

Budget Management 2020/21

Cabinet

Date: 9th September 2020

Authors: Cabinet Member for Commercialisation, Education and Skills
Corporate Director of Finance and Assets

Wards: All

Parishes Affected: All

1. Purpose and Reasons

- 1.1 This report presents the 2020/21 revenue budget forecast out-turn.
- 1.2 The effective management of financial resources through robust financial management processes underpins the Council's ability to achieve its plans and priorities.
- 1.3 Responsible budget management helps ensure that the Council consistently makes the best use of all available resources as well as providing focus for the Council's improvement programmes.

2. Recommendations

Cabinet is recommended to:

- 2.1 Note the 2020/21 revenue budget forecast out-turn for each service area set out in Table 1 and Appendix 1;
- 2.2 Note the update on the COVID-19 funding support;
- 2.3 Note that the Corporate Management Team will develop plans to mitigate the current forecast overspend;
- 2.4 Approve the virements set out in Appendix 2;
- 2.5 Approve the maintenance of Members Allowances at the current approved level.

3. COVID-19 Funding Support

- 3.1 The Government has announced three tranches of COVID-19 emergency funding (£1.6bn, £1.6bn and £500m) which have each been allocated using different methodologies. Swindon's allocation of the funding is £13m.
- 3.2 On 2nd July 2020 the Government announced two other elements of financial support for the Council:
 - 3.2.1 A new scheme to reimburse councils for lost income from sales, fees, and charges

Further information on the subject of this report can be obtained from Mick Bowden on Direct Dial No. 07392 109917 or Email mbowden@swindon.gov.uk

Budget Management 2020/21

Cabinet

Date: 9th September 2020

3.2.2 Changes so that local authorities spread their tax deficits over three years rather than the usual one

Reimbursement of Lost Income

- 3.3 Under the proposed scheme - which relates to 2020/21 only - councils will absorb losses up to 5% of their planned sales, fees and charges income, with the government compensating them for 75p in every pound of relevant loss thereafter.
- 3.4 Although the Government hasn't produced a full list of eligible income types it has explicitly stated that rental income streams are not covered. Car parking charges are included.
- 3.5 Compensation should be based on net losses, where a local authority has been able to reduce expenditure, or has received other compensation. The detailed arrangements of the scheme are still being developed by the Government. Therefore the value of support to Swindon is unknown at this stage.

Collection Fund Deficits

- 3.6 Where there is a shortfall in council tax and business rate receipts this leads to a deficit on the collection fund, which is usually met during the following financial year.
- 3.7 The government is proposing that repayments to meet collection fund deficits accrued in 2020/21 will instead be phased over a three-year period (2021/22 to 2023/24) to ease immediate pressures on budgets.
- 3.8 This change will require secondary legislation and is subject to further detailed design. It is anticipated that the necessary regulations will be in place in the Autumn.

Forecast Out-turn for 2020/21

General Fund

- 3.9 The year-end projection, based on the position at the end of June is that the pressures on the General Fund total £18.7m. This is prior to the application of the emergency COVID-19 emergency funding and reflects the impact of the exceptional circumstances arising from the COVID-19 pandemic.
- 3.10 The significant cost pressures are:
- 3.10.1 An increase in the forecast for the cost of Adult Social care provision as a result of the pandemic (£4.2m). This includes:-

Budget Management 2020/21

Cabinet

Date: 9th September 2020

- Additional payments to providers to support costs associated with PPE, staffing and emergency protective equipment;
- Increased demand for homecare packages and community equipment;
- Shortfall in savings delivery due to lack of social worker capacity to roll out new ways of working as a result of the pandemic.

3.10.2 Anticipated increases in demand for Children's placements along with increasing placement costs has resulted in a forecast cost pressure (£3.2m);

3.10.3 An increase in the forecast costs of the waste service due to a combination of adverse market conditions resulting in higher disposal costs and increased costs of collections necessary to ensure that safe working practices were in place whilst collections continued throughout the pandemic (£0.7m);

3.10.4 Contribution to the costs of additional mortuary capacity required as part of the planning for excess deaths arising from the pandemic (£0.5m).

3.11 There has been a severe impact on the council's income, with the current year-end shortfall forecast to be £11m. However, this will reduce by the value of government support for lost income (referred to in paragraphs 3.3-3.5 above).

3.12 The majority of the council's income streams have been affected but the most notable of these are:-

3.12.1 Car parking, parking enforcement and bus lane enforcement;

3.12.2 Traded income from schools and parishes;

3.12.3 Plas Pencelli, Steam Museum, Lydiard House Hotel and Enterprise Works.

3.13 The importance of effective support from central government, initially for the current financial year, cannot be overstated. Work continues through the Local Government Association and South West Councils to ensure that the Government understands the financial pressures faced by the Council. After allowing for the £13m grant funding announced to date, the Council's net overspend forecast for the year-end is £5.7m. The Government support for income losses will reduce this further.

