

Month 7 Financial Exception Report

1. High Level Summary Financial Position

- 1.1. This is an exception report on the major financial issues for the Council at Month 7. It is not a full financial forecast and the assumption is that there are no significant variances beyond the issues highlighted. The next full forecast will be reported in January.
- 1.2. The assessment at the end of October is that the Council's **General Fund**, will have a net **underspend** of **£5.4m** (Column E in table1) which represents -0.6% of the £852.9m budget. There is a **£4.5m** overspend related to the Covid-19 emergency after applying the £84.3m government grant and estimate of £19.6m income loss funding (Column C in table1). The Covid funding gap is being dealt with as a corporate issue. This is offset by a non Covid-19 net underspend of **£9.9m** (Column D in table1).
- 1.3. The net underspend reflects the proposals to balance the budget within the **MTFP Refresh Report** approved by the Cabinet in November 2020, principally to release £6.4m for eligible additional food and school meal costs to be recovered from uncommitted balance on the Hardship Fund (Column C in Table 1). The other proposals relating to utilising potential savings from earmarked Policy Contingency have not yet been committed and are not factored into the forecast position.
- 1.4. On 22nd October the Council was informed of a further £44.2m of un-ringfenced Covid-19 related grant. It was recommended to Cabinet on November 10th in the Month 6 Report that this is transferred to specific Covid reserve to manage the ongoing pandemic through the higher risk winter months.
- 1.5. On 31st October the Government announced further national lockdown measures. Any impacts will be reflected in future reports.
- 1.6. Brexit: The Cabinet meeting of 13 October 2020 approved the release of £0.2m of General Policy Contingency to fund the Brexit Readiness Programme and a further £0.2m to fund to transition the Brussels Office into a financially sustainable operation effective from April 2021.
- 1.7. A review of Establishment (Workforce) is currently underway and this will have a part year impact on budget delivery in 2020-21 and the full impact of the changes will be seen in 2021-22. With the exception of key frontline services, workforce controls have been introduced, to stop vacant roles being filled this year, and reduce agency spend by 10%. This will provide further budget resilience. This will be replicated in 2021/22 to deliver further savings. This will mean maintaining establishment controls and undertaking necessary restructures to permanently reduce the establishment without impacting services. There will be no compulsory redundancies as natural turnover is 7.5% and there is a high use of agency staff.
- 1.8. Directors were asked to review their Covid-19 decisions and assumptions and where there is choice to look to curb spending. There are also a range of other measures under consideration. Since Month 6 there has been an improvement in net spend of £16.3m (Column E). The forecast cost of the Covid-19 emergency has decreased by further £1.0m (Column C) since Month 6 and £6.4m of Covid costs will be funded from the uncommitted balance on the Hardship Fund. There was also a decrease of £8.8m in non Covid-19 costs since Month 6 (Column D). The improvement in the non-Covid

forecast has largely been due to improvements in Adult Social Care of £6.4m, Education & Skills of £1.8m, and in Neighbourhoods of £0.8m. The improvements are covered in more detail in Section 2 of this report.

