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|--------------------------|---------------|--|---------------------|
| Subject: | | Targeted Budget Management (TBM) 2020/21: Month 2 | |
| Date of Meeting: | | 9 July 2020 | |
| Report of: | | Acting Chief Finance Officer | |
| Contact Officer: | Name: | Jeff Coates | Tel: 29-2364 |
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| 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 an early indication of forecast risks as at Month 2 on the council's revenue and capital budgets for the financial year 2020/21.
- 1.2 As set out in the General Fund Revenue Budget 2020/21 report to Budget Council, £7.825m was provided for in the budget for reinvestment in identified cost and demand pressures across social care and £7.220m for reinvestment in other priority service areas. These sums were expected to meet identified demand-led, cost and income pressures in 2020/21. The council also set aside a risk provision of £0.750m to mitigate potential demand risks and/or any difficulties in delivering savings targets. However, since setting the budget the Coronavirus outbreak has had a severe financial impact on the city and the council. This has been reported through financial update reports to Policy & Resources Committee in March, April and May. This report is the first formal reflection of the impact within the council's Targeted Budget Monitoring (TBM) framework. The report shows the forecast impact on budgets and includes memorandum information to indicate the element of the forecast attributable to the pandemic.
- 1.3 The forecast risk for 2020/21 at this early stage is a £36.003m overspend on the General Fund revenue budget. This includes a forecast overspend of £2.061m on the council's share of the NHS managed Section 75 services. As noted above, the council set aside a £0.750m risk provision to mitigate risks identified at the time of setting the budget. However, £0.500m of this now needs to be held against the anticipated additional costs of the pay award and the remaining £0.250m has already been released in the forecast outturn position above. Therefore, there is no further risk provision available to mitigate the forecast pressures identified in this report. This is clearly an unprecedented position and goes well beyond the ability of normal financial management measures to be able to rectify the situation. Full consideration of the 2020/21 position and options for managing this over a longer time frame are therefore dealt with in the General Fund Budget Planning & Resources Update report also on this committee agenda.

- 1.4 The report also indicates that £3.960m (38%) of the substantial savings package in 2020/21 of £10.291m is at risk. Most of this (£3.091m) is due to pressures arising from COVID-19.

2 RECOMMENDATIONS:

- 2.1 That the Committee note the forecast risk position for the General Fund, which indicates a budget pressure of £36.003m. This includes an overspend of £2.061m on the council's share of the NHS managed Section 75 services.
- 2.2 That the Committee note the forecast net Collection Fund deficit of £13.070m.
- 2.3 That the Committee note the forecast for the Housing Revenue Account (HRA), which is currently an underspend of £0.343m.
- 2.4 That the Committee note the forecast risk position for the Dedicated Schools Grant which is an overspend of £0.059m.
- 2.5 That the Committee note the forecast outturn position on the capital programme which is a forecast underspend of £2.417m and approve the variations and slippage in Appendix 5 and new schemes as set out in Appendix 6.
- 2.6 That the Committee approve the extension of the temporary period of average pay for Casual Workers who cannot work to the end of July 2020.

3 CONTEXT/ BACKGROUND INFORMATION

Targeted Budget Management (TBM) Reporting Framework

- 3.1 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 through effective financial recovery planning together with more regular monitoring of high risk demand-led areas as detailed below.
- 3.2 The TBM report is normally split into the following sections:
- i) General Fund Revenue Budget Performance
 - ii) Housing Revenue Account (HRA) Performance
 - iii) Dedicated Schools Grant (DSG) Performance
 - iv) NHS Controlled S75 Partnership Performance
 - v) Capital Investment Programme Performance
 - vi) Capital Programme Changes
 - vii) Implications for the Medium Term Financial Strategy (MTFS)
 - viii) Comments of the Chief Finance Officer (statutory S151 officer)