Budget Management 2020/21

Cabinet

Date: 9th September 2020

3.14 The budget and out-turn by Department is set out in Table 1 below.

Table 1 – General Fund Out-turn By Department

Department	Budget 2020/21	Forecast	Variance
	£'000	£'000	£'000
Adult Services	66,957	70,860	3,903
Children Services	46,808	50,793	3,985
Communities and Housing *	24,527	33,278	8,751
Resources & Economy	10,782	12,834	2,052
Sub-Total	149,074	167,765	18,691
COVID-19 Grant Funding		(13,005)	(13,005)
Total General Fund	149,074	154,760	5,686

* The organisational changes that were recently agreed for the management of the functions within Communities and Housing will be reflected in the next report to Cabinet.

3.15 Whilst is expected that the current forecast overspend will be partly mitigated through the government's income support scheme, Corporate Management Team are working with senior management teams to identify options to mitigate the overall overspend.

Dedicated Schools Grant (DSG)

3.16 The 2020/21 Budget report set out that the DSG had a cumulative deficit of £2.96m for 2020/21 (2019/20 Cabinet minute 63 (4 & 8) refers). This consisted of two elements:-

3.16.1 The deficit brought forward from 2019/20 of £1.49m;

3.16.2 The 2020/21 budget gap of £1.47m, which related to the funding in the High Needs block not being sufficient to meet demand.

3.17 The Budget Out-turn report updated that the deficit for 2019/20 had increased to £1.68m (2020/21 Cabinet minute 6 refers). This increased the cumulative deficit on the DSG at the start of 2020/21 to £3.15m.

Budget Management 2020/21

Cabinet

Date: 9th September 2020

- 3.1 In 2020/21 there is a new pressure of £157k due to reduced contributions to the costs of the Exclusions Team. Due to the pandemic, schools have been closed to most pupils. When a child is excluded the school makes a contribution to our Exclusion Team to support the young person's education requirements, the contributions have reduced but the fixed costs of running the service still remain.
- 3.2 This pressure increases the forecast deficit on the DSG to £3.31m. In July Schools Forum agreed a timetable of consultations for a deficit recovery plan and during September, the consultation process will begin with the key stakeholder groups. SEND Strategic Board and Schools Forum will consider a report on the outcome of the consultation in January.

Housing Revenue Account (HRA)

- 3.3 HRA Budget Managers are currently forecasting a net overspend of £139k, primarily due to the impacts of the pandemic across the service.
- 3.4 These include increased void rent losses, costs associated with an increased cleaning regime in sheltered accommodation and reduced capital recharges due to staff redeployment. A significant allowance in 2020/21 budgets for bad debts is currently containing any pressure due to increased rent arrears.

Members Allowances

- 3.5 At Full Council on 9th July 2020 the following motion was referred to Cabinet in accordance with Standing Order 9:
- 3.5.1 "That this Council reduces the amount of total councillor allowances (£767,000) by 10% which would give £76,700 which would pay for two additional parking enforcement officers (£57,000) and additional new parking regulations implementation"
- 3.6 As the level of member's allowances is independently assessed by the Independent Remuneration Panel it is not considered appropriate to overturn the Panel's recommendations.

4. Alternative Options

- 4.1 None as this report is for information only.

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

- 5.1 The projected overspend on the General Fund for the current financial year is £5.7m. It is anticipated that the government's COVID-19 income support will mitigate some of this pressure. Alongside this, Corporate Management Team will

Budget Management 2020/21

Cabinet

Date: 9th September 2020

develop plans with senior management teams to mitigate this overspend. However any residual overspend will be a call on the Council's reserves.

- 5.2 The forecast deficit on the DSG is £3.31m. Schools Forum have agreed a timetable to consult on a deficit recovery plan which commences in September. A report on the outcomes of this consultation will be submitted to SEND Strategic Board and Schools Forum in January.
- 5.3 The HRA is currently forecasting an overspend of £139k. The HRA is ring-fenced and therefore any variances at year end will be managed within the HRA.

Legal and Human Rights Implications

- 5.4 All legal and human rights considerations have been taken fully into account in compiling this report. It is considered that the recommendations of this report are compatible with Convention rights.

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 5.5 There are no such direct implications.

Diversity Impact Assessment

- 5.6 A Diversity Impact Assessment (DIA) has not been done as this report is reporting performance in the last financial year and does not make any recommendations to reprioritise the future funding of services.

Risk Management

- 5.7 None other than those highlighted in the body of the report. Individual schemes will have individual Risk Assessments and DIAs.

6. Consultees

- 6.1 The Corporate Director of Finance and Assets (Section 151 Officer) and Chief Legal Officer (Monitoring Officer) are consulted in respect of all reports.

7. Background Papers

- 7.1 None

8. Appendices

- 8.1 Appendix 1 – Forecast Out-turn by Department 2020/21
- 8.2 Appendix 2 – Proposed Budget Virements

Budget Management 2020/21

Cabinet

Date: 9th September 2020

9. Key Decision/Decision in Cabinet Work Programme

- 9.1 This is not a key decision and is included in the Cabinet Work Programme for September 2020.