



Date of Meeting	31 <sup>st</sup> March 2020
Portfolio	Leader of the Council and Cabinet Member for Finance
Report Author	Stuart Smith (Resources Directorate)
Public/Private Document	Public

## Finance Update Report P10

### Executive Summary

To inform Cabinet and the Corporate Overview and Scrutiny Committee of the Council's forecast 2019/20 financial position as at the end of January 2020.

1.1 The Finance Update Report contains detail of the following:

- The forecast Revenue outturn is a breakeven position, however it should be noted that this has been achieved after the application of significant sums from the Equalisation Reserve and a refund from the Greater Manchester Combined Authority (GMCA) in relation the Waste Disposal Levy.
- An update of the Savings target of £0.135m, as part of the Revenue budget 2019/20.
- Forecast Capital spend of £104.281m after re-phasing of £4.288m, £0.961m rephase reversals and £1m future year use of budget.
- The forecast Collection Fund Position for 2019/20 is a surplus of £1.994m comprising:
  - £1.359m surplus relating to Business Rates
  - £0.635m surplus relating to Council Tax

### Recommendation

- 2.1 Cabinet notes the forecast 2019/20 budget positions for Revenue, Savings, Capital and the Collection Fund as at the end of January 2020.
- 2.2 Cabinet approves the Revenue Budget Pressure Fund requests for 2019/20 and future years totalling £0.157m detailed in section 4.1.4. Members are also asked to approve the use of the Budget Pressures fund to meet any costs related to the Coronavirus issue that are not met from Government funding.
- 2.3 Cabinet notes the net Capital re-phasing and variances detailed in section 4.3.2.

- 2.4 Cabinet notes the Capital budget increase of £0.568m in 4.3.3.
- 2.5 Cabinet approves the Capital budget switches of £0.246m in 4.3.4.

### Reason for Recommendation

- 3.1. Cabinet Members should be kept updated on the financial position of the authority, as effective budget management is critical to ensuring the financial resources are spent in line with the budget and are targeted towards the Council's priorities. Monitoring enables the early identification of variations against the plan and facilitates timely corrective action.

This report provides an overview of the forecast 2019/20 financial position for the Council and focuses on the position as at the end of January 2020.

### Key Points for Consideration

#### 4.1 Revenue Budget 2019/20

- 4.1.1. The budget set by Budget Council on 26<sup>th</sup> February 2019 was £216.221m.

The Revenue Budget is £215.621m as at the end of January 2020 with no changes in this reporting period.

Approved by	When	Reason for change	Amount (£m)
Budget Council	Feb-19	Approved budget	216.221
	Jul-19	Reduction in S31 relief	-0.600
<b>GRAND TOTAL</b>			<b>215.621</b>

- 4.1.2 The overall position taking account of the projections currently being forecast by services as at the end of January 2020 is a breakeven position, which includes a contribution from the Equalisation Reserve for the pooled fund pressures and a refund from GMCA in relation to the Waste Disposal Levy. The value of the contribution from the Equalisation Reserve has been adjusted to reflect the improved reporting position for Neighbourhoods and Children's Services. However it should be noted that some of the in-year savings are subject to budget carry forward and reserve applications which have not yet been approved.

Please see Appendix A for details of budget allocations and forecast Revenue Outturn Position.

- 4.1.3 The major ( $\geq$  £0.250m) variations to controllable budget, by service, are detailed below:-

Adult Care: £1.233m overspend offset by an increased contribution from the Health & Social Care Pooled Budget

The Adult Care service is experiencing financial pressures from the number and costs of care packages for service users. There is a further pressure from

the provision of statutory Deprivation of Liberty Safeguards assessments. These pressures are partially mitigated by in-year savings from staff turnover and vacancies.

The remaining net pressure of £1.233m for Adult Care budgets in 2019/20 will be wholly met by an additional contribution from the Health & Social Care pooled budget.

Children's Services - £6.553m overspend with £4.138m being apportioned to the Dedicated Schools Grant Reserve relating to Special Educational Needs and Disability (SEND)

Children's Services are currently forecasting a pressure of £6.553m which relates mainly to External Residential Placements and SEND pressures.