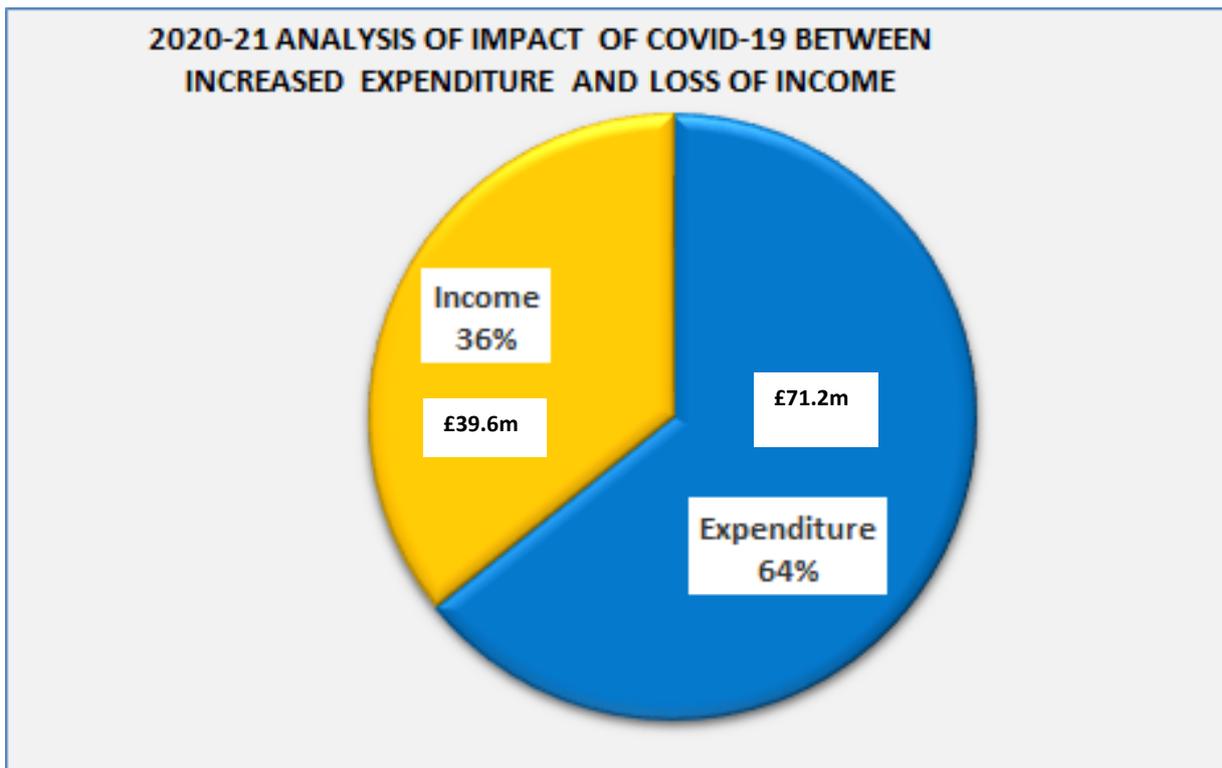
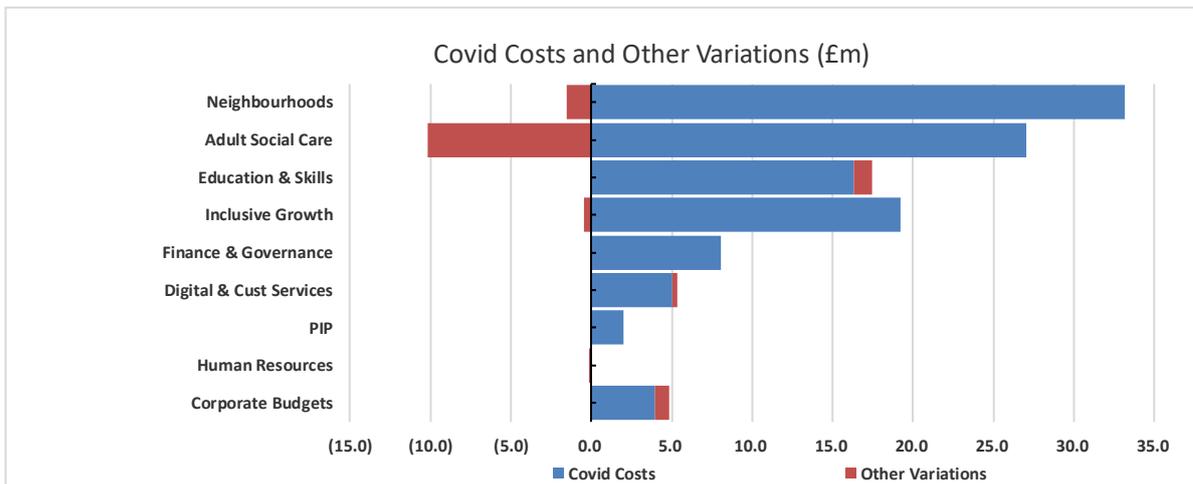


Table 1: High Level Summary						
Directorate	A	B	C	D	E	F
	Current Budget	Forecast Outturn	Covid 19 Financial Impact Included *	Over/(Under) spend Non Covid costs	Total Over/(Under) Spend **	Movement in Total Over/(Under) Spend From M6***
	£m	£m	£m	£m	£m	£m
Neighbourhoods	125.938	157.564	33.159	(1.533)	31.626	(1.985)
Inclusive Growth	105.511	124.276	19.195	(0.430)	18.765	(1.087)
Education & Skills	276.722	294.186	16.291	1.173	17.464	(0.596)
Adult Social Care	329.344	346.189	27.045	(10.200)	16.845	(6.272)
Finance & Governance	13.942	21.997	8.055	0.000	8.055	0.070
Digital & Cust Services	29.263	34.592	5.029	0.300	5.329	0.000
Partnerships, Insight and Prevention	7.229	9.236	2.007	0.000	2.007	0.600
Human Resources	6.566	6.467	0.036	(0.135)	(0.099)	0.000
Directorate Sub Total	894.515	994.508	110.818	(10.825)	99.993	(9.270)
Corporate Budgets	(41.583)	(36.734)	3.943	0.905	4.848	(0.583)
Covid Funding	0.000	(84.278)	(84.278)	0.000	(84.278)	0.000
Income Loss Scheme Funding	0.000	(19.600)	(19.600)	0.000	(19.600)	0.000
Proposed School Meals Funding	0.000	(6.400)	(6.400)	0.000	(6.400)	(6.400)
Corporate Subtotal	(41.583)	(147.012)	(106.335)	0.905	(105.430)	(6.983)
City Council General Fund	852.933	847.496	4.483	(9.919)	(5.437)	(16.253)
Financial Position as at M 6	852.933	863.749	11.920	(1.104)	10.816	
Movement from previous M 6	0.000	(16.253)	(7.437)	(8.816)	(16.253)	
Movement from previous M 6 %	0.00%	(1.88)%	(62.39)%	798.73%	(150.26)%	

