



Revenue Budget & Capital Programme Monitoring As at 31st March 2021

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Purpose of the Report

1. This report describes the Outturn budget monitoring position on the City Council's Revenue Budget and Capital Programme as at Month 12.

Summary

2. The Council's Revenue Budget as at 31st of March is overspent by £237k. This overspend is prior to two carry forward requests from the People portfolio totalling £112k. If agreed, the overspend will increase to £349k.
3. During the year the Council estimates that the net cost of the Covid-19 pandemic has been £67.9m. This figure includes additional costs (after specific government grants) to deliver its response to the pandemic plus lost income due to a downturn in economic activity or restrictions to control the outbreak. The detail composition of these costs is described in the chart below.
4. Support to Councils from the UK Government is via specific grants (e.g. Track, Trace and Isolate activities, over £1m to accommodate homeless and rough sleepers in hotels), free issue PPE and £60.7m of general support through block grants and partial reimbursement of lost fees and charges e.g. parking.
5. The headline net cost of Covid in 2020/21 after UK Government support is estimated at £7.2m. This does not include potential losses from Council Tax or business rates, the effects of the pandemic will not be seen on this revenue stream until 2021/22 and beyond.
6. Given that the Council has almost balanced its budget this year, that would imply that there has been underlying cost savings on business as usual activities of approximately £7m. In practice it is very likely that some of this saving is due to Covid restrictions too, for example spending less on office type expense such as stationery, travel costs, energy and the general lower level of BAU activity seen from March to July during the first lockdown. The **incremental** costs of the Council's response to Covid have become, after considerable effort, much easier to understand and identify than the savings which are difficult to separate out from the BAU activity.

7. Month-on-month estimates of the cost of the pandemic have improved as more data has been accumulated.
8. The Medium-Term Financial Analysis presented to Cabinet in October 2020 emphasised the additional uncertainty which the Covid-19 pandemic is creating for all types of organisations in their financial planning.