£2.765m is attributable to external residential placements, with the 2018/19 growth in cared for children continuing to be cared for in 2019/20. Throughout the first three quarters of 2019/20 there has been a small steady reduction in the number of cared for children. From 1st April 2019 - 31st January 2020 this equates to a net reduction of 40 cared for children and 71 children subject to a Child Protection Plan.

There is a significant pressure of £4.112m within the High Needs -Dedicated Schools Grant. The pressures are in relation to a continued rise in numbers of children with education health care plans and children requiring SEND support. The growth in numbers is not unique to Rochdale, this is a national trend with the majority of Local Authorities now facing pressures on their High Needs DSG. This overspend is subject to a recovery plan which has to be agreed with the Department For Education.

Neighbourhoods £1.391m In-Year saving

The forecast in-year saving relates mainly to Budget Carry Forward requests and proposed contributions to reserves to support ongoing Directorate priorities that have yet to be approved.

Financial Control - £4.286m In-Year saving

The forecast in-year saving relates to a refund from the Greater Manchester Combined Authority relating to the Waste Disposal Levy and interest savings. The interest savings are due to the borrowing requirement being funded through internal borrowing with nil cost and the forecast reduction in capital expenditure.

Integrated Pooled Budget Contribution - £0.823m Overspend

The Council and the CCG have made the additional contributions approved at December Cabinet. The remaining balance reported is a £0.823m pressure. The Council will contribute an additional £0.823m to support delivery of the commissioning functions for 2019/20 with a corresponding reduction to the Council's contribution in 2020/21. The Council will only make this contribution

if the pooled fund is unable to identify alternative sources of funding or savings to bridge the remaining £0.823m pressure in 2019/20.

#### 4.1.4 Budget Pressures

Budget pressure requests are detailed in the following table:

Budget Pressure Requests:					
Service	2019/20		2020/21		Narrative
	Ongoing £m	One Off £m	Ongoing £m	One Off £m	
Opening Balance	0.393	0.129			
Economy			-0.004		An ongoing request of £0.004m additional funding is requested from 2020/21 to fund the planned spend in relation to the Town Twinning Project.
Neighbourhoods				-0.058	Request to fund Full Fibre implementation to employ a Project Officer. At this stage in the project the 2019/20 costs are not finalised and are mainly expected to be incurred in 2020/21.
Resources	-0.008				An on-going budget pressure relating to the regrade of the Business Partner role within HR which has been approved from grade 9 to grade 10. Initially the additional cost will be £0.008m but when the top of grade is reached this will be £0.024m.
Resources				-0.015	A one off request is made for budget pressures funding relating to the decision made at GMCA Wider Leadership Team for each Greater Manchester Council to commit £0.015m budget to implement the proposed "Greater Manchester Working Together" programme.
Neighbourhoods	-0.072				The previously approved budget pressure for the loss of income in Facilities Management due to schools no longer contracting with Rochdale Council has been quantified for 2019/20 at £0.072m ongoing.
<b>Previously Approved at Separate Cabinet Meetings / Other Changes to Budget Pressures</b>					
Neighbourhoods				-0.183	A report was previously presented to Cabinet on the Independent Domestic Violence Advocacy Service report and relevant associated budget pressures were approved. The budget pressure will fund the implementation of the project for high risk victims of domestic violence.
Neighbourhoods				-0.050	Budget pressures were approved at January 2020 Cabinet for the feasibility costs associated with the Climate Change Project.
Resources		0.062			Request for budget pressures funding is made to fund the Legal Shared Service. This had previously been approved in 2018/19 at £0.140m therefore the £0.062m of one-off funding has been added back to the available one-off balance.
Resources		-0.028		0.028	The budget pressure request for ME Learning previously approved for 2020/21 of £0.040m is being split over 2019/20 and 2020/21. £0.028m is being claimed in 2019/20.
Closing Balance 2019/20	0.313	0.163			

Public Health are involved in work relating to the ongoing Coronavirus issue. Any costs incurred that are not funded by the Government will be met from the Budget Pressures fund.