* the above table has been sorted according to the total over/under spend (largest to smallest)

**this excludes Covid-19 risk, see [2.29 below](#)

*** This shows the movement from the previous month.

Table 2:High Level Summary											
	A	B	C	D	E	F	G	H	I	J	K
Directorate	Current Budget	Forecast Outturn	Covid 19 Financial Impact Included *	Over/(Under) spend Non Covid costs	Total Over/(Under) Spend **	Covid 19 Financial Impact Included M6	Over/(Under) spend Non Covid costs M6	Total Over/(Under) Spend M6	Movement Covid 19 cost from M6	Movement in Non Covid cost From M6	Movement in Total Over/(Under) Spend From M6***
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Neighbourhoods	125.938	157.564	33.159	(1.533)	31.626	34.411	(0.800)	33.611	(1.252)	(0.733)	(1.985)
Inclusive Growth	105.511	124.276	19.195	(0.430)	18.765	20.381	(0.528)	19.852	(1.186)	0.099	(1.087)
Education & Skills	276.722	294.186	16.291	1.173	17.464	15.077	2.983	18.060	1.214	(1.810)	(0.596)
Adult Social Care	329.344	346.189	27.045	(10.200)	16.845	26.947	(3.830)	23.117	0.098	(6.370)	(6.272)
Finance & Governance	13.942	21.997	8.055	0.000	8.055	7.985	0.000	7.985	0.070	0.000	0.070
Digital & Cust Services	29.263	34.592	5.029	0.300	5.329	5.029	0.300	5.329	0.000	0.000	0.000
Partnerships, Insight and Prevention	7.229	9.236	2.007	0.000	2.007	1.407	0.000	1.407	0.600	0.000	0.600
Human Resources	6.566	6.467	0.036	(0.135)	(0.099)	0.035	(0.134)	(0.099)	0.001	(0.001)	0.000
Directorate Sub Total	894.515	994.508	110.818	(10.825)	99.993	111.272	(2.009)	109.263	(0.454)	(8.816)	(9.270)
Corporate Budgets	(41.583)	(36.734)	3.943	0.905	4.848	4.526	0.905	5.431	(0.583)	0.000	(0.583)
Covid Funding	0.000	(84.278)	(84.278)	0.000	(84.278)	(84.278)	0.000	(84.278)	0.000	0.000	0.000
Income Loss Scheme Funding	0.000	(19.600)	(19.600)	0.000	(19.600)	(19.600)	0.000	(19.600)	0.000	0.000	0.000
Proposed School Meals Funding	0.000	(6.400)	(6.400)	0.000	(6.400)	0.000	0.000	0.000	(6.400)	0.000	(6.400)
Corporate Subtotal	(41.583)	(147.012)	(106.335)	0.905	(105.430)	(99.352)	0.905	(98.447)	(6.983)	0.000	(6.983)
City Council General Fund	852.933	847.496	4.483	(9.919)	(5.437)	11.920	(1.104)	10.816	(7.437)	(8.816)	(16.253)
Financial Position as at M6	852.933	863.749	11.920	(1.104)	10.816						
Movement from previous M6	0.000	(16.253)	(7.437)	(8.816)	(16.253)						
Movement from previous M6 %	0.00%	(1.88)%	(62.39)%	798.73%	(150.26)%						

Table 3: Analysis of Non covid variations by Directorate

Directorate	non delivery of savings £m	expenditure variations £m	income variations £m	one-off mitigations £m	Non Covid 19 Financial Impact Included £m
Neighbourhoods	1.6	0.4	4.0	(7.6)	(1.6)
Adult Social Care	0.0	(0.4)	(1.3)	(8.5)	(10.2)
Inclusive Growth	0.6	0.0	1.2	(2.2)	(0.4)
Education & Skills	0.1	1.3	(0.1)	(0.1)	1.2
Finance & Governance	0.0	(0.7)	1.9	(1.2)	0.0
Digital & Cust Services	0.0	0.3	0.0	0.0	0.3
Partnerships, Insight and Prevention	0.0	3.8	(3.8)	0.0	0.0
Human Resources	0.0	2.0	0.4	(2.5)	(0.1)
Directorate Sub Total	2.3	6.7	2.3	(22.1)	(10.8)

One off mitigation: actions taken by Directorates to deliver a balance budget for 2020-21, which also includes mitigation for non-delivery of savings target. (over £0.5m).

- 1.9 Neighbourhoods: one-off mitigations of £7.6m have been identified. These are £4.0m related to delayed Prudential Borrowing, £1.6m other mitigations in Street Scene (including the “Love your Street” initiative delay), £1.5m in Housing General Fund where reductions in Bed and Breakfast costs and vacancies have mitigated delays in the Service Redesign, and £0.5m in Neighbourhoods service area primarily through holding vacant posts pending the implementation of a new operating model.
- 1.10 Adult Social Care: there is a one off impact in 20/21 as a result of a combination of reduced occupancy in residential and nursing homes and Health funding for hospital discharge and preventative packages.
- 1.11 Inclusive Growth: One-off measures are mainly from not filling the vacant positions.
- 1.12 Finance and Governance: One-off mitigations actions have been taken, including £1.0m savings due to vacancies not being filled.
- 1.13 Human Resources: the one-off mitigations actions that have been identified but as yet unapproved; £1.2m relates from additional funding request for projects, £1.0m from reserves carried forward from previous year.

