

Meeting of the Cabinet – 23rd September 2020

Joint Report of the Chief Executive and Director of Finance and Legal

General Fund Revenue Monitoring 2020/21

Purpose

1. To report the forecast 2020/21 General Fund revenue outturn position.

Recommendations

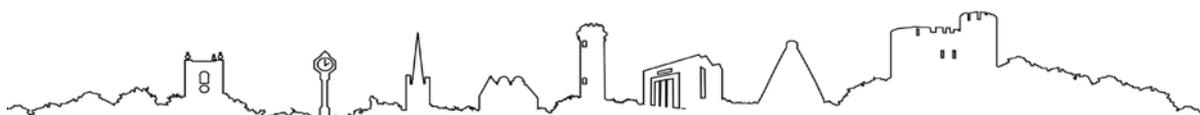
2. That Cabinet notes the forecast General Fund revenue outturn position for 2020/21 and the effect on General Balances at 31st March 2021.

Background

3. The Council's final accounts for the year ended 31st March 2020 have been completed, subject to audit. As at 31st March 2019 unringfenced revenue reserves as a proportion of net revenue spend were 20% (compared with the national average of 44%). As at 31st March 2020 Dudley's unringfenced reserves were 17% of net expenditure (comparisons for other councils are not yet available).

Forecast revenue outturn 2020/21

4. Since originally setting the budget in March, the Council's operations and finances have been significantly impacted by the Covid-19 pandemic. The forecasts in this report are made in the context of significant uncertainty about the path of the virus, the nature and duration of the public health measures and the severity of the economic impact, so the financial impact by the year end may in practice be greater.



5. In response to Covid-19, the Government has directed significant additional funding to councils and the table in Appendix A shows the allocation to Dudley. Of the £145.1m forecast allocation, £24.9m is unringfenced (of which £0.8m was used to offset impacts in the last financial year and £24.1m remains to offset impacts in 2020/21). £120.2m of the additional funding is for specific purposes and is expected to be matched by specific increases in expenditure or reductions in income.
6. The forecast General Fund position after transfers from / to earmarked reserves is as follows. It is important to note that this table does not include forecast reductions in Business Rates and Council Tax income (see Collection Fund below) as these do not impact on the General Fund in the current year, but can be spread over future years.

Directorate	Latest Budget £m	Outturn £m	Variance £m
Chief Executive Other	0.7	0.8	0.1
Adult Social Care	96.8	102.8	6.0
Children's Services	68.9	76.4	7.5
Health and Wellbeing	7.2	7.3	0.1
Finance and Legal	3.7	4.0	0.3
Commercial and Customer Services	0.6	4.5	3.9
Housing	2.4	2.5	0.1
Public Realm	49.9	51.2	1.3
Regeneration and Enterprise	10.8	15.0	4.2
Corporate, Treasury and Levies	9.2	8.8	(0.4)
Total Service Costs	250.0	273.1	23.1
Total Resources	(250.0)	(274.1)	(24.1)
Use of Balances	0.0	(1.0)	(1.0)

7. Further detail is provided in Appendix B. The significant variances are as follows:
- We have included £19.8m of service pressures on returns to the Government identifying costs arising from Covid-19 and we are forecasting £24.1m of unringfenced Covid-19 funding for 2020/21 which will generate a net favourable variance of £4.3m. This does not include pressures on Business Rates and Council Tax income (see Collection Fund below).
 - There are pressures arising from Children Looked After placements totalling £3.3m

- There is an underlying cost pressure of £1.3m within Home to School Transport.
- The Successor project is forecast to cost an additional £1.0m.
- The budget included provision for a 2% staff pay award, but this has now been settled nationally at 2.75% which represents a £1.0m cost pressure.
- Due to slippage in the Council's borrowing requirement there are £0.8m savings in debt financing costs.
- Release of the £2m contingency provision from the original budget.
- Other net favourable variances of £0.5m

8. The impact of the outturn shown above leaves the General Fund Balance at 31st March 2021 as follows:

	Budget £m	Latest Position £m
Forecast balance 31 st March 2020	15.2	15.2
2019/20 outturn (as reported to July Cabinet)		+0.5
Balance at 31st March 2020	15.2	15.7
Forecast 20/21 outturn		+1.0
General Fund Balance at 31st March 2021		16.7

