

Report to Cabinet



Date of Meeting	28 th July 2020
Portfolio	Leader of the Council and Cabinet Member for Finance
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Public/Private Document	Public

Finance Update Report Period 2 2020/21

Executive Summary

To inform Cabinet and the Corporate Overview and Scrutiny Committee on the Council's forecast 2020/21 financial position as at the end of May 2020.

1.1 The Finance Update report contains detail of the following:

- The forecast Revenue position, which is a pressure of £17,639k. The pressure relating to Covid-19 is £29,059k, but is partially offset by the use of the government funding re Covid-19 of £13,616k. Non-Covid-19 pressures are currently reported as an in year pressure of £2,196k.
- Savings of £4,169k ongoing and £280k one off, with a balance to address of £847k.
- An update on the Health & Social Care Pool Fund.
- Forecast Capital expenditure of £156,560k, after re-phasing of £5,447k, budget returns of £2,065k, grant reductions of £2,640k and a grant increase of £192k.
- The forecast 2020/21 Collection Fund position of a deficit of £30,450k, which will be partially mitigated by increased government Section 31 grant of £20,950k, leaving a residual pressure of £9,500k.

Recommendation

- 2.1 Cabinet notes the forecast 2020/21 financial positions for Revenue, Capital, and the Collection Fund as at the end of May 2020.
- 2.2 Cabinet notes the forecast Health & Social Care Pool Budget position as detailed in section 4.2.
- 2.3 Cabinet approves the Budget Pressure requests in section 4.3
- 2.4 Cabinet approves the transfer of budget from the Equalisation Reserve to Townships as detailed in section 4.3
- 2.5 Cabinet note the forecast unachieved savings target in section 4.4

- 2.6 Cabinet notes the Capital re-phasing of £5,447k detailed in section 4.6.2.
- 2.7 Cabinet notes the net Capital budget changes of £4,513k detailed in section 4.6.1
- 2.8 Cabinet notes the use of the Insurance Reserve detailed in section 4.6.3.
- 2.9 Cabinet notes the forecast 2020/21 Collection Fund position detailed in section 4.7

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 financial resources are spent in line with the budget and are targeted towards the Council's priorities.

This report focuses on the forecast 2020/21 financial position as at the end May 2020.

Key Points for Consideration

4.1 Revenue Budget 2020/21

- 4.1.1. The budget set by Budget Council on 26th February 2020 was £224,127k. Increases in budget are detailed in the following table:

Approved by	When	Reason for change	Amount (£'000)
Budget Council	Mar-20	Approved budget	224,127
	Apr-20	Emergency Covid-19 Funding	6,116
	Apr-20	Hardship Funding	3,064
	Apr-20	S31 - Covid-19 Grant Business Rates relief compensation	20,950
GRAND TOTAL			254,257

Approval for the utilisation of funding provided by the Government to mitigate the additional expenditure/loss of income resulting from the impact of Covid-19 has been obtained in accordance with the Council's constitution, as detailed in the report to 30th June 2020 Cabinet, highlighting the current estimated financial implications of the Covid-19 pandemic.

The following amounts have increased the Council's Revenue budget, while other government funding has been allocated to specific services:

- £6,116k Emergency funding for local government, in addition to the £7,500k received in 2019/20; totalling £13,616k.
- £3,064k Hardship funding to support economically vulnerable people and households in the borough, of which £441k has been used to purchase Food

vouchers for families who met the Free School Meals criteria. The remainder is to be used to provide increased Local Council Tax Support discount for working age claimants meeting the eligibility criteria.

- £20,950k Section 31 grant funding relating to Business Rates relief given to the Retail, Leisure and Hospitality sector, and Nurseries sector.

The Revenue Budget Table in 4.1.2 provides detail of budget allocations and the estimated 2020/21 financial position.