Capital Expenditure

Table 4 Overall Capital Budget position as at the end of period 7

	Spend to date £m	Quarter 2 Approved Budget £m	New Schemes & Resources £m	Revised Budget period 7 £m	Forecast net underspend £m	Forecast Outturn £m
General Fund	156.0	742.2	7.9	750.1	146.4	603.7
HRA*	45.8	114.9	0.0	114.9	2.9	112.0
TOTAL	201.8	857.1	7.9	865.0	149.3	715.7

NB: HRA = Housing Revenue Account

1.14 **Forecast Outturn:** overall capital expenditure for the year is forecast to underspend against the revised capital budget by £149.3m. The underspend comprises £144.8m of net slippage and £4.5m of forecast net savings. The forecast outturn of £715.7m has decreased from that reported in month 6 (of £723.2m) by £7.5m. The change to last month's forecast outturn is the net result of the following:

- Increase in forecast expenditure from new budget approvals of £7.9m shown in Table 5.
- Increase in forecast expenditure on the Fire Safety Programme within the HRA Housing Improvement Programme of £2.5m
- Further identified slippage due to Covid of £17.9m relating to Disabled Facilities Grant and EZ Paradise Circus project.

1.15 **Spend-to-date:** is £201.8m (23% of the revised budget) and is an increase of some £47m from the amount spent at the end of month 6.

1.16 **Budget movements:** the revised 2020/21 period 7 capital budget has increased from the Quarter 2 (period 6) budget by £7.9m. The increases are in Table 5 and all relate to the Council's General Fund services.

Table 5: Approved increases to the Capital Budget

Directorate	Amount in 21/22 £m	Total amount £m	Capital Project	Funding	Cabinet Approval
Neighbourhoods - Waste Management Services	0.9	1.1	Relocation of Montague Street & Redfern Road	Capital receipt from sale of Montague Street	13/10/20
Neighbourhoods – Parks & Nature Conservation	0.3	2.1	Ward End Park Lakeside Renewal Project	Community Infrastructure Tariff, Corporate Resources, ERDF, HS2, & BMHT	17/03/20
Inclusive Growth – Emergency Active Travel Fund	4.1	4.1	To fund emergency interventions to make cycling & walking safer	Tranche 2 of Emergency Active Travel Fund grant from DfT	08/09/20
Inclusive Growth – Property Services	0.7	0.0	Feasibility study for Council House Major Works of 26m	Policy Contingency Reserve	13/10/20
Inclusive Growth – other projects	1.9	5.7	Wholesale Market Enabling works	Prudential borrowing	8/09/20
Total	7.9	13.0			

1.17 Significant budget reprioritisations have been made by the Neighbourhoods Directorate in order to increase the HRA's Fire Protection Programme's budget by £10.3m. This increase is required to fund enhanced fire safety work on the exteriors of High-Rise Residential Blocks in order to ensure the Council meets Limited Combustibility Fire Safety Standards introduced following the national Hackitt enquiry. The following Capital budgets originally allocated to annual programmes of works have been reallocated to the fire safety works programme: Door Replacement (£5.9m), Adaptations (£1.1m), and Door Entry (£0.8m). The balance of £2.5m will be funded by an increase in revenue contributions from the HRA.

1.18 In addition to the Covid-related slippage reported previously on major projects within the Inclusive Growth and Neighbourhoods Directorates, and the decision recently made to

deliver the Perry Barr regeneration project after the Commonwealth Games, further Covid-related slippage of £17.9m is now being reported this month. This comprises:

