POLICY & RESOURCES COMMITTEE	Agenda Item 98 Brighton & Hove City Council

Subject:		**Targeted Budget Management (TBM) 2020/21: Month 7**	
Date of Meeting:		**3 December 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 the forecast risks as at Month 7 (October) 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, May, July, September and October. This report shows the latest 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 as at Month 7 is a £0.030m underspend on the General Fund revenue budget. This includes a forecast overspend of £0.313m on the council's share of the NHS managed Section 75 services. This is a further substantial improvement of £7.823m from Month 5 reflecting additional government support including £4.782m for the fourth tranche of Government Emergency Response funding. There are, however, underlying improvements in income and expenditure as shown in paragraph 4.4 below.

1.4 As noted above, the council set aside a £0.750m risk provision to mitigate risks identified at the time of setting the budget. However, £0.575m of this now needs to be held against the additional costs of the pay award, now confirmed at 2.75%, and the remaining £0.175m has already been released in the forecast outturn position above. Therefore, there is currently no further risk provision available to mitigate the financial position this year or next, including any Collection Fund deficit. However, Policy & Resources committee has approved the use of a financial smoothing mechanism to manage COVID-19 related budget deficits, including the Collection Fund, by internally borrowing from earmarked reserves.

1.5 The report also indicates that £3.593m (35%) of the substantial savings package in 2020/21 of £10.291m is at risk. Most of this (£3.115m) is due to pressures arising from COVID-19.

2 RECOMMENDATIONS:

That the Policy & Resources Committee:

2.1 Notes the forecast risk position for the General Fund, which indicates an overspend of £0.030m. This includes an overspend of £0.313m on the council's share of the NHS managed Section 75 services.

2.2 Notes the forecast net Collection Fund deficit of £11.818m.

2.3 Notes the forecast for the Housing Revenue Account (HRA), which is currently an underspend of £0.860m.

2.4 Notes the forecast risk position for the Dedicated Schools Grant which is an overspend of £0.348m.

2.5 Notes the forecast outturn position on the capital programme which is a forecast underspend of £3.171m.

2.6 Approves a transfer of £0.440m from the current HRA underspend to create an earmarked reserve for the catch-up of responsive repairs works in 2021/22 as set out in Appendix 4.

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 4)

4.1 The General Fund includes general council services, corporately-held budgets and central support services. Corporate 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).

4.2 The table below shows the forecast 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 4. Please note that the 'COVID Variance' column is a memorandum-only column identifying the extent of the 'Forecast Variance' attributable to the pandemic.

Forecast Variance Month 5 £'000	Directorate	2020/21 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	COVID Variance Month 7 £'000	Forecast Variance Month 7 %
1,749	Families, Children & Learning	92,773	94,140	1,367	2,501	1.5%
10,760	Health & Adult Social Care	64,829	73,333	8,504	13,484	13.1%
9,274	Economy, Environment & Culture	39,361	47,606	8,245	11,496	20.9%
4,728	Housing, Neighbourhoods & Communities	16,599	21,750	5,151	5,352	31.0%
839	Finance & Resources	20,980	22,244	1,264	266	6.0%
174	Strategy, Governance & Law	5,450	5,615	165	353	3.0%
27,524	Sub Total	239,992	264,688	24,696	33,452	10.3%
(4,009)	Corporately-held Budgets	(8,204)	(12,426)	(4,222)	(3,110)	-51.5%
2,800	Corporate PPE Costs	0	2,800	2,800	2,800	0.0%
(18,462)	COVID-19 Grant	0	(23,244)	(23,244)	(23,244)	0.0%
7,853	Total General Fund	231,788	231,818	30	9,898	0.0%
11,818	Collection Fund Deficit	0		11,818		
19,671	Total Forecast Deficit			11,848		

4.3 The position above shows an overall improvement over TBM Month 5 of £7.823m including the projected Collection Fund deficit. The improvement arises from a mixture of improved income forecasts, additional government Emergency Response grant funding received, and improving expenditure forecasts. Shows a net reportable deficit of £11.848m in 2020/21 indicating the level of internal borrowing from reserves required to financially smooth the deficit over a period of years.