4.1.2 The forecast position as at the end of May 2020 is an overspend of £17,639k. £15,443k is attributable to Covid-19 pressures which are net of the Covid-19 emergency funding. Budget will be allocated to Directorates to offset the pressures related to Covid-19.

Non Covid-19 pressures are currently £2,196k.

The table below provides detail by Directorate:

Directorate/ Detail	Budget Council	Virements/ Contingency	Current Budget	Service and Corporate Uncontrollables	Current Controllable Approved Net Budget	Forecast Controllable Outturn	Total In Year Saving/ (Overspend)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	£'000	£'000	£'000	£'000	£'000	£000	£'000
Adult Care	60,795	66	60,861	3,002	57,859	59,886	(2,027)
Children's	65,735	373	66,108	17,924	48,184	47,889	295
Economy	15,721	(236)	15,485	520	14,965	15,050	(85)
Neighbourhoods	50,734	1,901	52,635	1,053	51,582	51,961	(379)
Public Health and Wellbeing	20,586	540	21,126	1,782	19,344	19,344	-
Resources	8,825	709	9,534	(2,145)	11,679	11,679	-
TOTAL GENERAL SERVICES SPENDING	222,396	3,353	225,749	22,136	203,613	205,809	(2,196)
Integrated Pool Budget Contribution From	(102,339)	-	(102,339)	-	(102,339)	(102,339)	-
Integrated Pool Budget Contribution To	102,339	-	102,339	-	102,339	102,339	-
TOTAL POOLED BUDGETS	-	-	-	-	-	-	-
Finance Control: Corporately Held Budgets	578	13,161	13,739	(19,421)	33,160	33,160	0
Covid-19 Emergency funding	-	13,616	13,616	-	13,616	29,059	(15,443)
Finance Control: Budget Pressures	1,153	-	1,153	-	1,153	1,153	-
TOTAL FINANCE CONTROL SPENDING	1,731	26,777	28,508	(19,421)	47,929	63,372	(15,443)
NET EXPENDITURE REQUIREMENTS	224,127	30,130	254,257	2,715	251,542	269,181	(17,639)

4.1.3 The variations to controllable Revenue budget, by service, which are not related to Covid-19 are detailed below:

Service	Narrative	Amount £'000
Adult Care	In-year pressure of £2,027k was anticipated to be funded in 2020/21 via a loan from the Health and Social Care Partnership, but it has been confirmed that this is no longer available. The Council is working to address how these budgets will be funded going forward.	(2,027)
Children's	Budgets are still subject to realignments, however Children's Social Care are reporting an underspend due to the net reduction of external placements excluding the impact of Covid-19. The net reduction continued into 2020/21 however the impact of Covid is starting to show with increasing numbers of children coming into care over May and June.	295
Economy	The Economy Directorate is reporting a in-year pressure of £85k, due to pressures within Planning and Building Control, and Asset Rationalisation from ongoing targeted savings that will not be achieved and budget pressures funding will be requested following a review.	(85)
Neighbourhoods	The Neighbourhoods Directorate is reporting a potential in-year pressure of £379k. This pressure relates to Council cleaning & Town Hall events of £315k, increase in rental charges for Green Lane £35k and subscription costs of £29k. Of this £157k is requested through budget pressures, see section 4.3	(379)
Total		(2,196)

The variations to controllable Revenue budget, by service, which are related to Covid-19 are detailed below:

Expenditure	£k
Adult Social Care	6,613
Children's Social Care	2,655
Education	484
Highways and transport, Public Health & Housing	2,655
Cultural & Related	2,250
Environmental and regulatory services	779
Finance & Corporate	4,117
Other services	1,339
Estimated Total Spending Pressure	20,892
Less funding received for Infection Control, Test & Trace, Hardship Fund and Health (via CCG)	-7,542
Estimated Funding Pressure	13,350

Income	£k
Sales, fees and charges	5,195
Commercial Income	10,514
Estimated Total reduction in Income	15,709
Total Estimated Pressure	29,059
Government Emergency Funding re Covid 19	-13,616
Residual Pressure	15,443