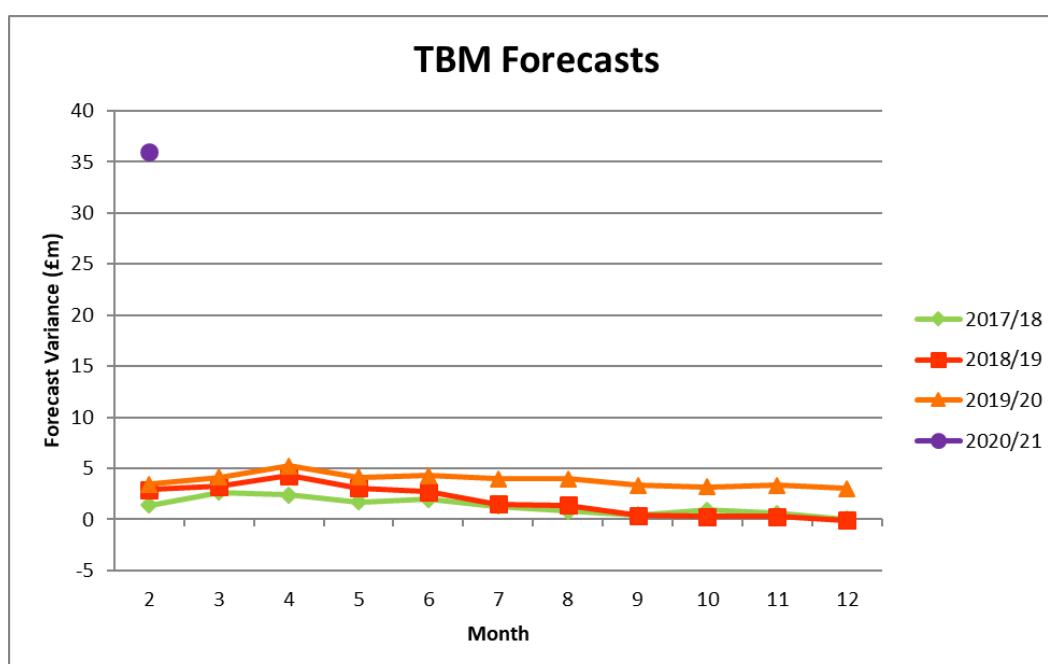
4 General Fund Revenue Budget Performance (Appendix 3)

- 4.1 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 Appendix 3. Please note that the 'COVID Variance Month 2' column is a memorandum-only column identifying the extent of the 'Forecast Variance Month 2' attributable to the pandemic.

| Provisional Variance 2019/20 £'000 | Directorate | 2020/21 Budget Month 2 £'000 | Forecast Outturn Month 2 £'000 | Forecast Variance Month 2 £'000 | COVID Variance Month 2 £'000 | Forecast Variance Month 2 % |
|---|---|---------------------------------------|---|--|---------------------------------------|--------------------------------------|
| (1,047) | Families, Children & Learning | 92,476 | 95,577 | 3,101 | 2,842 | 3.4% |
| 4,701 | Health & Adult Social Care | 64,666 | 78,178 | 13,512 | 16,101 | 20.9% |
| (1,574) | Economy, Environment & Culture | 38,828 | 64,685 | 25,857 | 25,608 | 66.6% |
| (119) | Housing, Neighbourhoods & Communities | 16,516 | 20,042 | 3,526 | 3,583 | 21.3% |
| 137 | Finance & Resources | 19,166 | 20,502 | 1,336 | 641 | 7.0% |
| 52 | Strategy, Governance & Law | 5,273 | 5,838 | 565 | 565 | 10.7% |
| 2,150 | Sub Total | 236,925 | 284,822 | 47,897 | 49,340 | 20.2% |
| 971 | Corporately-held Budgets | (7,304) | (7,543) | (239) | 114 | -3.3% |
| 0 | Corporate PPE Costs | 0 | 4,250 | 4,250 | 4,250 | 0.0% |
| (300) | COVID-19 Grant | 0 | (15,905) | (15,905) | (15,905) | 0.0% |
| 2,821 | Total General Fund | 229,621 | 265,624 | 36,003 | 37,799 | 15.7% |
| 0 | Collection Fund Deficit | 0 | 0 | 13,070 | TBC | 0.0% |
| 2,821 | Total Forecast Deficit | 229,621 | 265,624 | 49,073 | 37,799 | 15.7% |

- 4.2 The General Fund includes general council services, corporate budgets and central support services. Corporate Budgets include centrally held provisions and budgets (e.g. insurance) as well as some cross-cutting value for money savings targets. 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). The chart below shows the monthly forecast variances for 2020/21 and the previous three years for

comparative purposes. The impact of the pandemic clearly makes comparisons difficult at this time.