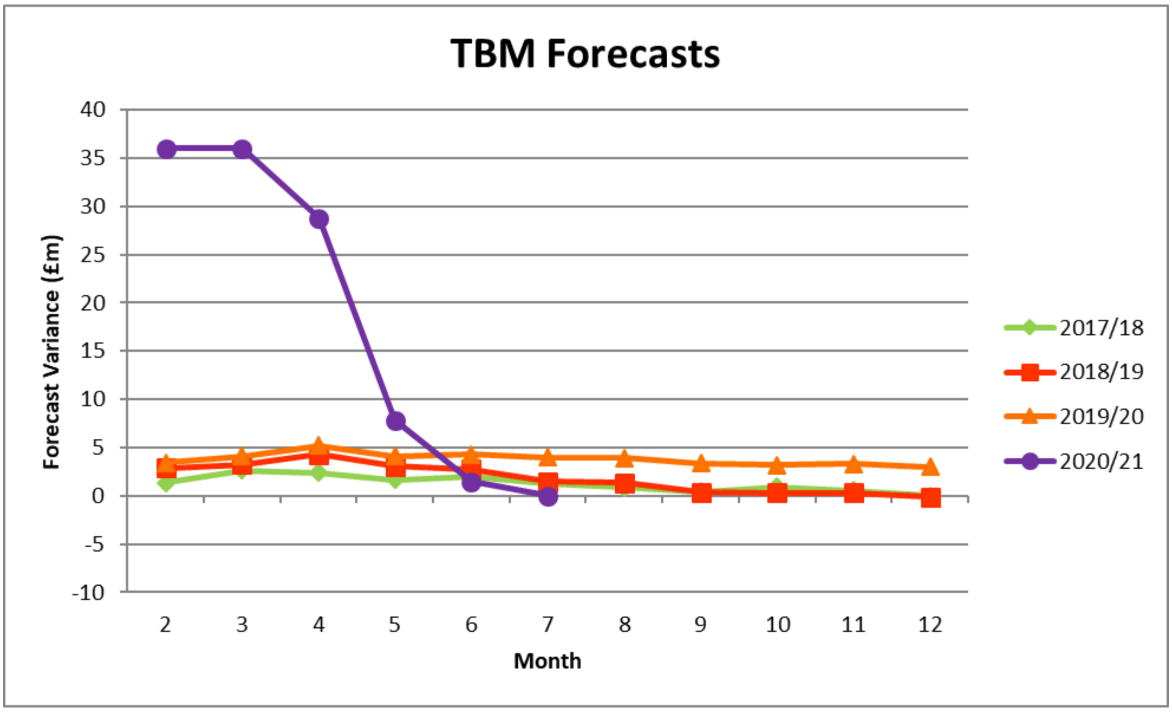
4.4 The Budget Update report to the July committee meeting took the TBM Month 2 forecast and looked at possible scenarios for the remainder of the financial year. Officers' best estimate of the position was set out in the 'Moderate View' scenario which started with the TBM Month 2 forecast as the base position. The table below compares the 'Moderate View' scenario reported to committee in July with an updated position as at Month 7.

Updated Scenario (Moderate View)	Moderate View Forecast (July P&R) (£m)	TBM Month 7 Forecast (£m)	Difference Better (-) Worse (+) (£m)

Base position: TBM Forecast Month 2 (May)	36.003	36.003	0
Improvement due to speed of recovery (Income)	-5.000	-8.986	-3.986
Further Mitigations (i.e. cost improvements)	-3.000	-5.301	-2.301
Continued Capital Programme pause	-0.500	-0.492	+0.008
Further government COVID-19 funding	-10.000	-21.194	-11.194
Revised Outturn Overspend 2020/21	**17.503**	**0.030**	**-17.473**
Forecast Collection Fund Deficit 2020/21	10.000	11.818	1.818
Total Projected Deficit 2020/21	**27.503**	**11.848**	**-15.655**

This table is provided to aid understanding of movements since July. The final column shows that there have been improvements in income, cost and grant forecasts largely due respectively to the busier than expected summer, additional NHS income for care placements, and substantial additional funding support from government. The Collection Fund deficit remains higher but this will be reviewed in detail during December to inform the January Tax Base reports to Policy & Resources Committee.