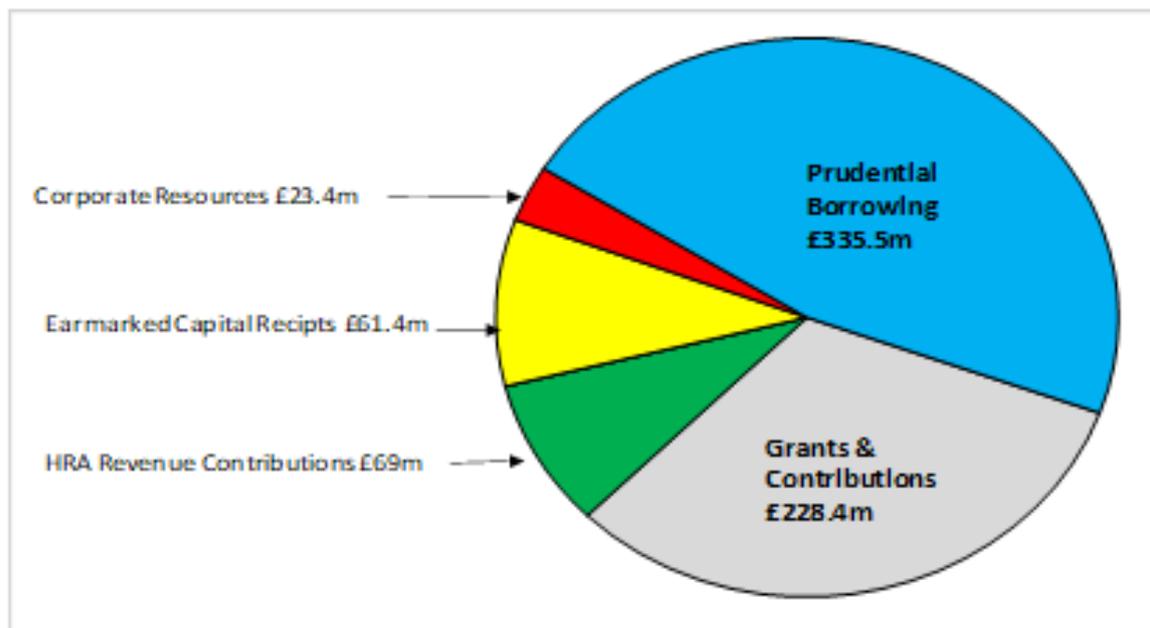
- a) £3m slippage in the Disabled Facilities Grant Budget (Adult Social Care Directorate): The programme was paused during the initial lockdown period, with further Covid related restrictions post lockdown impacting on service delivery. Whilst the service is now running at a relatively normal rate, and there are no backlogs of work reported, the pandemic has impacted on the amount of major works and adaptations the team have been able to provide this year and this situation cannot now be reversed.
- b) £14.9m overall slippage in the Inclusive Growth Directorate's capital budget primarily relating to the Paradise Circus project (£12.8m slippage): The project has needed to be reprogrammed because of revised operational arrangements due to Covid 19 delays and the need to now include above ground construction works (not funded by EZ) arising from an agreed variation to the original building contract. The project has also slipped because mechanisms within the contract have been triggered requiring the compulsory purchase of the Copthorne Hotel.

1.19 Financing of the capital programme

Table 6: Summary of Capital Project Funding for Month 7			
	General Fund	Housing Revenue Account (HRA)	Total
	£m	£m	£m
Forecast Capital expenditure	603.7	112.0	715.7
Forecast Funding			
Grants and contributions	(224.1)	(4.3)	(228.4)
Earmarked Receipts	(39.4)	(22.0)	(61.4)
Direct Revenue Financing	0.0	(69.0)	(69.0)
Corporate Resources	(23.4)	0.0	(23.4)
Prudential Borrowing	(316.8)	(16.7)	(333.5)
Total Funding	(603.7)	(112.0)	(715.7)

- 1.20 The pie chart below shows how the forecast outturn at period 7 of £715.7m is planned to be financed. The key change from the month 6 position is a £12.7m decrease in the planned usage of prudential borrowing. The annual cost of funding the financing costs of external borrowing represents approximately 30% of the revenue budget at £270m.

Pie Chart showing planned financing of the period 7 forecast outturn



2. Key Issues

Non Covid-19 Related Issues

Education and Skills

- 2.1. There is a non Covid overspend forecast for the directorate of £1.2m (a reduction of £1.8m from month 6) and the majority of this (£1.0 million) originates from the Children's Trust. The latest forecast from the Children's Trust consists of pressures primarily around pay (caseloads and Independent Reviewing Officers) and placement costs. Children in Care numbers have remained fairly static recently, with no spike yet (contrary to initial expectations when schools reopened, and more referrals were expected). Savings have arisen from reductions around external residential placement, the cessation of the Priory contract and reduction in external fostering placements.
- 2.2. The number and cost of placements has risen since the Trust went live. The Trust budget for 2020/21 includes a net increase of £6.1m for demand pressures of which £5.32m is direct placement costs. The forecast pressure for 2020/21 is net of this additional funding. The number of children in high cost residential placements has reduced by 4 to 172 since April 2020 but remains 31 higher since the Trust went live. Whilst there are 36 fewer fostering placements since April there is an increase in the number of children placed with connected carers. The assumed growth in the number of internal foster carers has not materialised at the level assumed in the Trust base budget. It is difficult to state, with any certainty, the extent to which Covid is temporarily damping demand.
- 2.3. This additional pressure is being largely offset by a number of savings measures, including managing demand at the front door to ensure admissions into care are appropriate; ensuring the most appropriate cost of a placement is secured according to need; pursuing step down options for existing residential placements; ongoing review of all supported accommodation packages to ensure validity of placement; and, pursuing financial contributions to placements for children with complex needs, in addition to the specific savings highlighted above.
- 2.4. The Education and Skills Directorate together with Birmingham and Solihull Clinical Commissioning Group published a 'written statement of action' in July 2019, in response

to the DfE, to make improvements to the special educational needs and disability (SEND) service. As previously reported, it is anticipated that any financial impact on the Local Authority will be met from the Dedicated Schools Grant (DSG).

