



Author/Lead Officer of Report: Dave Phillips,
Head of Strategic Finance

Tel: 0114 273 5872

Report of: *Eugene Walker*
Report to: *Cabinet*
Date of Decision: *6th July 2020*
Subject: *Revenue and Capital Budget Monitoring 2020/21 –
As at 31st May 2020*

Is this a Key Decision? If Yes, reason Key Decision:-	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
- Expenditure and/or savings over £500,000	<input checked="" type="checkbox"/>	
- Affects 2 or more Wards	<input checked="" type="checkbox"/>	
Which Cabinet Member Portfolio does this relate to? <i>Finance and Resources</i>		
Which Scrutiny and Policy Development Committee does this relate to? <i>Overview and Scrutiny Management Committee</i>		
Has an Equality Impact Assessment (EIA) been undertaken?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
If YES, what EIA reference number has it been given? <i>(Insert reference number)</i>		
Does the report contain confidential or exempt information?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-		

Purpose of Report:

This report provides the outturn monitoring statement on the City Council's Revenue and Capital Budget as at the end of Month 2, 2020/21

Recommendations:

1. Cabinet are asked to:
 - (a) Note the updated information and management actions provided by this report and the attached appendix on the 2020/21 Revenue Budget Outturn.
 - (b) In relation to the Capital Programme, note the forecast Outturn position described in **Appendix 2**.

Background Papers:

Lead Officer to complete:-		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: <i>Dave Phillips</i>
		Legal: <i>Sarah Bennett</i>
		Equalities: No
<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>		
2	EMT member who approved submission:	<i>Eugene Walker</i>
3	Cabinet Member consulted:	<i>Councillor Terry Fox Cabinet member for Finance and Resources</i>
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	Lead Officer Name: <i>Dave Phillips</i> 	Job Title: <i>Head of Strategic Finance</i>
	Date: 6 th July 2020	

1. PROPOSAL

- 1.1 This report provides the outturn monitoring statement on the City Councils Revenue and Capital Budget for 2020/21.

2. HOW DOES THIS DECISION CONTRIBUTE?

- 2.1 To formally record changes to the Revenue Budget and gain Member approval for changes in line with Financial Regulations.

3. HAS THERE BEEN ANY CONSULTATION?

- 3.1 *No*

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality of Opportunity Implications

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

4.2 Financial and Commercial Implications

4.2.1 The primary purpose of this report is to provide Members with information on the City Council's Budget Monitoring position for 2017/18, and as such it does not make any recommendations which have additional financial implications for the City Council.

4.3 Legal Implications

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

4.4 Other Implications

4.4.1 Although this report deals, in part, with the Capital Programme, it does not, in itself, contain any property implications, nor are there any arising from the recommendations in this report.

5. ALTERNATIVE OPTIONS CONSIDERED

5.1 A number of 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.

6. REASONS FOR RECOMMENDATIONS

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



Revenue Budget & Capital Programme Monitoring As at 31st May 2020

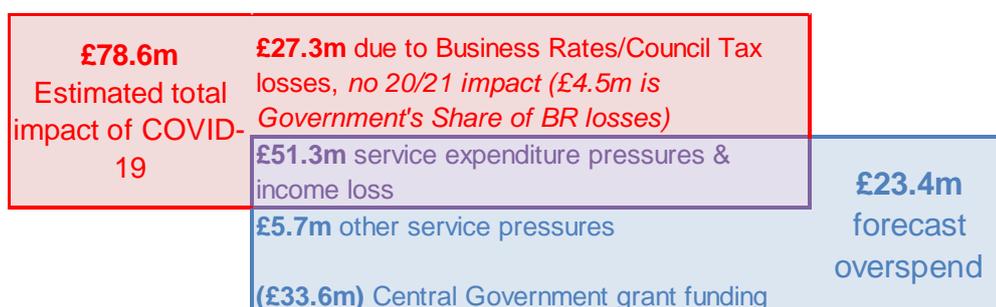
Report author: Dave Phillips, Head of Strategic Finance

Purpose of the Report

1. This report describes the budget monitoring position on the City Council's Revenue Budget and Capital Programme as at Month 2.