4.5 The chart below shows the monthly forecast variances for 2020/21 and the previous three years for comparative purposes, however, the impact of the pandemic clearly makes comparisons difficult at this time.



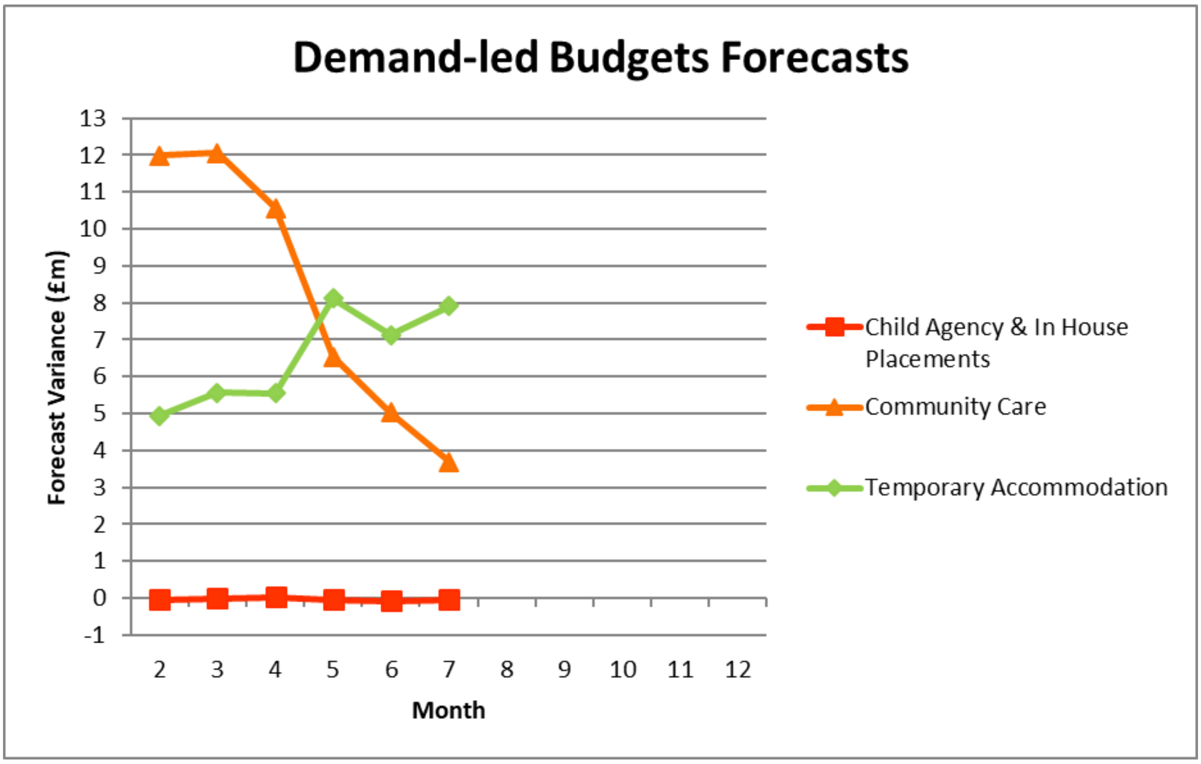
Demand-led Budgets

4.6 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.