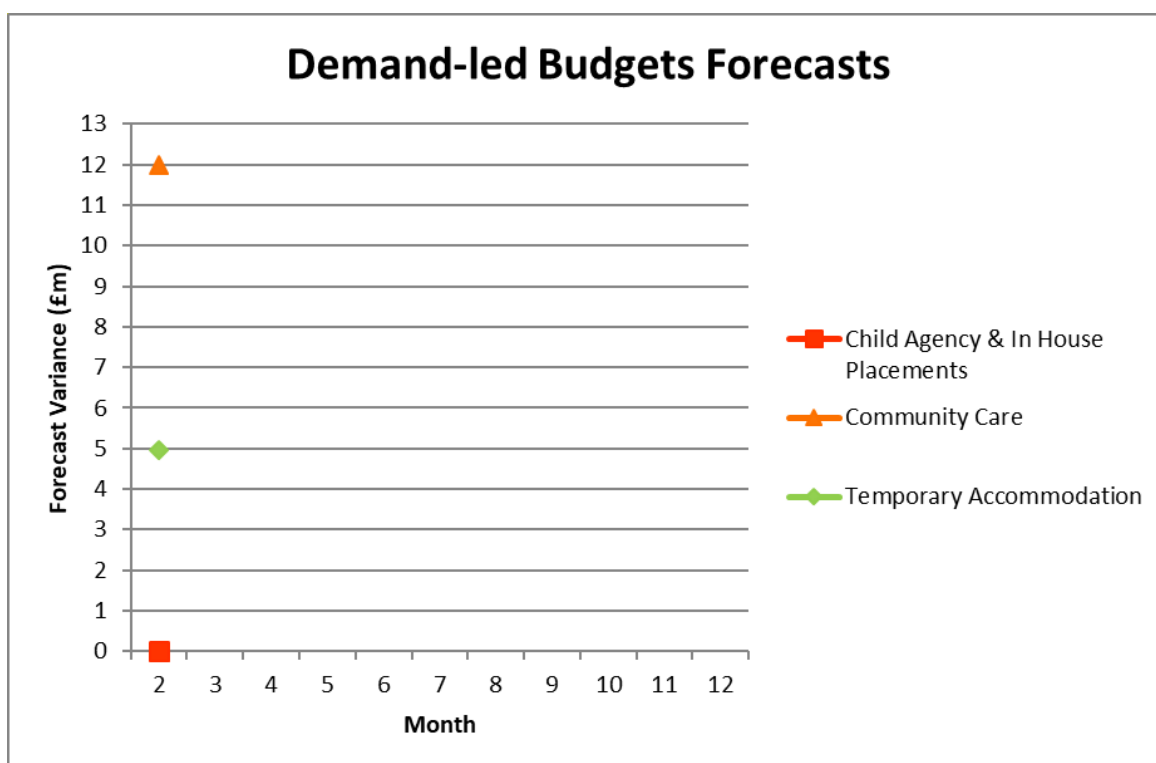


Demand-led Budgets

- 4.3 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 budgets of corporate significance 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 can include income related budgets. These therefore undergo more frequent and detailed analysis.

| | 2020/21 Budget Month 2 £'000 | Forecast Outturn Month 2 £'000 | Forecast Variance Month 2 £'000 | COVID Variance Month 2 £'000 | Forecast Variance Month 2 % |
|------------------------------------|---------------------------------------|---|--|---------------------------------------|--------------------------------------|
| Demand-led Budget | | | | | |
| Child Agency & In House Placements | 22,314 | 22,269 | (45) | 220 | -0.2% |
| Community Care | 70,769 | 82,760 | 11,991 | 11,322 | 16.9% |
| Temporary Accommodation | 3,113 | 8,062 | 4,949 | 3,416 | 159.0% |
| Total Demand-led Budget | 96,196 | 113,091 | 16,895 | 14,958 | 17.6% |

The chart below shows the monthly forecast variances on the demand-led budgets for 2020/21.