The Council is reviewing its level of Reserves, and Treasury Management strategy to maximise the use of any available one off funds to offset against the pressures caused by the impact of Covid-19. Currently the Council has indicated to the government that £7m of Reserves could be used; a £3m reserve established for Manchester Airport dividend pressures, and £4m of General Balances, established for various unforeseen issues, including demand pressures and a reduction in the collection of Business Rates and Council Tax. It is intended to replenish these reserves to their original value, and therefore are only available as a short term measure.

The forecast cost projections relating to Covid-19 include possible financial support for Link4Life, the Council's culture and leisure provider. A recovery plan is currently being developed for Link4Life as it emerges from lockdown.

Work is on-going to gain a greater understanding of the financial impact and timeframe involved relating to Covid-19. The longer term implications also need to be assessed to support the Council in its financial planning going forward.

The Council will, with other Greater Manchester councils, continue to lobby the government to provide further funding to offset the ongoing financial impact of Covid-19.

4.2 Health & Social Care Pool Budget

As at the end of May 2020 the forecast gap in the Pool Fund for 2020/21 is £13,400k:

- £2,700k of which is the forecast remaining element of the opening pool gap if the current health funding arrangements end on the 31st July,
- £8,800k relating to Covid-19 pressures, and
- £2,000k pressure on Adult Social Care,
- Overall pressures are partially offset by an in-year saving of £100k relating to Health budgets.

Members are asked to note the change to the Health & Social Care Pool Budget Risk share agreement for 2020/21, taking into account the expected financial impact of Covid-19. Partners are to be responsible for their own pooled fund gap in 2020/21. This is a time limited proposal as a result of Covid-19, and it is intended that a risk sharing approach will be implemented for 2021/22.

4.3 Budget Pressures

The Budget Pressure Fund for 2020/21 is £1,153k; the following table details requests received to the end of May 2020:

	Ongoing £000s	One off £000's	Total £000s	Narrative
Opening Balance for 2020/21	953	200.4	1153.4	The balance brought forward is net of previously approved allocations
Period 2 Requests:				
Reduction in Balance Brought Forward	269.5			2019/20 unutilised budget to be earmarked for 2021/22 to reduce the budget gap
Children's		10		Request for budget pressures funding to provide Get Creative Packs to 2000 children, including cared for children. These packs help children and young adults engage in positive activities.
Neighbourhoods	157			Budget pressure relating to staff cover provided for auxiliary cleaners due to Service review of cost allocations.
Resources	38.7	31		Legal Case Management system - additional funding due to change in supplier as previous approved procurement route inadequate
Remaining Balance 2020/21	487.8	159.4	647.2	
Future Years Requests				
Resources	127.9			Increase in insurance premium of £174.1k, partially mitigated within the service £46.2k - this has been approved by the Chief Executive in consultation with the Leader of the Council & Finance portfolio holder and the Shadow Finance Portfolio Holder
Neighbourhoods	75			Unachievable income target relating to retail unit in N1R following decision to accommodate Registrars permanently within the space.

If the above are approved the balance remaining for budget pressures in 2020/21 is £627k; £488k ongoing and £159k one-off.

As part of the 2019/20 year-end process, Members approved unutilised revenue balances to be transferred to the Equalisation Reserve, which included £113k of unspent Townships funds. Township Committees have requested the carry forward of these 2019/20 balances into 2020/21 and therefore it is requested that Members approve the transfer of £113k from the Equalisation Reserve to Townships to support the funding of required projects.

4.4 **Savings**

The overall savings target for Services for 2020/21 was £4,682k, as agreed at Budget Council; £4,249k ongoing and £433k one-off. The revised level of savings for 2020/21 is £4,451k (£4,171k recurrent, and £280k one-off), as a result of the overstatement of some savings.