Forecast Variance		2020/21 Budget	Forecast Outturn	Forecast Variance	COVID Variance	Forecast Variance

Month 5 £'000	Demand-led Budget	Month 7 £'000	Month 7 £'000	Month 7 £'000	Month 7 £'000	Month 7 %
(42)	Child Agency & In House Placements	21,995	21,947	(48)	155	-0.2%
6,539	Community Care	70,774	74,468	3,694	6,570	5.2%
8,118	Temporary Accommodation	3,223	11,127	7,904	5,391	245.2%
14,615	Total Demand-led Budget	95,992	107,542	11,550	12,116	12.0%

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 7 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:

4.7 **Families, Children & Learning:** The current projected position identifies potentially significant cost pressures: £1.046m on Services for Children with Disabilities; £0.920m on Services for Adults with Learning Disabilities and £1.020m on Home to School Transport. However, there is a forecast underspend on Children in Care placements of (£1.003m) together with other variances of (£0.616m); this results in a forecast of £1.367m overspend as at Month 7. £2.501m of the forecast spend relates to COVID-19 being a combination of loss of income, impact on savings targets and additional expenditure due to 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 could put additional demand on budgets.

The projected position for the Dedicated Schools Grant (DSG) is an overspend of £0.348m. This is largely due to some significant emerging overspends in the high needs block, most significantly mainstream school's top-up funding £0.235m and education agency placements £0.292m. These pressures are offset by forecast underspends elsewhere in the DSG. Overspend on DSG are carried forward within the ring-fenced DSG budget.

4.8 **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, £3.498m of the total financial recovery plan measures 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 £8.504m in 2020/21 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 majority of the forecast overspend is a result of:
    - Covid-19 related spend £13.484m;
    - 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 development programme called 'Better Lives, Stronger Communities' which aims to implement a consistent strengths-based approach across key work streams, ensuring robust pathways are in place, developing a community reablement offer and re-designing the front door service. This programme of work was temporarily paused due to Covid-19 but is now moving ahead. 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.

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

4.9 **Housing Services and Temporary Accommodation:** is now forecast to overspend by £3.004m with a further overspend of £4.900m for housing of rough sleepers to 31 March 2021, totalling £7.904m. However, the report details financial recovery measures of £2.950m using Flexible Homelessness Support Grant and collecting HB from rough sleepers to reduce this overspend to £4.954m compared to an estimated £4.276m at Month 5. There are four main elements to this overspend as follows:

- a pressure of £1.513m arising from the continued higher volumes of temporary accommodation being required for 'business as usual' (estimated 105 households) due to the continuing local pressures and impact of the Homelessness Reduction Act which introduced a relief duty of 56 days prior to concluding statutory duties that might be owed. The service has seen continued levels of overspending as in 2019/20 on other areas of TA such as repairs and income collection which means that £0.350m of savings are unlikely to be met. The numbers in spot purchase accommodation at the end of 2019/20 were high at over 100 and so, due to the pandemic and the difficulties with moving people on from temporary accommodation, it is assumed that numbers will remain similarly high for the remainder of the year. The budget is set at an average of 36 units of accommodation throughout the year, hence the forecast overspend;
- the number presenting as homeless has then risen sharply between March and September as a result of the pandemic and housing those at risk of rough sleeping as part of the response to the 'everyone in' initiative from the Government. This has led to a further forecast overspend of £1.791m. As at the end of October there were 149 units of spot purchase accommodation in use due to the pandemic (so 254 in total in use across the temporary accommodation service);
- forecast underspend of £0.300m relating to the new investment funding for an enhanced level of service for emergency short term accommodation. This assumes the new contract is not in place during 2020/21;
- A further pressure of £4.900m relating to the accommodation costs of housing rough sleepers in university accommodation, hotels and guest houses to March 2021. The Council has bid for resources from the MHCLG under the Next Steps Accommodation Programme (NSAP) and has been awarded £3.429m to the end of March 2021. This grant will cover some of the costs of the 'everyone in' initiative for both HNC and HASC directorates but there remain very significant cost pressures across both directorates. The council is in the process of identifying which services will be funded by the grant over the two Directorates and therefore, this grant is currently not included in this forecast but instead is shown corporately.