TBM Focus Areas

The main pressures identified at Month 2 are across parts of Families, Children & Learning, Health & Adult Social Care, Homelessness, Transport and culture, Tourism & Sport. Information about these pressures and measures to mitigate them are summarised below:

- 4.4 **Families, Children & Learning:** The current projected position identifies potentially significant cost pressures: £0.705m on Services for Children with Disabilities; £1.260m on Services for Adults with Learning Disabilities; £1.453m on Home to School Transport, and Council Nurseries £0.423m. However, there is a forecast underspending on Children in Care of (£0.723m) together with other variances of (£0.017m); this results in a forecast of £3.101m overspend as at Month 2. However, £2.842m of the forecast overspend directly relates to Covid-19 – this is a combination of loss of income, impact on savings targets and additional expenditure given the need to mitigate health risks posed by Covid-19. Work will continue in implementing financial recovery plans but it is anticipated that demand for statutory social care services will increase as families exit lockdown. This will put additional demand on budgets.
- 4.5 **Adults Services:** The service is facing significant challenges in 2020/21 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 is alongside supporting vulnerable clients during the coronavirus pandemic, delivering a significant financial recovery plan and developing integration plans through the Better Care Fund.
- Service pressure funding of £3.900m, including Better Care and Winter Pressure funding, has been applied in 2020/21 and used to fund budget pressures resulting from the increased demands and complexity in the city. However, £1.550m was needed to backfill the reduction in CCG funding

contributions. 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 this stage, £3.046m of the total financial recovery plan of £4.387m are being forecast as unachievable in this financial year. This is predominantly due to Covid-19.
- Overall HASC is forecasting to overspend by £13.512m in 2020/21 which clearly indicates the scale of the current challenges and the impact of the pandemic. 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. However, the priority to maintain capacity in local hospitals has exacerbated the situation and cut across the direction of travel to maintain more people in the community. The majority of the forecast overspend is a result of:
 - Covid-19 related spend £13.055m;
 - Unfunded element of cumulative CCG funding reductions of £0.361m;
 - £0.500m 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 planning 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 programme of work is currently on pause due to Covid-19. 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);
 - There is also focus nationally on improving rates of hospital discharge in order to accommodate winter pressures.

4.6 Housing Services and Temporary Accommodation: Temporary Accommodation (TA) is now forecast to overspend by £3.219m with a further overspend of £1.730m for housing of rough sleepers giving a total of £4.949m including the effects of COVID-19.

There are three main elements to this overspend. First there is a pressure of £1.533m arising from the continued 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 numbers in TA at the end of 2019/20 remained high and so, due to the pandemic and the difficulties with moving people on from temporary accommodation, it is assumed that numbers are likely to remain similarly high for the remainder of the year. Secondly, the number presenting as homeless has risen sharply during March and April as a result of the pandemic. This has increased the forecast overspend by £1.686m and includes an assumption that numbers will increase further during the year, especially as there is the potential for households to be evicted from private rented accommodation as a result of rent arrears accrued during the lockdown. There is then an added pressure of £1.730m relating to the accommodation costs of housing rough sleepers in the City up to early September. This was in response to the 'Everyone In' initiative, an urgent request from the Government to house everyone sleeping rough or at risk of sleeping rough, due to the pandemic.

However, the report details that the total pressure in TA is likely to be reduced by an estimated £2.665m of financial recovery measures including the use of Flexible Homelessness Support Grant, underspends due to delays in the new procurement of Short term Emergency TA together with the collection of Housing Benefit from rough sleepers and all new households in TA. This leaves a net forecast overspend of £2.284m for TA. The Government has very recently announced £105m funding, nationally, for 'a range of support interventions' for those placed in emergency accommodation during the pandemic. The council is currently awaiting details of specific allocations to councils.

Housing is also working on a Financial Recovery Plan to reduce costs and improve processes and income recovery. Further service transformation was due to be rolled out in March but has been delayed due to COVID-19. The service is also having to adapt to reflect the new approaches required under COVID-19 restrictions and how it can engage differently with people at risk of homelessness. The service will continue to reduce the numbers of households in temporary accommodation by focusing resources on earlier prevention of homelessness and continuing to use the grant funding to transform the service.