Summary

2. The Council's revenue budget is currently forecast to be overspent by £23.4m.
3. The vast majority of the forecasted pressure on revenue budgets for this year is due to the impacts of the coronavirus on Sheffield. The Council has estimated that the overall financial cost of issues relating to the COVID-19 pandemic will be upwards of £78m, though this will change as the longer term effects of the virus become better known. The below graphic reconciles between the estimated gross pressure (also reported back to MHCLG) and the impact on revenue budgets in 20/21.



Response to the position

4. 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. 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

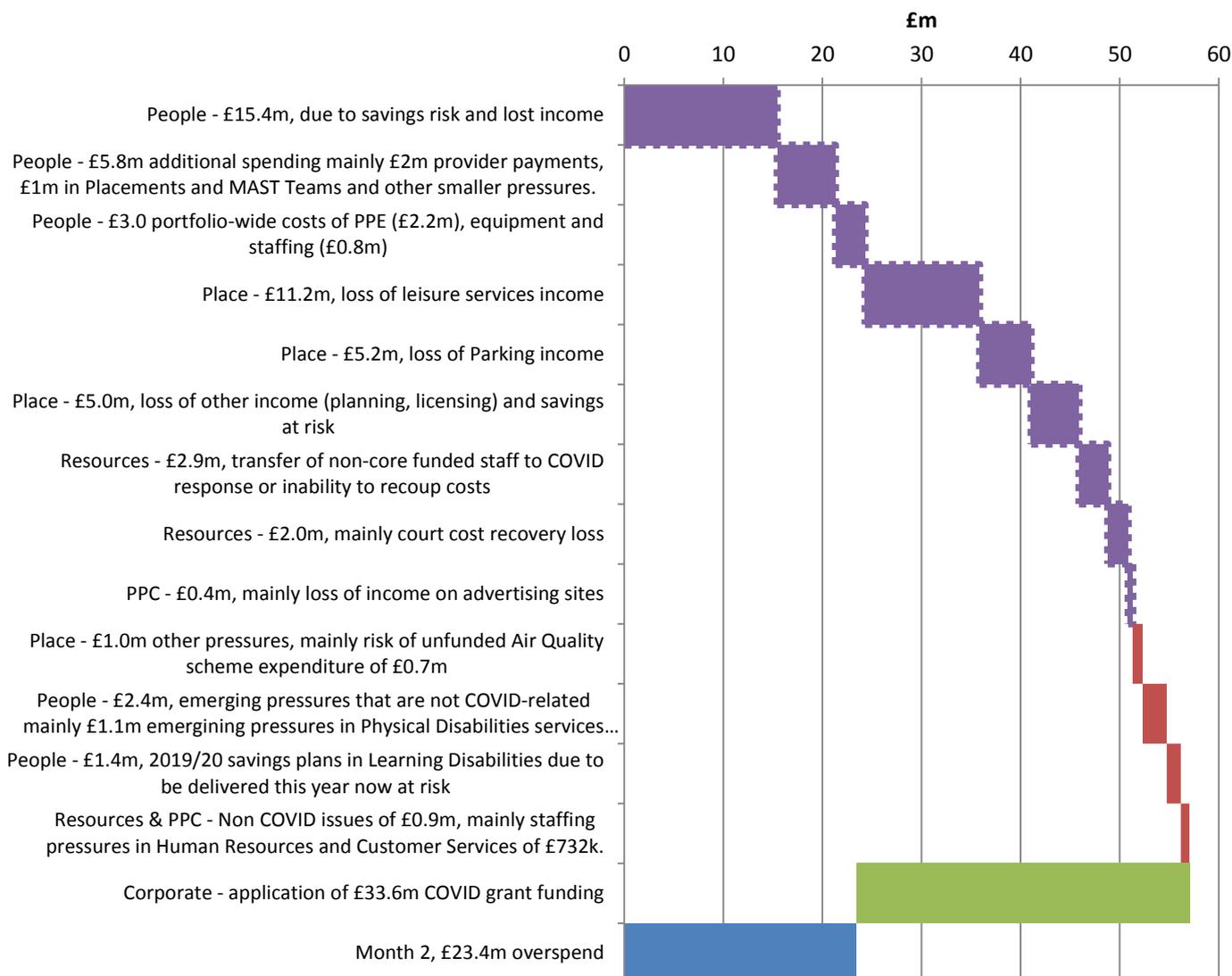
- Re-working its Medium Term Financial Analysis, including identifying any reserves that can be temporarily released to support the financial position. A reserve usage of the current level of £23m could possibly be sustained, however if the financial pressures continue to climb, then the Council's reserve position will become unsustainable. Previously we had identified that we had £35m of reserves that we could use to cash-flow our transformational change programme over the next four years, and in addition our General Fund balance is £13m. Hence we have almost £50m of reserves that could be released over the next four years, so using £23m in the first year represents a significant risk. 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
5. 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.
6. In summary the Council is confident that it can manage the financial pressures emerging from the crisis in the short-term, assuming that there are no further significant spikes in infections and further lockdowns. The Council is also planning 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.