MHCLG have stipulated as a condition of the grant funding that the council should move-on 40% of those rough sleepers and people who were at risk of rough sleeping who were accommodated as at 30th Sept, i.e. 148, by 31 December into more sustainable accommodation and restrict the numbers housed going forward to those that are brought in from rough sleeping. Therefore, current forecasts assume no further growth in the numbers of households supported under the 'everyone in' initiative as budget resources have not been identified. The service is planning to move all those housed in hotels and guest houses into more sustainable accommodation by 31 March 2021. Further use of this accommodation after 31 March will cause on-going service pressures in 2021/22 for the council. A separate report 'Next steps - Rough Sleeping and Accommodation during COVID-19 Pandemic and Recovery' was considered by Housing Committee in November and includes the full financial implications of the continuation of the 'open offer' and recommends that Policy & Resources Committee consider the financial impact.

Housing is undertaking an overarching Temporary Accommodation 'end to end' Business Process review with support resource from Performance and Improvement team. This work will include considering how to reduce the use and length of stay in Temporary Accommodation and be linked to improving homeless prevention and enabling move on to more sustainable accommodation. The review will also include an assessment of void turnaround processes, income collection and repairs. 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.

4.10 **Environment, Economy & Culture:** The Directorate has substantial income budgets for parking, planning 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.

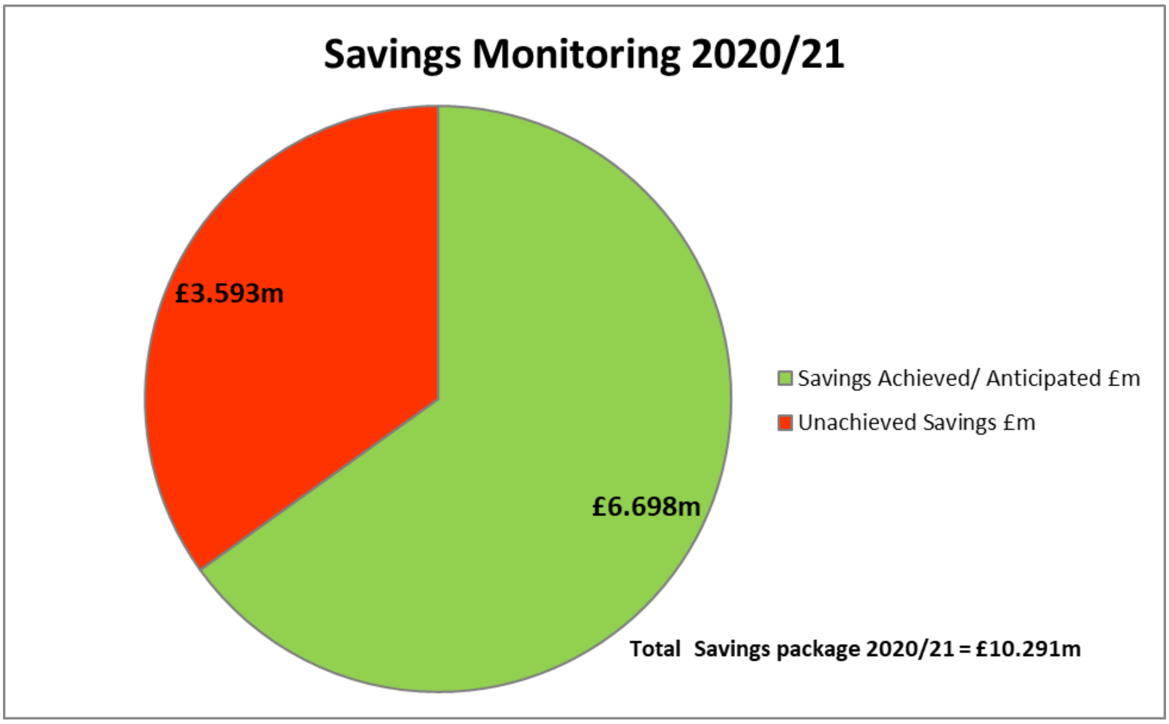
Month 7 has seen a substantially improved forecast of £0.811m for Culture, Tourism and Sport including confirmed government furlough scheme income and increased rental income with reduced casual staff costs and premises costs.