- 2.5. There continues to be a concern around schools with financial deficits. The number of schools in deficit has only grown by a small amount (from 38 to 40), but the total deficit amount has risen substantially from £7.2m to £9.0m; where maintained schools convert to Academy status with a sponsor the licenced deficit falls to the Council. The Local Authority has contacted all schools with deficits and will review the robustness of deficit recovery plans after October half term (when the plans are due to be returned). In addition, specific actions (including regular monitoring, meetings with schools, implementation of Interim Executive Boards, negotiations with Department for Education and alternate funding sources) are all being implemented to minimise the impact on the Council's budget.

Neighbourhoods

- 2.6. The 2019/20 outturn for Neighbourhoods was an overspend of £19.3m. For 2020/21 additional budget has been allocated to Neighbourhoods of £23m. At the end of Month 7 the forecast for the Neighbourhoods Directorate non Covid-19 is an underspend of **£1.6m**. The forecast improved by £0.8m on that reported at Month 6.
- 2.7. The **Street Scene** service is projecting pressures totalling £5.2m offset by mitigations of £5.5m giving a net underspend of **£0.3m**. The main mitigation is an underspend of £4.0m on borrowing costs due to delays in procurement of the new fleet. The main pressures include £1.9m on maintenance and vehicle hire due to old and mechanically less reliable vehicles being past their natural life, income pressure within Trade Waste projected to be £1.5m behind budget, a shortfall on fleet garage income of £0.5m due to a reduction in custom and pressure of £0.3m on the waste procurement project due to the use of external legal advice. The position on the waste procurement project has improved following a review of internal charges.
- 2.8. The **Housing** service is forecasting an underspend of **£1.3m** mainly due to a reduction in charges levied by Bed and Breakfast providers. As this is the main cost driver within the service both cost and demand projections continue to be monitored. Demand for temporary accommodation is expected to increase with the easing of lockdown restrictions.
- 2.9. The service continues to manage £1.5m savings pressure through a combination of improved rates for temporary accommodation and holding vacant posts. A service redesign proposal is being drafted which will deliver the outstanding saving requirement through prevention activity. This is a change from the initial saving proposals put forward, but a more sustainable approach for the service.
- 2.10. A review of the Selective Licensing scheme is underway to determine viability and a way forward following a delay to the launch following regulation changes and legal advice. The scheme has a £0.5m income target attached to it which is currently being mitigated pending outcome of the review.
- 2.11. The **Neighbourhoods** service is forecasting a **£0.8m** underspend mainly due to the holding of vacant posts pending the implementation of a new operating model later in the financial year the service is also reporting a one-off **£0.5m** underspend in its Major Events budget due to cancellation of events as a result of Covid-19..

2.12. The **Regulation and Enforcement** service is forecasting income pressure of **£1.2m** across Bereavement and Markets.

Adult Social Care

2.13. The overall Adults non Covid-19 underspend has increased from £3.8m (P6) to £10.2m (P7) largely as a result of the following:

2.14. **Packages of Care - £6.2m underspend is an improvement of £4.7m on P6** – The current packages of care forecast includes Health funding for hospital discharges and prevention packages up to the end of October 2020. This funding has continued past the anticipated end date of August and is now expected to reduce on a phased basis until 31 March 2021 as clients are reassessed in respect of their on-going needs. To date the Council has claimed £8.7m from Health which is one-off due to temporary arrangements put in place during Covid. The Council has also now received a £1.2m inflationary increase in BCF funding to packages of care which has just been agreed with CCGs.

2.15. **Community & Operational - £5.3m underspend is an improvement of £2.4m on P6-** The Directorate's Transformation Programme is now substantially complete with the roll-out of the Customer Journey (CJ) Restructure in September and the Early Intervention (EI) Programme over the coming months in order to deliver existing planned sustainable savings.

2.16. The short-term impact of Covid-19 has led to the need to retain additional agency Social Work capacity for longer than originally planned. The use of agency staff is now being reduced although there is a risk that some additional capacity will be needed in the short term to complete the re-assessment of health funded packages. However, the pandemic has also meant that the Early Intervention process has been refined in advance of wider implementation. Following the finalisation of structures, savings totalling £5.2m will be achieved in year, £1.3m due to the early delivery of 2021/22 and £3.9m due to the phased reduction in the use of agency staff through to the end of October.

Inclusive Growth

2.17. The Council is currently working with Birmingham Highways Ltd to re-procure the subcontract for its Highway Maintenance and Management PFI (HMMPFI) contract. Affordability will be assessed taking account of the total cost of a re-procured contract and available resources, with the outcome being factored in as part of setting future Council budgets.

2.18. On the 6th April 2020 the Council received approval from Government to delay the implementation of the Birmingham Clean Air Zone (CAZ) until no earlier than January 2021 and activities associated with delivery were scaled back reflecting the delays experienced and also the need for the Council to redeploy staff to support the Covid-19 response. The Council has remained committed to the CAZ and the implementation date has now been set for 1st June 2021.