Collection Fund

9. The Collection Fund is maintained so as to account for variations in the collection of Council Tax and Business Rates and to apportion any surpluses or deficits to the Police, the Fire Authority and the Council. Accounting for these income streams is currently particularly difficult in light of the uncertain economic impact of Covid19.
10. In relation to Council Tax, the current forecast assumes Council Tax Reduction claimant numbers will increase by 5,000. It is also proposed to increase the Bad Debt Provision to allow for increased Council Tax collection losses as a result of the pandemic. The forecast resulting deficit on collection of Council Tax is £5.4m. (Council Tax Reduction claimants are also entitled this year to an additional £150 in addition to the local scheme, but this will be funded separately from the Hardship Fund – see Appendix A.)
11. In relation to Business Rates, the Government introduced a new 100% Business Rates relief for Retail, Hospitality, Leisure and Nurseries. This is forecast to cost £44.8m and the Council will be reimbursed by way of additional Section 31 grant (see Appendix B) so there is no impact on the Collection Fund.

12. Based on early collection rates, for those businesses not covered by the 100% relief, we have estimated a loss of £3.5m in 2020/21 and made a £1m additional provision for bad debts from previous years. The total forecast deficit arising from Business Rates is therefore £4.5m.
13. The combined forecast £9.9m shortfall in tax receipts (compared to expected levels) leads to a deficit on the Collection Fund. The normal accounting treatment is to charge this deficit to the General Fund during the following financial year. However, the government has proposed that deficits accrued during 2020/21 will be spread over a three year period (2021/22 to 2023/24) to reduce the immediate pressures on budgets.
14. Under current rules, any ongoing adverse impact on Council Tax and Business Rates income will need to be budgeted for in 2021/22. This represents a significant risk to the Council's Medium Term Financial Strategy.

Outlook

15. Based on current forecasts, it appears that the General Fund reserve will not be called upon this year. However, future years will come under pressure as a result of this year's Collection Fund losses being charged back to the General Fund. There are also likely to be ongoing financial effects of Covid-19 and other pressures in future years, such that the use of reserves could become unsustainable. This could happen as early as next year. This is highly dependent on the outcome of the Government's Comprehensive Spending Review (CSR) and any announcements about additional resources or changes to accounting regulations. The timing of these announcements is uncertain, but they are likely to be later in the Autumn. Dependent on the outcome, it may be necessary to identify additional savings to ensure the sustainability of the Medium Term Financial Strategy in future years. Further reports will be brought to Cabinet in October and December.

External Audit

16. The External Auditors (Grant Thornton) have issued their Audit Findings Report. They anticipate giving an unqualified opinion on the Financial Statements. However, in view of concerns about financial sustainability, they anticipate giving an adverse qualified Value for Money conclusion and are considering whether further audit action is appropriate. This is subject to peer review.



Finance

17. This report is financial in nature and information is contained within the body of the report.

Law

18. The Council's budget setting process is governed by the Local Government Finance Acts, 1988, 1992, and 2012, and the Local Government Act 2003.

Equality Impact

19. The recommendations in this report comply with the Council's policy on Equality and Diversity.

Human Resources / Organisational Development

20. There are no Human Resource or Organisational Development issues arising directly from this report.

Commercial / Procurement

21. The financial impact of Covid-19 includes disruption to traded services as a result of the pandemic as well as supplier support to the care market.

Health, Wellbeing and Safety

22. The financial impact of Covid-19 includes the forecast cost of Personal Protective Equipment required as a result of the pandemic.

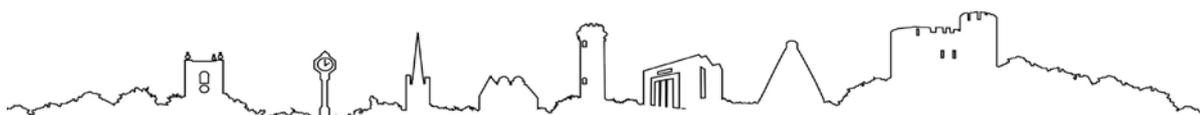
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List of Background Papers