#### 4.2 Savings Update 2019/20

4.2.1 The total savings target for 2019/20 is £0.135m and Services have not identified any issues.

### 4.3 Capital Budget 2019/20

The current 2019/20 Capital Budget is £104.281m. The table below shows a summary of the movements:

	2019/20	2020/21	2021/22
	£m	£m	£m
<b>CAPITAL BUDGET AT NOVEMBER 2019</b>	<b>106.040</b>	<b>89.389</b>	<b>26.430</b>
Rephasing requested to end of January 2020	(4.288)	4.288	-
Rephasing reversals	0.961	(0.961)	-
2020/21 Budget Brought Forward to 2019/20	1.000	(1.000)	-
Capital Budget Increases	0.568	-	-
<b>CAPITAL BUDGET AT JANUARY 2020</b>	<b>104.281</b>	<b>91.716</b>	<b>26.430</b>

#### 4.3.1 Capital Budget Changes

#### 4.3.2 Capital Rephasing

The major (>250k) rephasing requests / variances are detailed below, by Directorate and Scheme:

##### Children's Rephasing of £1.476m including:

- £1.000m Schools Capital Condition Programme due to changes to the scheduled 2019/20 programme, budget will be used to fund the 2020/21 programme,
- £0.441m Special Provision Capital Fund due to ongoing capital investments in the provision for pupils with special educational needs and disabilities at Shawclough Primary, which are ongoing, and are planned to continue with the Autistic Secondary level at Falinge in 2020/21.

##### Economy Rephasing of £1.116m including:

- £0.250m Heywood South/Junction 19 to provide match funding for a future Greater Manchester Evergreen Grant.
- £0.250m Rochdale Town Centre 3 Year Strategy budgets due to delays in delivery with expectation to be delivered in 2020/21
- (£0.300m) of previously rephased budget to be brought back into 2019/20 to cover the costs of enabling design works.

#### Neighbourhoods Rephasing of £0.735m including:

- £0.931m of Vehicle Replacement Programme budget is requested to be rephased to allow the purchase of vehicles in 2020/21 due to manufacturers not holding the necessary stock of vehicles required.
- (£0.496m) budget rephase reversal on the Highways Investment Programme as the scheme has been progressing well and is ahead of previously anticipated progress.

The Chief Finance Officer has approved the requests for rephasing. Members are asked to note that Neighbourhoods Service Highways Maintenance Scheme has progressed ahead of schedule resulting in an overspend of £1.000m.

Members are asked to approve the funding of this overspend from budget brought forward from the 2020/21 Capital Programme for the Highways Maintenance Scheme.

Please see Appendix B for a detailed list of all rephasing requests.

#### 4.3.3 Capital Budget Increases

Children's Service - £0.310m of budget received for the Special Provision Capital Fund in December 2019.

Neighbourhoods Services - £0.058m S106 contributions for various contracts within the Service.

Adult Care - £0.200m of Capital Grant Reserves to top up the Disabled Facilities Grant budget approved at Integrated Commissioning Board.

#### 4.3.4 Capital Funding Switches

Neighbourhoods:

- £0.095m of ICT Infrastructure Refresh Programme is requested to be switched to Windows 10 scheme to ensure project delivery due to additional costs.
- £0.100m of Waste Bin Replacement Programme budget is requested to be switched to New Cemetery Sites for works being undertaken to replace the cremators at Rochdale Cemetery.
- £0.031m of budget from S106 is requested to be transferred to the Asset Management scheme to facilitate project completion.
- £0.020m of S106 budget is requested to be transferred to the Developer Contributions Highways S106 to fund the Highways scheme.

### 4.3.5 Capital Receipts

The table following shows the forecast movements in the Capital Receipts Reserve during 2019/20, and provisionally for 2020/21 to 2021/22:

Description	2019/20	2020/21	2021/22
	£m	£m	£m
Capital Receipts balance as at 1st April 2019	10.187	2.167	0.000
Use of Capital Receipts to fund 2019/20 Capital Programme, including prior year schemes rephased into 2019/20	(6.920)	-	-
Use of Capital Receipts to fund provisional 2020/21 and 2021/22 Capital Programmes, and 2019/20 rephasing into future years	-	(0.010)	0.000
Earmarked use of receipts to fund other future commitments	(3.647)	(4.287)	(0.500)
Capital Receipts income	2.546	2.130	0.500
<b>Forecast uncommitted Capital Receipts balance as at 31st March 2020</b>	<b>2.167</b>	<b>0.000</b>	<b>0.000</b>

The forecast uncommitted Capital Receipts Reserve balance as at the end of 2021/22 is currently £0.000m as all capital receipt income is committed.