Response to the position

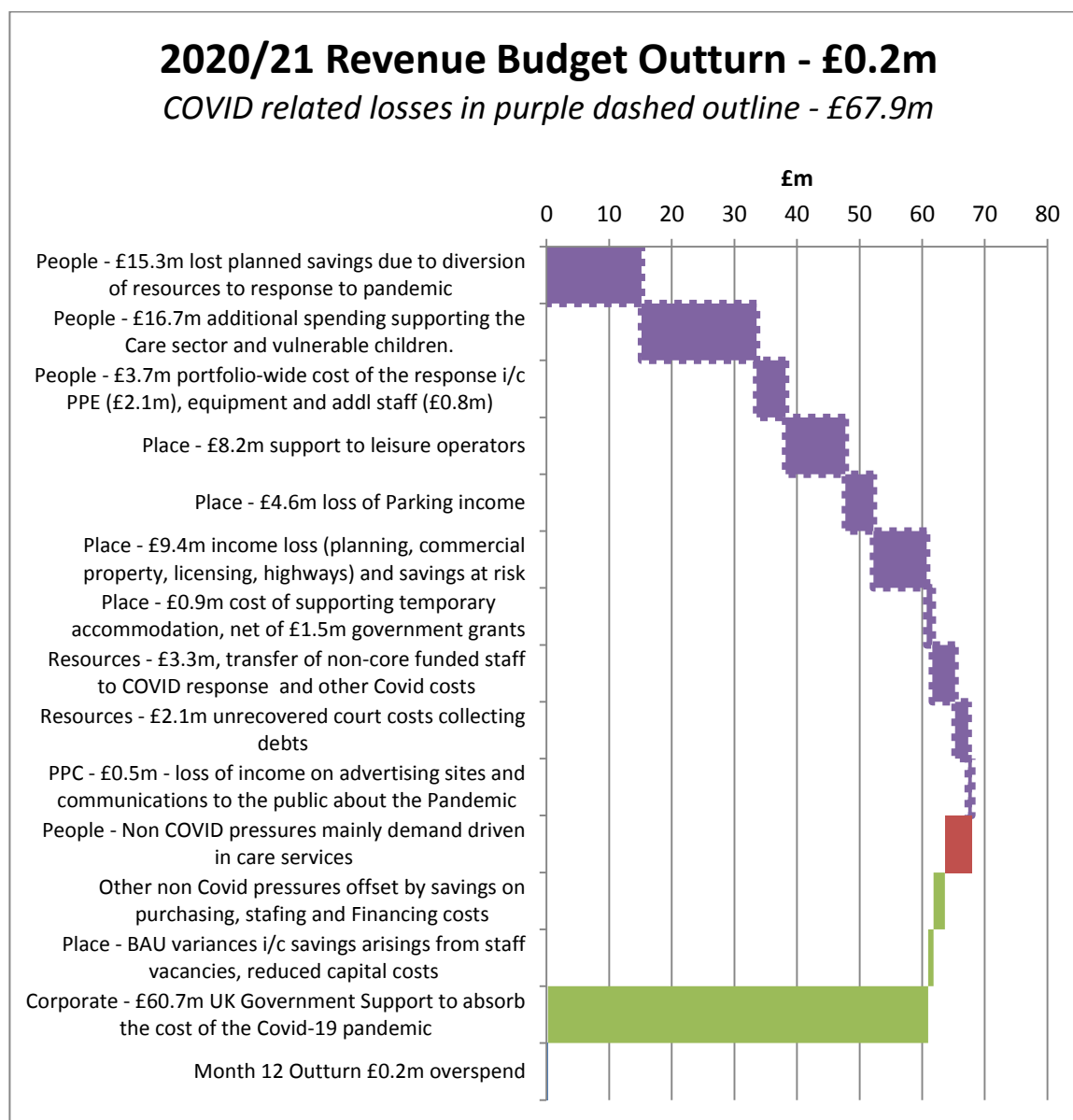
9. Sheffield is not alone in facing additional financial pressures caused by the COVID pandemic, and councils nationwide are struggling to cope with the additional pressures and demands on services. The Council is taking the following actions to manage the position and mitigate the financial pressures:
 - Monitoring and controlling the immediate financial impacts of the crisis
 - Reviewing the delivery of its current agreed savings programme to minimise the delays to implementation caused by COVID
 - Reviewing emerging non COVID-related financial pressures to reduce or eliminate them where possible
 - Learning lessons from the ways of working adopted during the pandemic, including actions that can be taken jointly with other key partners such as Sheffield CCG and Sheffield City Trust, to identify improvements that maintain service levels to the public whilst potentially reducing costs
 - Re-working its Medium Term Financial Analysis, including identifying any reserves that can be judiciously released to temporarily support the financial position. The provision of further government support for 21/22 has allowed the Council to balance its Budget in 2021/22 but the latest assessment is that the Council has a budget gap in the medium term which is not sustainable. Ensuring ongoing viability will have to involve the prioritisation of resources, identification of additional savings, demand management controls and the effective and prudent utilisation of the Council's reserves. Consequently we will need further financial support from Central Government if the Council's medium term financial position is to be sustainable. Without this Government support we will move in time to the position where we cannot set a sustainable budget
 - Lobbying Central Government for further support to recognise the short and longer term impacts of the pandemic, and the role the Council can play in regenerating the economy
10. The Council does welcome the additional revenue funding announced so far by the Government to manage the financial pressures it and other local authorities face,

though, as above, it must be emphasised that more financial support is needed to support the sector through the immediate crisis and the medium term, potentially to cushion the impact of lower receipts from Council Tax and business rates.

11. Thus, the Council needs to deliver, much quicker than previously achieved, the transformative changes that are needed to re-balance its financial position and protect services in the medium term. This process will be challenging however, and the Council is also keen to act as a catalyst to regenerate the economy of the city and the wider region. To fulfil fully this role, and to maintain a sustainable financial position in the medium term, the Council will need significant further Central Government funding.
12. In summary, despite substantial challenges, the Council has withstood the financial pressures emerging from the crisis this year.

Detailed position

13. The graph below summarises the main movements toward this forecast outturn from an initially balanced budget with comments on significant issues.