Services have identified savings proposals which have a balance to address totalling £847k, (£794k relating to Covid-19 and £53k non Covid-19) as shown in the table below:

Service	Nature of Saving	Savings Target - Ongoing	Savings Target - One Off	Achieved	On-Target	Balance to Address relating to Covid-19	Balance to Address Non Covid-19
		£'000	£'000	£'000	£'000	£'000	£'000
Adult Care	Improved opportunities through person centred planning for people in Supported Living	300	(45)	-	55	200	-
Adult Care	Prevention Contracts (previously supported living)	180	-	-	-	180	-
Adult Care	Moving On	50	-	40	-	10	-
	Sub Total Adults	530	(45)	40	55	390	-
Economy	N1 Riverside Utilisation Income	35	-	-	-	35	-
	Sub Total Economy	35	-	-	-	35	-
Neighbourhoods	Cemeteries and Crematoria - Memorial Hall Income	20	-	-	-	20	-
Neighbourhoods	Waste Vehicle cleaning	17	-	-	-	17	-
Neighbourhoods	Additional SIMS income from schools outside Borough	20	-	-	-	20	-
Neighbourhoods	Place based asset management system	100	-	-	20	80	-
Neighbourhoods	Environmental Management Township Rangers	17	-	-	8	9	-
	Sub Total Neighbourhoods	174	-	-	28	146	-
Public Health	System wide prevention review (including YP Substance Misuse and Sexual Health Contract review)*	129	-	26	-	103	-
	Sub Total Public Health	129	-	26	-	103	-
Resources	Early Payment Initiative	-	120	-	-	120	-
Resources	Mayoral Support	53	-	-	-	-	53
	Sub Total Public Resources	53	120	-	-	120	53
	Savings Grand Total with Balance to Address	921	75	66	83	794	53

4.5 **Transformation Fund**

The table below provides a summary of projects which have received funds in 2020/21 and includes details on progress:

Area of Service	Description	Approved Allocation £'000	In Year Movements £'000	Current Budget £'000	Forecast Spend 20/21 £'000	Variation - Forecast spend to Current Budget £'000	Explanation of Variances
Adults	Accommodation Strategy	120	(54)	66	77	(11)	There has been a delay to the progression of the Accommodation Strategy as consultancy support has been refocused to Covid-19 work, meaning that expenditure will be reduced from £120k to £90k, and resulting savings will be reduced to £13k achievable this year, rising to the expected £54k in 2021-22
ADULTS TOTAL		120	(54)	66	77	(11)	
Economy	A Successful Future for Development Management	20	0	20	20	0	
Economy	Strategic Planning	106	0	106	106	0	At Period 2 the service is anticipating that all Transformation schemes will be completed in 2020/21.
Economy	One Public Estate /GMCA - Integration Mgr & Support Officer	64	0	64	64	0	
ECONOMY TOTAL		190	0	190	190	0	
Neighbourhoods	Place Based Asset	66	0	66	66	0	
Neighbourhoods	Accelerated Housing (years 1 -2)	121	0	121	121	0	At Period 2 the service is anticipating that all Transformation schemes will be completed in 2020/21.
Neighbourhoods	Integrated Place Team	511	0	511	511	0	
NEIGHBOURHOODS TOTAL		698	0	698	698	0	
Resources	Council property title and marketing project (Creation of 2 FTE Post for 24 months) Year 1	38	0	38	38	0	
Resources	Oxygen Project	20	0	20	20	0	At Period 2 the service is anticipating that all Transformation schemes will be completed in 2020/21.
Resources	Stepping up approach to transformation	100	0	100	100	0	
Resources	Payroll Transformation	60	0	60	60	0	
RESOURCES TOTAL		218	0	218	218	0	
GRAND TOTAL		1,226	(54)	1,172	1,183	(11)	