## 4.4 Collection Fund

4.4.1 The forecast surplus on the Collection Fund as at 31<sup>st</sup> March 2020, and the allocation of the closing surplus between precepting authorities is shown in the table below:

	Business Rates		Council Tax		Total
	%	£'000	%	£'000	£'000
<b>Forecast Collection Fund surplus at 31/03/20</b>		<b>(1,359)</b>		<b>(635)</b>	<b>(1,994)</b>
<b><u>Preceptors' Share of 2019/20 forecast outturn</u></b>					
Rochdale BC	99	(1,345)	85.18	(541)	(1,886)
GMCA Mayoral Police & Crime Commissioner	-	-	10.68	(68)	(68)
GMCA Mayoral General (including Fire Services)	1	(14)	4.14	(26)	(40)
<b>Total forecast surplus</b>	<b>100</b>	<b>(1,359)</b>	<b>100</b>	<b>(635)</b>	<b>(1,994)</b>

The forecast Collection Fund Position for 2019/20 is a surplus of 1.994m comprising:

- £1.359m surplus relating to Business Rates
- £0.635m surplus relating to Council Tax.

4.4.2 The Council's share of the forecast Collection Fund surplus as at 31<sup>st</sup> March 2020 is £1.886m.

4.4.3 The Council's 2020/21 General Fund budget set at Budget Council in February 2020 included an estimated 2019/20 Collection Fund surplus of £1.668m. Any difference between the estimated 2019/20 surplus and the actual 2019/20 surplus will be held in the Collection Fund in 2020/21.

4.4.4 The main areas of overall variance to budget are:

Business Rates:

Explanation of variance	Variation to budget, £'000
Forecast increased Business Rates gross income, reduced Empty Property and Discretionary Relief given, partially offset by forecast increased Small Business Rates and Mandatory Charitable reliefs.	(1,389)
Forecast reduced charge relating to the bad debt provision.	(131)
Forecast increased Renewable Energy scheme income to be transferred to the Council's General Fund	93
Actual surplus brought forward from 2018/19 is £68k lower than had been forecast as part of the 2019/20 Budget process.	68
<b>2019/20 forecast surplus</b>	<b>(1,359)</b>

Council Tax:

Explanation of variance	Variation to budget, £'000
Forecast reduced Council Tax gross income, partially offset by increased income from Empty Property premium, reduced discounts and prior year adjustments. Residential housing developments have not been completed as quickly as had been predicted as part of the 2019/20 budget setting process.	767
Forecast reduced level of Local Council Tax Support discount given.	(760)
Forecast reduced charge relating to the bad debt provision.	(457)
Actual surplus brought forward from 2018/19 is £185k higher than had been forecast as part of the 2019/20 Budget process.	(185)
<b>2019/20 forecast surplus</b>	<b>(635)</b>

4.4.5 In 2019/20 the Council continues to be part of a pilot for the 100% retention of Business Rates, along with other Greater Manchester authorities.

The forecast 2019/20 benefit from the 100% Business Rates Retention scheme pilot has been calculated to be £5.598m, based on an agreed formula within

Greater Manchester. 50% of the benefit will be paid to GMCA, and the remaining 50% will be retained by the Council, and transferred to a reserve.

#### **4.5 Alternatives considered**

- 4.5.1 Not reporting on financial performance puts at risk the achievement of the Council's Medium Term Financial Plan. Effective budget management is critical to ensuring financial resources are spent in line with the budget and are targeted towards the Council's priorities. Monitoring enables the early identification of variations against the plan and facilitates timely corrective action.

### **Costs and Budget Summary**

5. The main body of the report contains the overview of the forecast 2019/20 Revenue, Capital, Savings and Collection Fund position at the end of January 2020.

