

# Resources Overview & Scrutiny Committee

Briefing on the Quarter 1 Finance Report and Medium Term Financial Plan Update reports being considered by Cabinet on 27 July 2021



# Background

- In February 2021
  - Council set a **balanced** revenue budget for 21/22
  - The budget for 22/23 was balanced with the expectation enhanced business cases from Delivery Plan workstreams will come forward with proposals achieving **£38.5m** in savings
  - The Medium Term Financial Plan showed a deficit of **£76m** in 23/24 and rising to **£80m** by 24/25
- In June 2021
  - The 20/21 year ended with a **£76m** non Covid underspend and a **£17m** Covid underspend largely a result of significant one-off government funding received in the year.
- July 2021
  - The Quarter 1 finance report is being reported to Cabinet.
  - July update to the Medium Term Financial Plan forecast has been produced for Cabinet.

# Quarter 1 Finance Report

- The Quarter 1 finance report is showing currently a net overspend forecast by the end of the year of **£23m Non Covid and £4.4m Covid**. If we include the cost of existing staff redeployed to Covid this adds £38m to the cost of Covid.
- Overspend is **3.3%** of the net budget.
- This is **early in the financial year** which allows time for corrective action to be taken.
- Requirement is that directorates will collectively work towards eliminating the overspend by March 2022.
- Key details from the Quarter 1 report on shown in the following slides

# Quarter 1 General Fund Financial Position

	Covid Variation	Non- Covid Variation	Total Variation
	£m	£m	£m
Directorate Sub Total	27.8	5.6	33.4
Corporate Budgets	11.5	17.4	28.8
Application of Tranche 5 Funding Budget 2021/22	(12.5)	0.0	(12.5)
Covid Funding	(17.5)	0.0	(17.5)
Income Loss Scheme Funding	(4.9)	0.0	(4.9)
<b>City Council General Fund Sub Total</b>	<b>4.4</b>	<b>23.0</b>	<b>27.4</b>
Transfer of Indirect Covid Costs	38.0	(38.0)	0.0
<b>General Fund after transferring indirect costs</b>	<b>42.4</b>	<b>(15.0)</b>	<b>27.4</b>

- We will maximise the use of ring fenced Covid funding to mitigate the current Covid overspend.
- Position monitored by the Interim Director of Council Management and the Cabinet Member for Finance & Resources, and reported to Scrutiny via monthly exception reporting.

## Key Directorate Pressures:

- **£3.4m** SEND Travel Assist increased costs
- **£2.6m** Homelessness B&B demand increasing

## Key Corporate Pressures

- **£7m** likely 1.5% pay award, budget based on Chancellor's announcement of a public sector pay freeze
- **£5m** element of workforce saving seen as currently undeliverable
- **£5m** reduced government support for Council tax and business rates losses

# Other Quarter 1 Highlights

## Capital expenditure

- Spend forecast at **£745.3m** against revised capital budget of **£734.0m** including slippage from 20/21.
  - Overspend of **£11.3m** due to increased housing improvement works funded by additional contributions from the Housing Revenue Account.

## Savings Programme

- **£36.8m** savings programme
- **£15.9m** (43%) delivered so far or on track (Green). **£15.2m** (Amber). **£5.7m** (Red)
  - £20m workforce savings: £10m delivered, £5m Amber and £5m Red,
  - £8.8m Adult Social Care savings has £7.5m Amber due to uncertainty around demand in community and hospital settings.

## Collection Fund

- Forecast deficit of **£14.7m** (£5m Council Tax and £9.7m Business Rates). Impacts 22/23 budget
  - Lower business rates growth forecast at this stage

## Housing Revenue Account

- **£2.3m** surplus which will increase HRA reserve to **£11.3m** for resilience

## Balance Sheet

- Reserves – forecast to be **£825m** with General Reserves and balances **£197m** of this providing a level of financial resilience.
- Sundry debt **£5.4m** higher year on year at **£85.8m**.
  - Driven by Covid restrictions on debt collection and courts shut down.
  - Adopting a more targeted debt approach in response

# July Medium Term Financial Plan Update

- The July Medium Term Financial Plan update is coming early in July as part of the new rolling budget process which is one of the improvements made to the Council's financial management.
- The latest projections indicate that the position has deteriorated since February, with the gap now been estimated to be in the region of **£116m** by 2025/26.
- The **£36.4m** Budget Smoothing reserve, created from underspends for 2020/21 outturn, will assist in providing further budget resilience.

# Estimated changes since February 2021

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
<b>Financial gap as approved by Cabinet February 2021</b>	<b>(0.078)</b>	<b>76.329</b>	<b>80.521</b>	<b>97.412</b>
<b><u>Expenditure changes</u></b>				
Pay award assumed to be 1.5%	7.129	7.307	7.490	7.677
Waste service - cost of upgrading old infrastructure and loss of income due to changing market conditions	-	-	4.500	4.500
Ongoing pressure on Home to School Transport budgets	3.000	3.000	3.000	3.000
Strengthened PMO and CE delivery unit (April Cabinet decision)	1.458	1.458	1.458	1.458
COVID impact	2.505	2.416	2.416	2.416
<b>Total expenditure changes</b>	<b>14.092</b>	<b>14.181</b>	<b>18.864</b>	<b>19.051</b>
<b><u>Resource changes</u></b>				
Reduced expectation from the local tax support	5.369	5.369	-	-
Business Rates and Council tax forecast deficit (Quarter 1)	14.735	-	-	-
<b>Total Resources changes</b>	<b>20.104</b>	<b>5.369</b>	<b>-</b>	<b>-</b>
<b>Updated Financial Gap (July 2021)</b>	<b>34.118</b>	<b>95.879</b>	<b>99.385</b>	<b>116.463</b>

## Key Risks

- Key reforms to local government financing (e.g. business rates system)
- Spending Review later this year.
- Additional services pressures including ongoing impact of Covid and Brexit (income and service demands)

## Next Steps

- Further MTFP update will be taken to Cabinet in October, which will incorporate initial cashable benefits from the Delivery Plan programme of works and other solutions.
- Public consultation will take place from November to December 2021
- Final budget proposals to Cabinet and Council in February 2022