2.19. The forecast for commercial property rental income is lower than anticipated when considering the prior year outturn position and known variations. Property Services are undertaking a review to confirm the accuracy of the forecast. This uncertainty in conjunction with the yet to be confirmed impacts of Covid-19 mean that there is a real risk that the current forecast pressures could increase.

2.20. The Directors of the Council's wholly owned company, InReach (Birmingham) Ltd, have made the decision not to progress with one of the planned schemes, Brasshouse, due to a combination of factors that have increased the level of risk. The Council expenditure

over the programme was budgeted at £43m, through a mix of equity and loan investments, and was to deliver an annual net income stream rising to £0.9m following the final loan drawdown. The company continues to deliver a net income stream resulting from the original Embankment scheme and current plans are to progress with the remaining smaller scheme.

Digital & Customer Services

2.21. The Digital & Customer Service Directorate, after taking account of management actions, are forecasting an overspend of £0.3m, principally on agency staff costs. Against a net budget of £29.3m, the overspend represents 1% of the budget.

New Oracle Back office system (ERP)

2.22. The programme, as a result of an assurance process, is going through a reset phase to establish and quantify financial and non-financial risks. A report to Cabinet is planned for early 2021.

Savings Programme

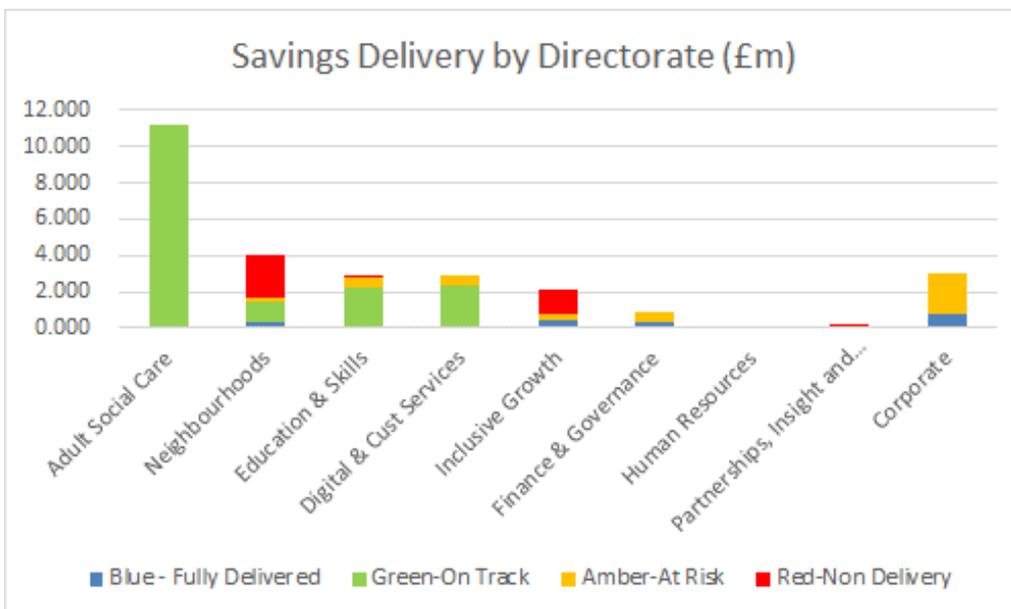
Table 7: Breakdown of Savings Delivery and Non-Delivery

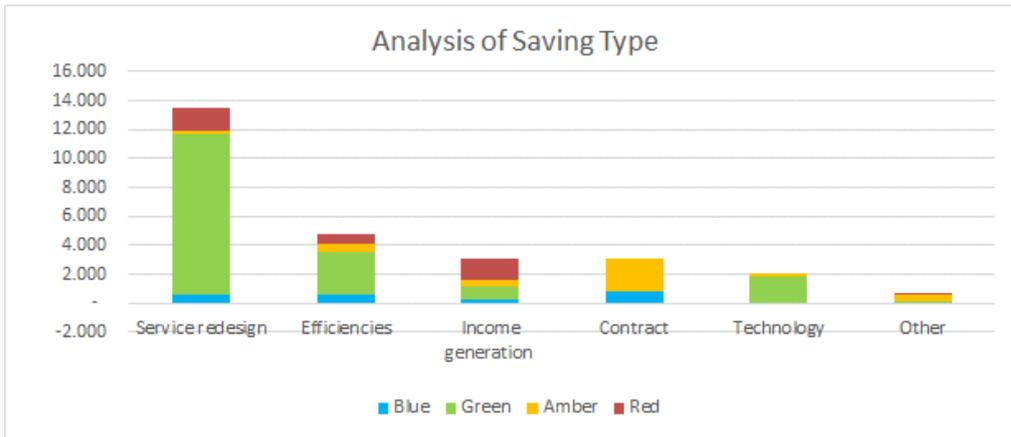
Directorate	Non-Delivery of Saving		Saving at Risk	Saving Delivered and on Track	Total Saving
	Delayed Because of Covid-19	High Risk & Undeliverable			
	£m	£m	£m	£m	£m
Neighbourhoods	0.7	1.6	0.2	1.5	4.0
Adult Social Care				11.2	11.2
Inclusive Growth	0.8	0.6	0.3	0.4	2.1
Education & Skills		0.1	0.5	2.3	2.9
Finance & Governance			0.5	0.4	0.9
Digital & Cust Services			0.5	2.4	2.9
Partnerships, Insight and Prevention	0.0			0.1	0.1
Human Resources				0.1	0.1
Corporate			2.3	0.7	3.0
Total	1.5	2.3	4.3	19.0	27.1