The overall position (including the latest forecasts for Sales, Fees and Charges grant income) has improved the forecast overspend by £1.029m between Month 5 and Month 7 (£9.274m to £8.245m).

Monitoring Savings

4.11 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.

4.12 Appendix 4 provides a summary of savings in each directorate and indicates in total what is anticipated/achieved or is at risk. Appendix 5 summarises the position across all directorates and presents the entire savings programme. The graph below provides a summary of the latest position and indicates that £3.593m (35%) is currently at risk. Of this £3.115m 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 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 and housing benefits. The forecast outturn is currently an underspend of £0.860m 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 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 £0.348m and more details are provided in Appendix 4. Under the Schools Finance Regulations any underspend or overspend must be carried forward within the schools budget.

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 forecast outturn for the Health & Adult Social Care directorate. An overspend of £0.313m is currently forecast and more details are provided in Appendix 4.

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 £3.171m at this stage.

Forecast Variance Month 5 £'000	Directorate	Reported Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
0	Families, Children & Learning	33,610	33,610	0	0.0%
0	Health & Adult Social Care	693	693	0	0.0%
0	Economy, Environment & Culture	75,693	75,693	0	0.0%
0	Housing, Neighbourhoods & Communities	2,859	2,859	0	0.0%
(2,417)	Housing Revenue Account	49,508	46,559	(2,949)	-6.0%
0	Finance & Resources	3,395	3,173	(222)	-6.5%
0	Strategy, Governance & Law	1,347	1,347	0	0.0%
(2,417)	Total Capital	167,104	163,933	(3,171)	-1.9%

8.2 Appendix 6 shows the changes to the capital budget and Appendix 7 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 7 £'000
Budget approved at Month 5	155,380
Changes reported at other committees and already approved	9,620
New schemes for approval in this report (see Appendix 7)	8,122
Variations to budget (for approval)	1,051
Reprofiling of budget (for approval)	(7,069)
Slippage (for noting)	0
Total Capital	167,104

8.3 Appendix 6 also details any slippage into next year. However, due to the impact of the pandemic most programme managers have made early estimates of necessary reprofiling of schemes which it would not be appropriate to describe as normal slippage. The level of reprofile requests is likely to increase further due to the current lockdown and other possible ongoing local 'Tier' measures. Policy & Resources Committee will also be deliberating (separately) on currently 'paused' capital schemes and, whether paused or un-paused, this is likely to further impact capital scheme profiling.

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 one-off or 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 7, 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 Stanmer redevelopment. To date there have been receipts of £1.888m in relation to the disposal of Oxford Street Car Park, the overage settlement for the Shoreham Airport, some small leases 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 16 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 £9.775m of which £9.805m relates to the current year equating to 5.2% of the budgeted income and £0.530m from the deficit brought forward.

9.6 The main contributors to the deficit are forecast losses in collection of £4.730m relating to both the current year and the collection of arrears, increased CTR awards of £2.485m, continuing increase in SMI exemptions (including backdated elements) £0.495m and shortfalls in liability, in part due to less properties being added to the valuation list at £0.495m. In addition, there are higher than forecast awards of other discounts totalling £0.500m (includes Single Person Discounts and disregards for students and SMI claimants) and other exemptions totalling £0.540m, including probate and patient exemptions. The council's share of the overall forecast council tax deficit is £8.298m.

9.7 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.

9.8 The combined collection fund deficit of £11.818m would need to be funded from one-off resources; normally this would be considered as part of the 2021/22 budget setting process.

Reserves, Budget Transfers and Commitments

9.9 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 council's approved Budget and Policy

Framework require Policy & Resources Committee approval in accordance with the council's Financial Regulations and Standard Financial Procedures. There is one item requiring approval at this time.