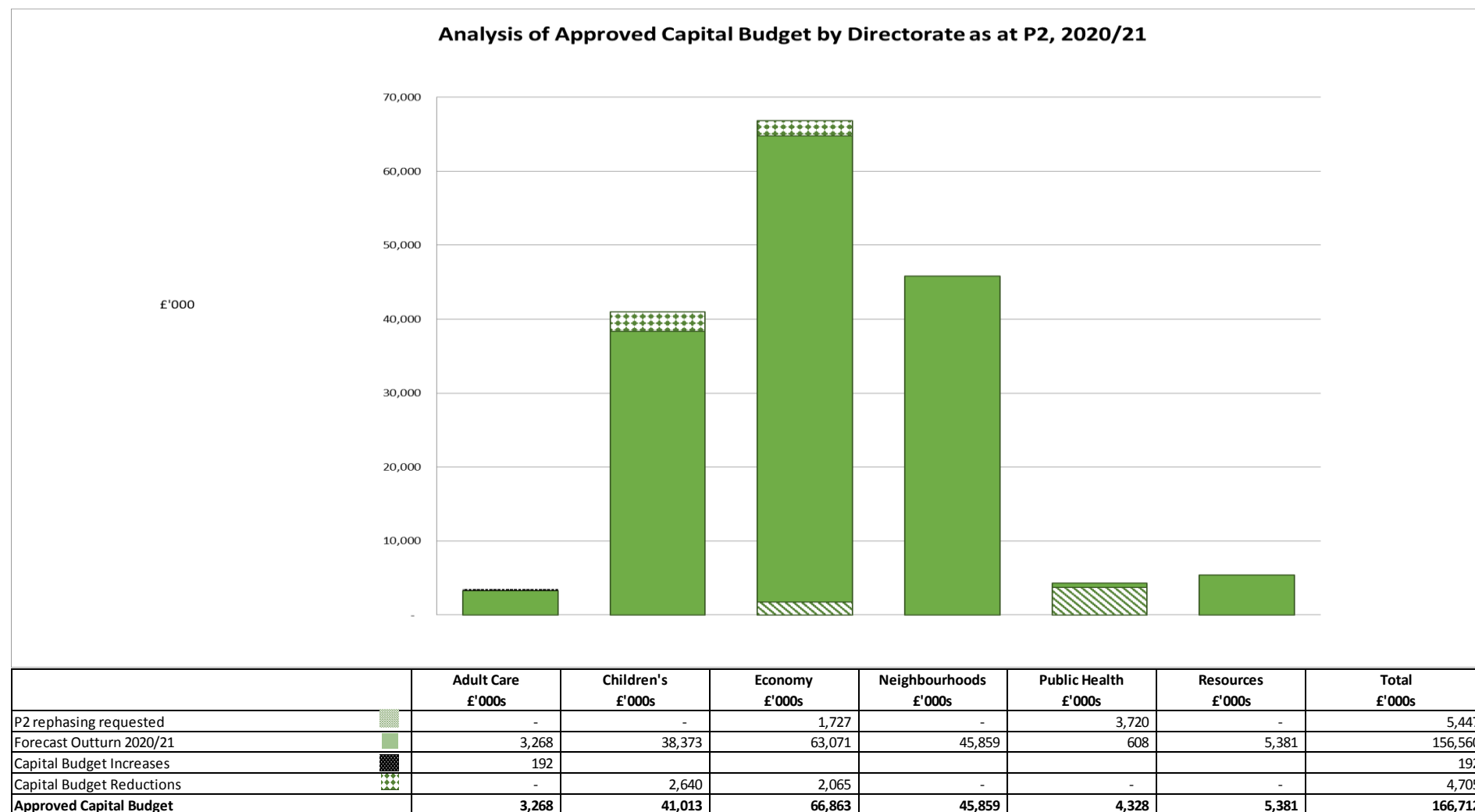
Each of the projects aim to deliver and enable transformation and reform activity which as well as achieving wider objectives aim to deliver financial savings, or increased efficiency and effectiveness of service delivery.