Position by Portfolio

14. The table below summarises the outturn position by portfolio at Month 12. Reasons for the variance to budget for the full year are summarised in the waterfall chart above.

Portfolio	Outturn	Month 12		Month 9	Change
		Full Year Budget	Variance	Forecast Variance	From Month 9 to Month 12
People	305,141	271,232	33,909	35,898	(1,988)
Place	182,184	159,621	22,563	19,757	2,806
Policy, Performance & Communications	2,850	2,816	34	149	(116)
Resources	39,223	34,853	4,370	5,244	(874)
Corporate	(529,161)	(468,522)	(60,639)	(59,254)	(1,386)
Grand Total	237	0	237	1,795	(1,559)

The main changes from Month 9 to Month 12 forecast are:

- People – additional income from NHS to pay for increased costs arising from Covid, plus the underlying rate of spend was not as great as had been forecast earlier in the year once management time could be released from the demands of responding to the Covid pandemic to review the forecasts;
- Place – heavily influenced by the impact of the Covid pandemic. Reduced use of grants to support our leisure services providers as their activities were closed by the Lockdown and further income losses in Markets, Licensing, property rentals and Parking Services. The leisure grants are available in 2021/22 to mitigate anticipated reopening costs;
- Resources and PPC – reduced cost of pensions to former employees as this group has declined in number, and, a higher level of apportionment of Council overheads to the Housing Revenue Account; and
- Corporate – receipt of further central government funding (£0.9m) to mitigate the impact of the Covid-19 pandemic plus £0.4m lower interest charges as borrowing to fund the capital programme was reduced due to reprofiling activity into later years as a result of the pandemic.

Dedicated Schools Grant (DSG)

15. At Month 12, the Outturn was a £0.4m overspend on DSG budgets. The position has improved £0.5m from the Month 9 forecast as a result of savings in school transport and building running costs. These savings in the last quarter have offset the underlying reasons for the full year overspend - undeliverable savings due to COVID lockdown of £0.2m, £0.2m staffing pressure within MAST teams due to demand in children's services and £0.3m pressure caused by pay award in excess of budget assumptions.

Public Health

16. Public Health services are funded by Public Health Grant – any variances to budgeted expenditure will be managed by adjusting the drawdown of grant income to match, therefore Public Health variances will be nil in terms of net expenditure and invisible

within the above reported position. The Public Health reserve will be utilised in case of any overspend at year end – there is forecast to be no General Fund impact this year. This table demonstrates the variances to budget before the application of grant income.

Public Health	Outturn	Month 12		Month 9	Change
		Full Year Budget	Variance	Forecast Variance	From Month 9 to Month 12
People	29,283	29,853	(570)	(406)	(164)
Place	2,822	2,884	(62)	(11)	(51)
Director of Public Health	1,797	1,940	(143)	(88)	(55)
Total	33,902	34,677	(775)	(505)	(270)

17. The key reason for this position is the overall reduction in staffing costs in Drug and Alcohol Coordination Teams and Public Health Staffing due to COVID-19 lockdown. There were no significant variances between the Month 9 forecast and Outturn position. Although a considerable saving of £270k, this is the cumulative effect of many small variances.

Housing Revenue Account

18. The HRA income and expenditure account provides a budgeted contribution towards funding the HRA capital investment programme of £23.1m. The Outturn position was a contribution of £23.4m, £0.3m higher than budget. This is an improvement of £1.0m on the Month 9 forecast.

Housing Revenue Account (excl. Community Heating)					
	Outturn	Month 12		Month 9	Change
		Full Year Budget	Outturn Variance	Forecast Variance	From Month 9 to Month 12
Net Income - Dwellings	(141,892)	(142,801)	908	850	59
Other Income	(5,973)	(6,217)	243	109	135
Tenant Services incl.					
Repairs & Maintenance	87,552	88,843	(1,291)	(250)	(1,041)
Depreciation	23,740	23,935	(195)	(0)	(195)
Interest on borrowing	13,178	13,175	4	(41)	45
Contribution to Capital Programme	23,396	23,065	331	(667)	998
Total	0	0	(0)	0	(0)

19. The reasons for this improvement include £0.5m lower spend on repairs due to Lockdown restrictions, £0.3m lower spend on tenant services following a review of historic provisions, a minor variation on the annual depreciation charge (£0.2m) offset by a £0.1m shortfall on interest on cash balances due to the depressed market rates.