Council Tax Setting report to Council on 2nd March 2020



Appendix A

Funding provided by Government in response to Covid-19

Name	£m	Comment
General Covid-19 grant ¹	21.9	Unringfenced grant for increases in expenditure and reductions in income as a result of the pandemic
Compensation for sales, fees and charges	3.0	Early estimate
Total Unringfenced	24.9	
Hardship Fund	3.0	To fund additional relief of £150 for each Council Tax Reduction claimant
Hardship fund (2 nd round)	0.4	Food and essentials
Section 31	44.8	Compensates for Business Rates relief for retail, leisure, hospitality and nurseries
Business grants	66.6	Initial allocation to fund grants to businesses. Expected cost £57m
Infection control - Care Homes	2.9	Ringfenced. 75% to be distributed on a per bed basis, 25% discretionary
Reopening High Street fund	0.3	Eligible expenditure to be claimed
Test, Track and Isolate	1.9	Ringfenced
Emergency Active Travel	0.3	£50k Revenue, £235k capital. 2 nd tranche to be confirmed
Total Ringfenced	120.2	
CCG	TBC	Support hospital discharges, £1.1m claimed to date

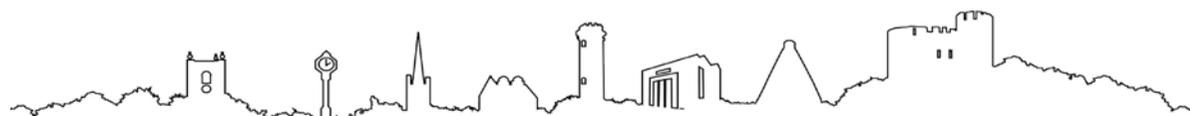
¹ £0.8m of Covid-19 grant was credited to the General Fund in 2019/20 and the remainder will be credited in the current year

General Fund Revenue Service Spend Summary 2020/21

	Budget £m	Outturn £m	Variance £m	Of which Covid £m	Of which Other £m	Comment
Chief Executives	0.7	0.8	0.1	0.0	0.1	Other - £0.1m senior mgmt. posts
Adult Social Care	96.8	102.8	6.0	5.8	0.2	Covid – provider support £2.5m, £2.9m pressures on Dudley Disability Services and net £0.4m pressure on Domiciliary care which includes £0.3m of inflation uplifts Other - £0.2m Successor
Children's Services	68.9	76.4	7.5	1.8	5.7	Covid – External CLA placements £0.3m, Traded Services £0.7m, Schools Trading accounts £0.8m. Other - £3.3m CLA Placements, £1.3m Home to School Transport, £0.8m Successor, £0.5m consultants/agency, offset but (£0.2m) vacancies.
Health & Wellbeing	7.2	7.3	0.1	0.1	0.0	Covid – Foodbanks £0.1m
Finance and Legal	3.7	4.0	0.3	0.5	(0.2)	Covid - £0.5m loss of Summons income



	Budget £m	Outturn £m	Variance £m	Of which Covid £m	Of which Other £m	Comment
						Other Agency costs £0.1 offset by Elections fallow year £0.3m saving
Commercial and Customer Services	0.6	4.5	3.9	3.7	0.2	Covid – PPE £2.0m, Regional Mortuary £0.6m, ICT £0.7m, CAPA events £0.2m, Registrars £0.2m Other ICT £0.2m
Housing	2.4	2.5	0.1	0.2	(0.1)	Covid - £0.2m Homelessness Other - vacancies (£0.1m)
Public Realm	49.9	51.2	1.3	2.1	(0.8)	Covid – Waste collection and disposal £0.7m, loss of income (Permit scheme, s&4 notices, licensing, car parks) £1.4m Other - £0.6m Mobilisation savings, £0.2m waste and recycling, Oak lane £0.2m offsetting £0.2m transport pressure



	Budget £m	Outturn £m	Variance £m	Of which Covid £m	Of which Other £m	Comment
Regeneration and Enterprise	10.8	15.0	4.2	4.2	0.0	Covid – Leisure £1.8m, Catering £0.9m, Planning income £0.3m, Local Mortuary £0.2m, Himley and Halls £0.7m, other pressures £0.3m Other - £0.3m unfunded regeneration costs incl. MIPIM offset by reduced expenditure on Adult and Community Learning £0.1m and from vacancies £0.2m
Corporate, Treasury and Levies	9.2	8.8	(0.4)	1.4	(1.8)	Covid – investment income impacted by Covid £1.4m Other - Slippage in borrowing requirements (incl MRP) £0.8m, £2m contingency released offset by additional 0.75% pay award £1.0m,
Total Service Costs	250.0	273.1	23.1	19.8	3.3	
Funding	(250.0)	(274.1)	(24.1)	(24.1)	0.0	£0.8m of grant funding used in 19/20. Includes £3.0m estimated compensation for Sales, Fees and Charges
Use of Balances	0.0	(1.0)	(1.0)	(4.3)	3.3	