4.6 Capital Budget 2020/21

The current forecast position for 2020/21 Capital Budget is £156,560k. The table below shows a summary of the movements to the end of May 2020:

	2020/21	2021/22	2022/23
	£'000s	£'000s	£'000s
Base Budget as per Budget Council February 2020	83,475	48,480	25,232
Rephasing Brought Forward from previous years	83,045	-	3,500
Rephasing Requests P2	(5,447)	1,720	3,727
Capital Budget Changes	(4,513)	194	194
BUDGET AS AT END OF MAY 2020	156,560	50,394	32,653

The graph below contains detail of the capital budget and forecast spend for all Services in £'000s



4.6.1 Capital Budget Changes

Details of the net increase/ (reduction) to capital budgets are shown in the table below:

Service	Narrative	Funding Method	Capital Budget Increases (Reductions) £000's
Adult Services	Budget updated to reflect Disabled Facilities Grant allocation to increase to £2,632k including future years allocations	External Grant	192
Children's Services	Adjustment to Grant figures in line with allocated values	External Grant	(2,640)
Economy	Town Centre Purchase scheme cancelled	Revenue contribution to capital (RCCO)	(1,005)
	Town Centre Capital Programme scheme cancelled	Borrowing	(1,060)
Total Capital Budget Increases (Reductions)			(4,513)

4.6.2 Capital Re-phasing requests to the end of May 2020 are shown in the table below:

Service	Narrative	Rephasing Requested £000s
Economy	Rochdale Riverside Phase 2 : Cabinet approved Physical Enabling and Design works to commence in 2020/21 that were originally planned for 2021/22. Future year allocation of £2,000k is requested to cover these costs in 2020/21.	(2,000)
Economy	River Roch Flood Storage : A request is made to rephase £3,727k into 2022/23 to realign the budget with the agreed Environment Agency payment profile	3,727
Public Health	Link4Life Capital Projects:- Delay in projects due to Covid-19	3,720
Total Rephasing/(Use of Future Year Budget)		5,447

4.6.3 Separate and specific insurance cover is required for the Town Hall renovation/adaptation works, as the Council's current insurers have indicated that they are unwilling to provide cover. It will be necessary to approach the construction insurance market to obtain quotations for cover before works commence early next year, however current estimates are that cover may cost up to £200k per annum. The Chief Finance officer has approved the use of the Insurance Reserve to fund the cost of the insurance cover; maximum allocations from the Insurance Reserve are £50k in 2020/21, £200k in 2021/22 and £200k in 2020/23.

4.7 Collection Fund

4.7.1 The forecast Collection Fund outturn position for 2020/21 is a deficit of £30,450k, comprising:

- £24,866k deficit relating to Business Rates, partially offset by Section 31 grant of £20,950k;
- £5,584k deficit relating to Council Tax.

The total residual pressure is £9,500k.

The 2020/21 Collection Fund is forecast to be significantly impacted by the impact of Covid-19 and Government initiatives. This will impact on the Council's General Fund in 2021/22, and there is expected to be a

longer term impact on the level of Business Rates and Council Tax income.

4.7.2 Table 1 shows the forecast 2020/21 Collection Fund position, and the allocation between precepting authorities.

Table 1 – 2020/21 Collection Fund forecast deficit

	Business Rates		Council Tax		Total
	%	£'000	%	£'000	£'000
Forecast Collection Fund deficit at 31/03/21		24,866		5,584	30,450
<u>Preceptors' Share of 2020/21 forecast outturn</u>					
Rochdale BC	99	24,617	84.61	4,725	29,342
GMCAMayoral Police & Crime Commissioner	-	-	10.71	598	598
GMCAMayoral General (including Fire Services)	1	249	4.68	261	510
Total outturn (surplus)/ deficit	100	24,866	100	5,584	30,450

The Council's share of the forecast Collection Fund deficit is £29,342k, which will be partially offset by Government Section 31 grant funding of £20,950k.