### **Risk and Policy Implications**

- 6.1 There are no major legal implications arising as a result of this report except to note that debts that are recoverable can be enforced by court action in accordance with the court procedure rules.
- 6.2 The use of reserves to address the pressures within the Pooled Fund is a one off solution which cannot be sustained into future years. This risk is currently being mitigated by the development and implementation of a savings programme to deliver a recurrent solution to the pooled fund pressures.
- 6.3 The use of Dedicated School Grant Reserve to fund SEND expenditure has created a deficit position and a recovery plan will be developed to address this.
- 6.4 Demand in Children's Services continues to increase; a 5 year strategy has been developed to support the management of this pressure.
- 6.5 Unresolved appeals against the revaluation assessments for 2005, 2010 and 2017 cause uncertainty and financial risk for the Business Rates income retained by the Council. The situation is monitored on a monthly basis to ensure that any changes in the trend for successful appeals are recognised due to the future impact on Business Rates income and the impact for the provision for any backdated elements.
- 6.6 The VOA alters rating assessments if new information comes to light indicating that the valuation is inaccurate. These could relate to a demolition, new property builds or other physical changes to a property. The number of

alterations, financial impact and timing of the revaluations are not within the control of the Council.

- 6.7 The future level of collection of both Business Rates and Council Tax debt is a potential financial risk. Collection performance is being monitored on a monthly basis to ensure that debt is recovered as efficiently and effectively as possible, and so that any trends may be highlighted and action taken as necessary.
- 6.8 There is an on-going risk that issues decided nationally by the VOA could potentially impact on Rochdale BC's Business Rates income.

<b>Consultation</b>
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7. All services engage with the production of the service based financial information within this report. The Leadership Team, the Leader, Cabinet Member for Finance, and Opposition Portfolio holder for Finance have been informed of the forecast 2019/20 financial position of the Council and its implications for future years. The report is presented to the Corporate Overview and Scrutiny Committee on 24<sup>th</sup> March 2020.

<b>Background Papers</b>	<b>Place of Inspection</b>
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| 8. For further information about this report or access to any background papers contact Stuart Smith | No1 Riverside Floor 2 |
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## Appendix A - GENERAL FUND REVENUE ACCOUNT SUMMARY 2019/20

### CURRENT POSITION AS AT END OF JANUARY 2020

Directorate/ Detail	Budget Council	Virements/ Contingency	Current Budget	Service and Corporate Uncontrollables	Current Controllable Approved Net Budget	Forecast Outturn	In Year Saving/ (Overspend)	Previous Monitoring Report (January Cabinet)	Movement Since January Cabinet
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	£'000	£'000	£'000	£'000	£'000	£000	£'000	£'000	£000
Adult Care	15,415	1,114	16,529	4,046	12,483	12,483	-	-	-
Children's	21,585	5,078	26,663	19,049	7,614	10,029	(2,415)	(2,947)	532-
Economy	15,993	77	16,070	755	15,315	15,475	(160)	(202)	42-
Neighbourhoods	52,413	3,002	55,415	1,281	54,134	52,743	1,391	(207)	1,598-
Public Health and Wellbeing	8,206	211	8,417	1,889	6,528	6,528	-	-	-
Resources	8,222	(340)	7,882	(3,692)	11,574	11,490	84	323	(239)
<b>TOTAL GENERAL SERVICES SPENDING</b>	<b>121,834</b>	<b>9,142</b>	<b>130,976</b>	<b>23,328</b>	<b>107,648</b>	<b>108,748</b>	<b>(1,100)</b>	<b>(3,033)</b>	<b>1,933</b>
Integrated Pool Budget Contribution	87,159	8,508	95,667	-	95,667	96,490	(823)	(823)	0
<b>TOTAL POOLED BUDGETS</b>	<b>87,159</b>	<b>8,508</b>	<b>95,667</b>	<b>-</b>	<b>95,667</b>	<b>96,490</b>	<b>(823)</b>	<b>(823)</b>	<b>0</b>
Finance Control: Corporately Held Budgets	1,399	(6,999)	(5,600)	(20,623)	15,023	10,737	4,286	4,370	(84)
Finance Control: Transformation Fund	4,703	191	4,894	-	4,894	4,894	-	-	-
Transfer to Equalisation Reserve	-	(6,700)	(6,700)	-	(6,700)	(4,337)	(2,363)	(514)	(1,849)
Dedicated School Grant Reserve	-	(4,138)	(4,138)	-	(4,138)	(4,138)	-	-	-
Finance Control: Budget Pressures	1,126	(604)	522	-	522	522	-	-	-
<b>TOTAL FINANCE CONTROL SPENDING</b>	<b>7,228</b>	<b>(18,250)</b>	<b>(11,022)</b>	<b>(20,623)</b>	<b>9,601</b>	<b>7,678</b>	<b>1,923</b>	<b>3,856</b>	<b>(1,933)</b>
<b>NET EXPENDITURE REQUIREMENTS</b>	<b>216,221</b>	<b>(600)</b>	<b>215,621</b>	<b>2,705</b>	<b>212,916</b>	<b>212,916</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Note** the variance shown in Neighbourhood's forecast is subject to Carry Forward and Reserve request approvals