20. The Outturn position has been dominated by the effects of the Lockdown. Additional provision has been made for rent arrears and the repairs activity has been significantly reduced to emergency and compliance repairs only resulting in a saving against budget this year. The backlog work will need to be recovered and it is proposed to set utilise the accumulated Reserves to cover this liability.
21. Any surplus on the Housing Revenue Account is traditionally re-invested back into the HRA Capital Programme to improve the Council's Housing stock to leave the overall position balanced.
22. There is also an adverse variance to budget of £331k on the community heating account caused by increased gas consumption (£0.2m) and higher district heating supply costs (£0.1m). The account is balanced in the near term and a further report will be provided in due course if officers consider it is necessary to recommend any changes to the current tariffs.

Annual Treasury Management Review

23. The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury review of activities, and the actual prudential and treasury indicators for 2019/20. This review is needed to meet the requirements of the CIPFA Code of Practice on Treasury Management (the code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code). During 2020/21 the Full Council received the Annual Treasury Strategy, whilst Cabinet were presented with the Outturn Report. Reports were also taken to the Cabinet Member for Finance during the year.
24. The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.
25. The Annual Treasury Management Review is attached as **Appendix 2**.

Capital Summary

26. The approved capital programme budget for 2020/21 at 31st March 2021 was £148.1m. The overall outturn of expenditure against this approved budget is £122.6m, a variance of £25.5m which has increased by £17.6m from Month 6. The programme has been severely disrupted by a combination of the lockdown measures taken to stop

the spread of the virus, and, operational problems in the construction activities. Further information on the Capital Programme is reported in **Appendix 2**.

Implications of this Report

Financial implications

27. The primary purpose of this report is to provide Members with information on the City Council's Budget Monitoring position for 2020/21. There is one recommendation to approve the carry forward of £112k underspend from 2020/21 to 2021/22. The details are in Appendix 1..

Equal opportunities implications

28. There are no specific equal opportunity implications arising from the recommendations in this report.

Legal implications

29. There are no specific legal implications arising from the recommendations in this report.

Property implications

30. There are no other property implications arising from the recommendations in this report this report.

Recommendations

31. Co-operative Executive are asked to:
- (a) Note the updated information and management actions provided by this report and including the recommended budget underspend carry forward in **Appendix 1**.
 - (b) In relation to the Treasury Management report, note the Outturn position described in **Appendix 2**.
 - (c) In relation to the Capital Programme, note the Outturn position described in **Appendix 3**.

Reasons for Recommendations

32. To record formally changes to the Revenue Budget and the Capital Programme.

Alternative options considered

33. Several alternative courses of action are considered as part of the process undertaken by Officers before decisions are recommended to Members. The recommendations

made to Members represent what Officers believe to be the best options available to the Council, in line with Council priorities, given the constraints on funding and the use to which funding is put within the Revenue Budget and the Capital Programme.

Appendix 1**Approval of carry forward expenditure from 2020/21****1. Recommendation**

To approve the carry forward of £112k of budget underspend in respect of two specific activities within the People portfolio. This will increase the budget overspend in 2020/21 to £349k.

2. Ward Pots Budget (£82k)

This budget supports local communities in delivering improvements to their neighbourhoods through small but locally important works selected by themselves. The planning and delivery of these works has been disrupted by the Covid pandemic resulting in a shortfall of £82k against budget. The works are important to the local communities and will be completed when restrictions are lifted. If not approved, the slippage from 20/21 would have to be funded out of the 21/22 budget allocation.

3. Cohesion Migration Project (£30k)

This project aims to improve community cohesion and integration of new arrivals to the city. The programme has been disrupted by the pandemic and it has not been able to progress as intended. If not approved this work would have to be prioritised above other planned activities.