The following table provides the explanation of variances relating to Business Rates:

Explanation of variance	Variation to budget, £'000
Decreased net Business Rates income principally due to the government decision to give 100% relief to the Retail, Leisure and Hospitality sectors for 2020/21, linked to the Covid19 pandemic; Section 31 grant to offset the discount given is received in the Council's General Fund. Reduced levels of gross income and higher levels of Empty Property discount are also forecast, linked to the impact of the pandemic.	24,245
Increased charge relating to the bad debt provision due to the likely impact of Covid19 on debt collection.	1,387
Actual surplus brought forward from 2019/20 is £766k higher than had been forecast as part of the 2020/21 Budget process.	(766)
2020/21 Forecast Deficit	24,866

The following table provides an explanation of variances relating to Council Tax:

Explanation of variance	Variation to budget, £'000
Forecast reduced Council Tax income due mainly to delays in the level of new builds as a result of the impact of Covid19.	341
Forecast increased level of Local Council Tax Support discount given due to increased numbers of claimants, partially offset by government Hardship Funding.	2,299
Increased charge relating to the bad debt provision as a result of anticipated impact of Covid 19 on debt collection.	1,330
A deficit of £937k brought forward from 2019/20 instead of the £(677)k surplus forecast as part of the 2020/21 Budget process. This was mainly due to the decision to increase the level of the Bad Debt provision as a consequence of the likely impact of Covid19.	1,614
2020/21 Forecast Deficit	5,584

The Council's share of any 2020/21 Collection Fund deficit will be brought into the Council's General Fund budget for 2021/22.

There will be a longer term impact on Collection Fund income which is dependent on the recovery of businesses and households. This will impact on the Council's core funding for services. Work is ongoing to assess the longer term impact on the Council's financial position.

4.8 Alternatives considered

- 4.8.1 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. Financial Implications

The main body of the report provides a detailed analysis of the forecast 2020/21 Finance Outturn position.

Risk and Policy Implications

- 6.1 There are no significant legal implications arising as a result of this Report but it should be noted that debts, which are recoverable, can be enforced by Court action in accordance with the Court Procedure Rules.
- 6.2 The impact of Covid-19 pressures relating to additional expenditure and lost income is estimated to have a very significant impact on the Council's financial position both in 2020/21 and in the medium term. The Council is completing a review of its reserves to assess whether some of the pressure may be mitigated in the short term. The use of reserves to address

pressures as a result of the Covid-19 outbreak is a one off solution which cannot be sustained into future years. The Council has indicated that any reserves deployed would require replenishing to their original value. The Council is continuing to lobby the government to provide further funding to offset the pressures.

6.3 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.

6.4 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. There is an on-going risk that issues decided nationally by the VOA could potentially impact on Rochdale BC's Business Rates income.

6.5 The future level of collection of Corporate Debt, Business Rates and Council Tax debt is a potential financial risk, particularly with the impact of the Covid-19 pandemic. Collection performance is being monitored on a monthly basis to ensure that debt is recovered as efficiently and effectively as possible, whilst making adjustments to reflect the current circumstances being imposed on businesses and residents, and so that any trends may be highlighted and action taken as necessary, at the appropriate time. Debt collection is likely to be significantly affected by the impact of Covid-19, and the forecast 2020/21 bad debt charges and provisions have been increased to reflect the increased risk of non-collection.

Consultation

7. All services engage with the production of the directorate 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 2020/21 financial position of the Council and its implications for future years. The report is due to be presented to the Corporate Overview and Scrutiny Committee on 17th August 2020.

Background Papers	Place of Inspection
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Background Papers	Place of Inspection
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8. For further information about this report or access to any	No1 Riverside Floor 2
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background papers contact Samantha Smith	
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