## APPENDIX B – CAPITAL REPHASING REQUESTS

Directorate	Scheme	Amount £'000	Reason for re-phase
Children's	Schools Capital Condition Programme	1,000	Due to changes to the scheduled 2019/20 programme, budget will be used to fund the 2020/21 programme,
Children's	Special Provision Capital Fund	441	Ongoing capital investments in the provision for pupils with special educational needs and disabilities at Shawclough Primary, which are ongoing, and are planned to continue with the Autistic Secondary level at Falinge in 2020/21.
Children's	Early Years Capital Grant	19	Delays in the provision of information from childcare providers.
Children's	Healthy Pupils Capital	16	Delays in scheme.
Economy	Definitive Rights of Way	52	Delays in scheme.
Economy	Stakehill Industrial Estate	40	Fund environmental works planned for 2020/21.
Economy	East Lancashire Railways	200	Align the budgets with associated Transport for Greater Manchester Tram/Train project.
Economy	Heywood South/Junction 19	250	Provide match funding for a future Greater Manchester Evergreen Grant.
Economy	Railways Strategy Park & Ride	90	Develop a combined scheme with Network Rail.
Economy	Middleton Town Centre Phase 3 Scheme	86	Delays in the delivery of the Hopwood Hall emergency works project.
Economy	Town Centre East Feasibility	125	Cover costs for future fees and asset management,
Economy	Town Hall Adaptation & Restoration	(165)	Re-phased back from 2020/21 due to delivery of scheme progression.
Economy	Rochdale Market	200	Cover potential future works to the building in 2020/21.
Economy	Town Centre Scheme	150	Cover costs associated with contracts in 2020/21.
Economy	Rochdale Town Centre 3 Year Strategy	250	Delays in delivery with expectation to be delivered in 2020/21
Economy	Hopwood Hall Refurbishment	13	Delays in resolving access issues in 2019/20.
Economy	Middleton Masterplan	17	Scheme will complete in 2020/21.
Economy	Heywood Masterplan	8	Scheme will complete in 2020/21
Economy	Town Centre Residential Strategy	100	Scheme is on hold awaiting completion of the Town Centre Traffic Model
Economy	Rochdale Riverside Phase 2	(300)	Previously re-phased budget to be brought back into 2019/20 to cover the costs of enabling design works.
Neighbourhoods	ICT Programme (Staff)	24	Re-phased for ongoing project work

Directorate	Scheme	Amount £'000	Reason for re-phase
Neighbourhoods	Vehicle Replacement Programme	931	Allow the purchase of vehicles in 2020/21 due to manufacturers not holding the necessary stock of vehicles required.
Neighbourhoods	Allotments	50	Requested to be re-phased due to delays in planning permission to enable the project to continue.
Neighbourhoods	Customer Transformation Budget	226	Enable the scheme to continue in 2020/21.
Neighbourhoods	Highways Investment	(496)	Re-phase reversal as the scheme has been progressing well and is ahead of previously anticipated progress.
<b>Total Rephasing at Period 10</b>		<b>3,327</b>	