financial year and this equates to approximately 0.91% of the capital budget.

9 Implications for the Medium Term Financial Strategy (MTFS)

9.1 The council's MTFS sets out resource assumptions and projections over a longer term. It is periodically updated including a major annual update which is included in the annual revenue budget report to Policy & Resources Committee and full Council. This section highlights any potential implications for the current MTFS arising from in-year TBM monitoring above and details any changes to financial risks together with any impact on associated risk provisions, reserves and contingencies. Details of Capital Receipts and Collection Fund performance are also given below because of their potential impact on future resources.

Capital Receipts Performance

9.2 Capital receipts are used to support the capital investment programme. For 2019/20 a total of £8.781m capital receipts (excluding 'right to buy' sales) have been received. Disposals during the year include the sale of 41-42 Park Wall Cottages, 23 Meeting House Lane, 43 Belmont Street, the lease extension for the Longley Site at New England House, and the transfer of land at Frederick Street to the HRA for new homes.

9.3 The Government receives a proportion of the proceeds from 'right to buy' sales with a proportion required by the council to repay debt; the remainder is retained by the council and used to fund the capital investment programme. The total net usable receipts for 'right to buy' sales in 2019/20 is £3.305m including £2.547m available for replacement homes.

Collection Fund Performance

9.4 The collection fund is a separate account for transactions in relation to council tax and business rates. Any deficit or surplus forecast on the collection fund relating to council tax is distributed between the council, Sussex Police & Crime Commissioner and East Sussex Fire Authority, whereas any forecast deficit or surplus relating to business rates is shared between the council, East Sussex Fire Authority and the government.

9.5 The collection fund for council tax at 31 March 2020 has a deficit of £2.115m which is an increase of £0.530m (council share = £0.450m) from the forecast deficit of £1.585m at month 9 (December). The increased deficit arose from an increased bad debt provision and higher level of council tax reduction discounts. The overall deficit for the year also included a lower level of properties being added to the property list than forecast, increased awards for students exemptions and discounts, lower reductions in CTR discounts than previously experienced and increasing awards of severely mentally impaired exemptions which can be backdated over a number of years. The council's share of the overall forecast council tax deficit is £1.796m.

9.6 The collection fund for business rates at 31 March 2020 has a surplus of £4.137m which is a decrease of £0.224m from Month 9. The surplus mainly relates to a reduced provision needed for successful appeals against the 2017 rating list. The latest information from the Valuation Office Agency the on the number of checks, challenges and appeals against the 2017 rating list indicates that lower levels are being raised. In light of this information the provision forecast as being needed at year end can be reduced by (£6.032m). Other changes include higher than forecast empty reliefs awarded of £1.624m, reduced business rates liability of £0.579m and reduced awards for reliefs funded by S31 compensation grants of (£0.104m). The council's share of the surplus is (£2.027m) and in addition to this (£0.311m) can be released from the S31 grant timing reserve which is an overall improvement of £0.045m from Month 9

9.7 The council's share of the combined net surplus across both collection funds is lower than the amount factored into the 2020/21 budget (at month 9) by £0.405m and will need to be included as an additional pressure in the budget forecast for 2021/22.

Reserves, Budget Transfers and Commitments

9.8 The creation or redesignation of reserves, the approval of budget transfers (virements) of over £0.250m, and agreement to new financial commitments of corporate financial significance that are not provided for in the approved budget and policy framework require Policy & Resources Committee approval in accordance with the council's Financial Regulations and Standard Financial Procedures.

9.9 As normal, the council's reserves and provisions have been fully reviewed as part of the annual closure of accounts process. Current reserves and balances are considered to be appropriate to meet normal risks, commitments and liabilities, and, with one exception, no changes to reserves are proposed at this time. Similarly, provisions identified during the closedown process are considered appropriate and reasonable and will be subject to review by the external auditor to ensure they adequately reflect identified liabilities and obligations.

9.10 The exception referred to is the Waste PFI Reserve. A report to the 5 December Policy & Resources Committee, entitled 'Deed of Variation to the Integrated Waste Management Services Contract', identified savings on the contract expected to result in a potential one-off surplus of £0.926m, which it was recommended be added to the Waste PFI reserve. However, an approved amendment to the December Policy & Resources Committee report instructed officers to identify how savings from the contract variation could be ringfenced in order to fund additional recycling measures, including collection of more plastics, and to report options back to the Environment Transport & Sustainability Committee. The projection has now been reviewed as part of the closure of accounts process and, due to a range of cost and income changes affecting the contract, the projected surplus has now reduced considerably to approximately £0.470m. Given the provisional outturn resource shortfall of £0.385m and the severely challenged financial position in 2020/21 due to the pandemic, it is recommended to release £0.385m of this Waste PFI surplus to balance the 2019/20 position and avoid carrying forward an overspend into 2020/21 which would exacerbate the position.