9.10 In Housing Management, a significant backlog of Council Housing repairs and maintenance has built up mainly as a result of reduced activity due to COVID-19. It is proposed to create an earmarked reserve of £0.440m from the currently forecast underspend and to top this up from further any further repairs and maintenance underspends in order to fund the work carrying over into 2021/22. This is contained wholly within the ring-fenced Housing Revenue Account (HRA). Further details are provided in Appendix 4.

10 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

10.1 The provisional outturn position on the General Fund is an overspend of £0.030m. This includes a forecast overspend of £0.313m on the council's share of the NHS managed Section 75 services. Together with a forecast deficit on the Collection Fund of £11.818m, this indicates a current deficit of £11.848m.

10.2 There are no further financial risk provisions available to mitigate the forecast 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. The management of the forecast deficit will be considered as part of the budget proposals for 2021/22 coming to February Policy & Resources Committee and Budget Council. This will include exemplification of the overall position on one-off resources and consider options for internally borrowing from reserves (financial smoothing) to manage any outstanding deficit.

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 forecast underspend at Month 7 shows a significant improvement and is close to break-even, primarily due to substantial government funding support for the various financial impacts of the pandemic that have been previously reported. The forecast indicates a number of underlying demand and cost pressures alongside income and taxation losses which are now primarily a cause for concern in managing finances in 2021/22 and beyond. Local Government will therefore be looking closely at the Spending Review and hoping for ongoing assistance, particularly in recognition of the higher baseline of people now in social care placements and in Temporary and Emergency Housing as well as support for ongoing impacts across a range of services and income, including Council Tax and Business Rates income, due to the potential economic impact.

Term Time Only Back Pay

12.2 On another matter, at its meeting on 18 July 2020 the committee considered the matter of defraying the projected £3.8m back pay liability arising from a change to the calculation of holiday pay for Term Time Only (TTO) staff, the significant majority of whom are in schools. The proposal put to schools was that although the liability is, legally, an eligible charge on schools' budgets, the council recognised the financial pressure on schools and offered to meet 50% of the liability and to borrow internally from its reserves to allow both schools and the General Fund to spread the cost over 10 years. At the meeting an amendment was approved by the committee as follows:

That the Committee agrees to explore further options for the proposed funding of Schools Term Time Only back pay and asks for it to be considered by the Schools Forum.

12.3 This work was undertaken by officers who explored options for allocation of the liability across schools and also gave further consideration to the share of the liability. Allocation options including a weighted model giving more support to small schools and special schools, and a weighted model giving more support to schools with higher numbers of disadvantaged pupils were explored but discounted as they created gainers and losers that would not only be potentially divisive but were inconsistent with the principles of schools funding allocations. The share of funding was reconsidered but during this period it emerged that the council was projecting a very large budget gap of at least £17m for 2021/22 as well as significant funding uncertainty and ongoing risk and therefore no budget flexibility was available to increase the offer. During this period the substantial government funding package for schools over the next 2 years was also confirmed. However, in the event, the final back pay liability figure was calculated at £3.3m rather than the projected £3.8m, i.e. £0.5m lower, and therefore, by fixing the council contribution this had the effect of improving the offer for schools and changed the share of the liability with 57% being met by the council and 43% to be met by schools.

12.4 The Schools Forum and Heads were informed of this approach in mid-October, including the improved share of costs from their perspective, and a letter was sent by the Executive Director of Families, Children & Schools to all heads confirming the position. The individual liabilities for each school have been calculated and will be notified by Schools Finance as part of their 2021/22 budgets.

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: 17th November 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 Taxpayers 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: 17th November 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 will be important to demonstrate that in a worst case scenario, it has plans to manage the financial impact and maintain its longer term financial resilience and sustainability.

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 Movement Since Month 2
3. Revenue Budget RAG Ratings
4. Revenue Budget Performance
5. Summary of 2020/21 Savings Progress
6. Capital Programme Performance
7. New Capital Schemes

Documents in Members' Rooms: None.

Background Documents: None.