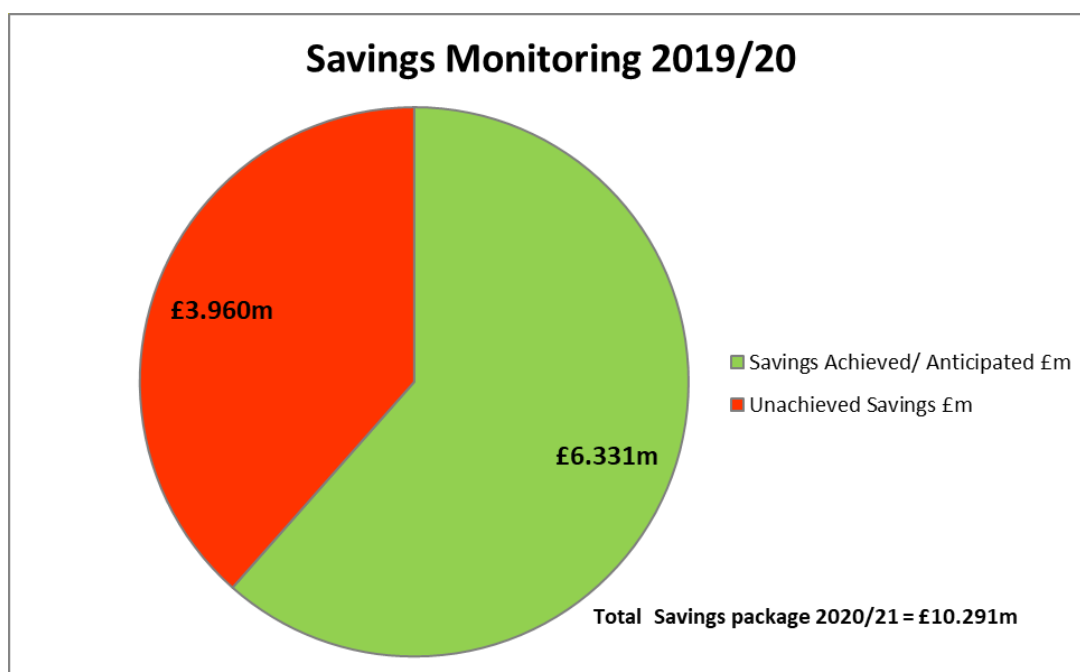
- 4.7 **Environment, Economy & Culture:** The Directorate has substantial income budgets for parking, museums and venues and for the council's commercial property portfolio, all of which are dependent on visitor numbers and commercial activity. There is also a challenging additional income target for Parking Services of £3.800m for 2020/21. These activities and services have been heavily impacted by the Covid-19 lockdown and the forecast is for significant income shortfalls compared to budget for 2020/21 in all these areas. There may be some recovery if the lockdown restrictions continue to be lifted. For example, there appears to be some recovery in on-street parking income emerging in June. However, there are also unavoidable cost pressures (mainly agency staffing) related to maintaining core services, such as refuse collection & recycling and street cleansing, at pre-COVID-19 levels.

Monitoring Savings

- 4.8 The savings package approved by full Council to support the revenue budget position in 2020/21 was £10.291m following directly on from a £12.236m savings package in 2019/20. This is very significant and follows eight years of substantial packages totalling over £142m that have been necessary to enable cost and

demand increases to be funded alongside managing reductions in central government grant funding.

- 4.9 Appendix 3 provides a summary of savings in each directorate and indicates in total what is anticipated/achieved or is at risk. Appendix 4 summarises the position across all directorates and presents the entire savings programme. The graph below provides a summary of the position as at Month 2 which is an early indication. This shows that £3.960m (38%) is currently at risk. Of this £3.091m is in respect of pressures relating to COVID-19. Mitigation of these risks will be included in the development of services' financial recovery actions as far as possible.



5 Housing Revenue Account Performance (Appendix 3)

- 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 and housing benefits. The forecast outturn is currently an underspend of £0.343m and more details are provided in Appendix 3.

6 Dedicated Schools Grant Performance (Appendix 3)

- 6.1 The Dedicated Schools Grant (DSG) is a ring-fenced grant within the General Fund 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 forecast outturn is an overspend of £0.059m and more details are provided in Appendix 3. Under the Schools Finance Regulations any underspend or overspend must be carried forward to support the schools budget in future years.

7 NHS Managed S75 Partnership Performance (Appendix 3)

- 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 forecast outturn for the Health & Adult Social Care directorate. An overspend of £2.061m is currently forecast and more details are provided in Appendix 3.