2.23. The £27.1m savings programme for 2020-21 (shown in the following charts) is now showing £19.0m as delivered or on track (£14.5m at Month 6). This improvement of £4.5m is almost all related to Adult Social Care savings considered at risk at Month 6 that are now rated as on track. There are £4.3m of savings at risk (£8.6m at Month 6) and £3.8m (£4.0m at Month 6) classed as undeliverable or non-delivered. Covid-19 has impacted savings delivery. The key non Covid-19 areas at risk or non-deliverable (those over £0.5m) are:

- **Neighbourhoods** has **£0.2m** savings that are at risk and **£2.3m** savings that are unlikely to be achieved, of which £0.7m are related to Covid. Of the remainder, £1.0m relate to Housing. One-off mitigations have been identified in 2020/21 to fully meet this target. The savings are planned to be achieved from 2021/22 after the completion of the Housing Service Redesign.
- **Contract** savings cut across all directorates, and are shown corporately. The target is **£3.0m** of which **£0.7m** has been delivered so far, leaving £2.3m at risk. While a delivery plan exists, this is now considered a risk as Covid-19 has caused services to reappraise their planned procurements.

- **Finance & Governance has £0.5m** savings at risk, mainly related to savings based on reducing external legal spend. If not achieved, these will be mitigated from general underspends, mainly from vacancies.
- **Education & Skills has £0.5m** savings at risk - these largely relate to an increased commercialisation target for the Adult Education Service that was set in 2019/20 at £1.2m and reduced this year to £0.8m, but which is still unlikely to be fully delivered. It is being partly mitigated this year through a restructure of the service and savings from elsewhere in Skills & Employability.
- **Digital & Customer Services has £0.5m** savings at risk mainly due to delays and potential income losses related to Covid-19.
- **Inclusive Growth has £0.3m** savings at risk and **£1.4m** that are unlikely be achieved, some of which are due to delays and risks to income caused by Covid-19





Borrowing

2.24. The annual cost of servicing debt represents approximately 30% of the budget. Borrowing at the end of period 7 was £3,445m, with the year-end projection likely to be below the planned level of £3,832m. Some of the government grants, has been received early, as well as Covid support grants, and there is slippage in spending on the capital programme. There does remain uncertainty about the impact of Covid-19 on future cashflows.

Level of Debt and Provision

2.25. The outturn for 2019/20 showed short-term net debt at £401m, higher than the £331m in the previous year. The net debt is made up of £577m owed to the Council less £176m set aside as a bad debt provision to cover the risk of non-collection. An additional £13m was included in the £176m bad debt provision to cover the increased risk of non-collection brought about by Covid-19.

Policy Contingency and Use of Reserves

2.26. The policy contingency budget for 2020-21 is £40.8m. General Reserves are forecast to be £123.1m out of a total £645.0m at the end of financial year. Proposals to utilise the Policy contingency budget to support the Councils' budget this year were set out in the MTFP Refresh Report to Cabinet in November. In the financial outturn for 2019/20, the Council had funded £8.7m of capital expenditure from Direct Revenue Financing (DRF) of capital expenditure. Cabinet agreed on 10 November 2020 to replace the DRF incurred in 2019/20, by increasing the Capital Financing Requirement (CFR). This increases the level of usable reserves available to the Council to meet future funding pressures

Council Tax and Business Rates

2.27. The Collection Fund collects business rates and council tax income and pays it over to the precepting body. Council tax and business rates income has been heavily impacted by Covid-19. The forecast for the Collection Fund is a deficit of £46.5m (£10.4m deficit for Council Tax and a £36.1m deficit for Business Rates). The impact of this will be considered in setting the budget for 2021-22. This position will be updated at month 9.

Covid-19 Major Incident Financial Impact

2.28. The Council has now received £83.4m of un-ringfenced Covid-19 related grant funding from the government. On 22nd October the Council was informed of a further £44.2m of un-ringfenced Covid-19 related grant. Cabinet on November 10th in the Month 6 Report approved the proposal to transfer this to a specific Covid reserve to manage the ongoing pandemic through the higher risk winter months. The council also estimates that the Governments income loss scheme will provide £19.6m of additional funding. The government has announced several ring-fenced grants for additional reliefs and support schemes which are being spent on the additional measures set out in government guidance.

2.29. Further Covid-19 financial risks which have been quantified at £18.0m, are reported through emergency cells on a weekly basis. There is an ongoing review of risks to ensure that they reflect the latest circumstances. There is a small reduction from the £18.2m reported at Month 6.