10 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

10.1 The provisional outturn position on council controlled budgets is an overspend of £2.821m including the council's risk-share of the provisional underspend on NHS managed Section 75 services of £0.011m. This is an adverse movement of

£0.350m compared with the projected position at month 9. Resources were further impacted by a £0.035m reduction in the Financial Safety Net risk provision.

10.2 The report details how this position can be managed down to a break-even position by the recommended release of £0.385m surplus Waste PFI resources. The alternative would be to retain the surplus resources in the Waste PFI reserve, resulting in the carry-forward of an overspend of £0.385m into the 2020/21 financial year. This would require identification of funding within the 2020/21 budget to mitigate the carried-forward overspend. The impact of the pandemic on the council’s 2020/21 financial position has been widely reported to the March, April and May meetings of Policy & Resources Committee and indicates a very substantial funding shortfall of £15m to the end of June with growing financial impacts expected over the remainder of the year. This option is not therefore recommended.

11 COMMUNITY ENGAGEMENT & CONSULTATION

11.1 No specific consultation has been undertaken in relation to this report.

12 CONCLUSION AND COMMENTS OF THE CHIEF FINANCE OFFICER (S151 OFFICER)

12.1 The overall resource position at outturn has worsened by £0.385m compared with the position at Month 9 and assumed in the 2020/21 Revenue Budget report to Policy & Resources Committee and Budget Council in February 2020. This position can be managed and brought into balance through the planned measures identified in February together with the use of an identified surplus on the Waste PFI contract, which is the recommended course of action. This represents a reasonable outcome for 2019/20, given the underlying pressures experienced across Adult Social Care throughout the year, and avoids putting further pressure on the 2020/21 financial year which is severely impacted by the pandemic. However, it should be noted that significant one-off resources have been deployed to manage the 2019/20 position due to the growing cost and demand pressures in Adult Social Care.

13 FINANCIAL AND OTHER IMPLICATIONS

<u>Financial Implications:</u>

13.1 The financial implications are covered in the main body of the report. Financial performance is kept under review on a monthly basis by the Executive Leadership Team and cross-party Budget Working Group and the management and treatment of strategic financial risks is considered by the Audit & Standards Committee.

Finance Officer Consulted: Jeff Coates Date: 22/06/2020

<u>Legal Implications:</u>

Decisions taken in relation to the budget must enable the council to observe its legal duty to achieve best value by securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The council must also comply with its general fiduciary duties to its Council Tax payers by acting with financial prudence, and bear in mind the reserve powers of the Secretary of State under the Local Government Act 1999 to limit Council Tax & precepts.

Lawyer Consulted: Elizabeth Culbert *Date: 29/06/20*

Equalities Implications:

13.2 There are no direct equalities implications arising from this report.

Sustainability Implications:

13.3 Although there are no direct sustainability implications arising from this report, the council's financial position is an important aspect of its ability to meet Corporate Plan and Medium Term Financial Strategy priorities. The achievement of a break-even position or better is therefore important in the context of ensuring that there are no adverse impacts on future financial years from performance in 2019/20.

Risk and Opportunity Management Implications:

13.4 In 2019/20 the council's revenue budget and Medium Term Financial Strategy contained risk provisions to accommodate emergency spending, even out cash flow movements and/or meet unexpected changes in demands. During the year, the council maintained a recommended minimum working balance of £9.000m to mitigate these risks. The council also maintains other general and earmarked reserves and contingencies to cover specific project or contractual risks and commitments.

SUPPORTING DOCUMENTATION

Appendices:

1. Financial Dashboard Summary
2. Revenue Budget Performance RAG Rating
3. Revenue Budget Movements since Month 9
4. Service Revenue Budget Performance
5. Year-end Carry Forward Requests
6. 2019/20 Savings Progress
7. Service Capital Programme Performance
8. New Capital Schemes

Documents in Members' Rooms:

None.

Background Documents

None.