8 Capital Programme Performance and Changes

- 8.1 The table below provides a summary of capital programme performance by Directorate and shows that there is a forecast underspend of £2.417m at this early stage. More details are provided in Appendix 5.

| Provisional Variance 2019/20 £'000 | Directorate | Reported Budget Month 2 £'000 | Forecast Outturn Month 2 £'000 | Forecast Variance Month 2 £'000 | Forecast Variance Month 2 % |
|---|---------------------------------------|--|---|--|--------------------------------------|
| (137) | Families, Children & Learning | 33,547 | 33,547 | 0 | 0.0% |
| (49) | Health & Adult Social Care | 515 | 515 | 0 | 0.0% |
| (261) | Economy, Environment & Culture | 62,629 | 62,629 | 0 | 0.0% |
| (430) | Housing, Neighbourhoods & Communities | 999 | 999 | 0 | 0.0% |
| 436 | Housing Revenue Account | 55,643 | 53,226 | (2,417) | -4.3% |
| 0 | Finance & Resources | 7,088 | 7,088 | 0 | 0.0% |
| (6) | Strategy, Governance & Law | 1,309 | 1,309 | 0 | 0.0% |
| (447) | Total Capital | 161,729 | 159,312 | (2,417) | -1.5% |

(Note: Summary may include minor rounding differences to Appendix 5)

- 8.2 Appendix 5 shows the changes to the capital budget and Appendix 6 provides details of new schemes for 2020/21 to be added to the capital programme which are included in the budget figures above. 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 at Budget Council.

| Summary of Capital Budget Movement | Reported Budget Month 2 £'000 |
|--|--------------------------------------|
| Budget approved as at TBM Month 1 (April) | 166,338 |
| Changes reported at other committees and already approved | 14,598 |
| New schemes to be approved in this report (see Appendix 5) | 1,109 |
| Variations to budget (to be approved) | 2,700 |
| Reprofiling of budget (to be approved) | (23,016) |
| Slippage (to be approved) | 0 |
| Total Capital | 161,729 |

- 8.3 Appendix 5 also details any slippage into next year. However, as normal, project managers have forecast that none of the capital budget will slip into the next financial year at this early stage.

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 programme. Any changes to the level of receipts during the year will impact on future years' capital programmes and may impact on the level of future investment for corporate funds and projects such as the Strategic Investment Fund, Modernisation Fund, Asset Management Fund and the Information, Technology and Digital Investment Fund. The planned profile of capital receipts for 2020/21, as at Month 2, is £10.962m which includes significant receipts expected from the land transferring to the Housing Joint Venture, a number of lease extensions and property sales identified to support the Stanmer redevelopments. To date there have been receipts of £0.055m in relation to the deposit received for the disposal of Oxford Street Car Park and some minor loan repayments. The capital receipts performance will be monitored over the coming months against capital commitments.
- 9.3 The forecast for the 'right to buy sales' in 2020/21 (after allowable costs, repayment of housing debt and forecast receipt to central government) is that an estimated 30 to 40 homes will be sold with a maximum useable receipt of £0.515m to fund the corporate capital programme and net retained receipt of up to £4.000m available to re-invest in replacement homes. To date 4 homes have been sold in 2020/21.

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 and 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 council tax collection fund is forecast to be in deficit by £11.250m of which £10.720m relates to the current year equating to 6% of budgeted council tax income and £0.530m from the deficit brought forward. The impact of Covid-19 is significantly contributing to the deficit through reduced council tax receipts and increases in Council Tax Reduction (CTR) claimants. The main areas within the deficit are forecast losses in collection of £5.285m relating to the current year and the collection of arrears, increased CTR awards of £2.655m, continuing increase in SMI exemptions (including backdated element) £0.995m and shortfalls in liability, in part due to less properties being added to the valuation list, £0.675m. In addition there are higher than forecast awards of other discounts totalling £0.600m (includes single person discounts and disregard discounts for both students and Severely Mentally Impaired, SMI) and other exemptions (includes probate and patient) £0.510m. The council's share of the overall forecast council tax deficit is £9.550m.
- 9.6 The business rates collection fund is forecast to be in deficit by £7.184m. This is based on the estimated impact of Covid 19 on reduced collection of business rates income and potential business failures equating to 5% of the original net rates payable and increased empty property relief. The council's 49% share of the deficit is £3.520m.
- 9.7 It is early in the financial year to forecast the impact of Covid-19 and the estimates will be refined as more actual data becomes available. The combined collection fund deficit of £13.070m will need to be funded from one-off resources, normally this would be as part of the 2021/22 budget setting process, and is included in the budget update report elsewhere on this agenda.

Reserves, Budget Transfers and Commitments

- 9.8 The creation 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. There are no new reserves or budget transfers requiring approval at this stage but there is a corporate commitment to continue payment for casual staff unable to work detailed below.

Casual Staff Pay

- 9.9 At the beginning of the current pandemic, the government set out a clear expectation that all categories of worker i.e. including casual workers, should be treated consistently with other employees in terms of pay even if they are unable to work for the employer, for example because of a workplace closure in circumstances when they are unable to do their work from home. The advice from the Local Government Association was to base pay on any scheduled work for the worker within the relevant pay period or, on actual average earnings over a set period of for example 12 or 52 weeks.

- 9.10 While there is generally no contractual or legal obligation to pay casual staff if they are not required to work, Policy & Resources Committee agreed to maintain average levels of pay for casual workers for a temporary period where the need for the worker has reduced because of the impact on services of the pandemic or the person is unable to work because of Covid-19 infection. The period agreed by Policy & Resources Committee was from 23 March for a period 3 months. Approval is sought to extend the temporary period of average pay for casual workers to the end of July 2020 pending a further detailed review of the current situation, particularly in the context of lockdown restrictions being lifted over time and council services that have reduce or closed making plans to move forward. The estimated cost of the extension period is not yet available as it is not yet clear which staff are unable to work or be deployed elsewhere. The costs will be recorded as eligible Covid-19 costs.

10 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 10.1 The provisional outturn position on the General Fund is an overspend of £36.003m. This includes a forecast overspend of £2.061m on the council's share of the NHS managed Section 75 services. The accuracy of forecasts at this stage is not likely to be within high confidence limits, particularly given the very wide range of variables and factors that are changing on an almost weekly basis. However, the impact to the end of June is reasonably certain and is already substantial as previously reported to the committee.
- 10.2 The committee are advised that there are no further financial risk provisions available to mitigate the position. Any overspend at the year-end would normally need to be funded from general reserves and balances which would then need to be replenished to ensure that the working balance did not remain below the recommended level of £9.000m. However, as this is an unprecedented situation, the potential options for managing the large forecast deficit are covered in the General Budget Planning & Resources Update also on this committee agenda.

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 (\$151 OFFICER)

- 12.1 The forecast risk at Month 2 represents 15.7% of the net General Fund. This early forecast indicates a number of demand and cost pressures alongside income and taxation losses, largely driven by the impact of the pandemic. This will require all directorates and services to do everything possible to mitigate the position as far as they are able. The Executive Leadership Team will therefore focus on identifying and confirming appropriate financial recovery measures to attempt to reduce the potential call on one-off reserves and balances and/or minimise the need for emergency budget measures.

13 FINANCIAL AND OTHER IMPLICATIONS

Financial Implications:

- 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 the management and treatment of forecast risks is considered by the Audit & Standards Committee as part of its review of strategic risks.

Finance Officer Consulted: Jeff Coates

Date: 26th June 2020

Legal Implications:

- 13.2 Decisions taken in relation to the capital and revenue 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: 29th June 2020

Equalities Implications:

- 13.3 There are no direct equalities implications arising from this report.

Sustainability Implications:

- 13.4 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 council priorities. In addition, the council's response to managing the impact of the pandemic, in lieu of further government funding announcements, will be important to demonstrate that in a worst case scenario, it has plans to manage the financial impact and avoid financial collapse.

Risk and Opportunity Management Implications:

- 13.5 The council's revenue budget and Medium Term Financial Strategy contain risk provisions to accommodate emergency spending, even out cash flow movements and/or meet exceptional items. The council maintains 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. However, current reserves and balances were not set at a level to manage financial shocks of the scale of the pandemic and any depletion of reserves and balances to manage this position will normally require a plan for replenishment in future years.

SUPPORTING DOCUMENTATION

Appendices:

1. Financial Dashboard Summary
2. Revenue Budget RAG Rating
3. Revenue Budget Performance
4. Summary of 2020/21 Savings Progress
5. Capital Programme Performance
6. New Capital Schemes
- 7.

Documents in Members' Rooms:

None.

Background Documents

None.