Detailed position

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

2020/21 Forecast Outturn - £23.4m

COVID related issues in purple dashed outline - £51.3m



Position by Portfolio

8. The below table summarises the outturn position by portfolio at Month 2. Reasons for the variance to budget are given in the waterfall chart above.

Portfolio	Forecast Outturn	Full Year Budget	Forecast Variance
People	303,248	275,117	28,132
Place	223,554	200,941	22,613
Policy, Performance & Communications	3,410	2,927	483
Resources	8,292	2,496	5,796
Corporate	(515,105)	(481,481)	(33,624)
Grand Total	23,400	0	23,400

Dedicated Schools Grant (DSG)

9. At Month 2, the Council is forecasting a £767k overspend on DSG budgets. The key reasons for this overspend are savings undeliverable due to COVID lockdown of £193k, £156k staffing pressure within MAST teams due to demand in children's services and £288k pressure caused by pay award in excess of budget assumptions .

Public Health

10. 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 therefore 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	Forecast Outturn	Full Year Budget	Forecast Variance
People	27,863	27,704	(159)
Place	2,828	2,772	(56)
Director of Public Health	1,890	1,860	(30)
Total	32,581	32,336	(245)

11. 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.

Housing Revenue Account

12. The HRA income and expenditure account provides a budgeted contribution towards funding the HRA capital investment programme of £23.1m. As at Month 2 the account is forecasting a £4.5m adverse variance from this budgeted position.

Housing Revenue Account (<i>excluding Community Heating</i>)	Forecast Outturn	Full Year Budget	Forecast Variance
1. Net Income - Dwellings	(138,711)	(142,801)	4,090
2. Other Income	(6,267)	(6,217)	(50)
3. Tenant Services incl. Repairs & Maintenance	89,379	88,843	537
4. Depreciation	23,935	23,935	0
5. Interest on borrowing	13,133	13,175	(41)
6. Contribution to Capital Programme	18,530	23,065	(4,535)
Total	(0)	0	(0)

13. The main reason for this variance is anticipated disruption to rental income due to bad debt following lockdown. This position is fluctuating, and being closely monitored.

14. There is also a variance on the community heating account of £13k, which reflects a broadly balanced position.

Collection Fund

15. As at Month 2, the local share of the Collection Fund income stream is forecasting an overall in-year deficit of £22.7m, made up of a £18.2m deficit on Council Tax and a £4.5m deficit on Business Rates. This position is discussed in more detail within **Appendix 1**.

Capital Summary

16. The approved capital programme budget for 2020/21 at 31 May 2020 was £225.1m. The overall outturn of expenditure against this approved budget is forecast to be £214.1m, representing a variance of £10.9m. Further monitoring of the Capital Programme is reported in **Appendix 2**.

Corporate Risk Register

17. The Council maintains a Corporate Financial Risk Register which details the key financial risks facing the Council at a given point in time. Ordinarily, significant changes to this Register would be detailed in this report. However, the chief risk facing the Council currently is the immediate response to a global pandemic, and the full effects are not yet known. The Council's Incident Management Group (IMG) reports more frequently on this topic and it is proposed to instead refrain from discussing any changes to this Register here.

Implications of this Report

Financial implications

18. The primary purpose of this report is to provide Members with information on the City Council's Budget Monitoring position for 2020/21, and it does not make any further recommendations that have additional financial implications for the City Council.

Equal opportunities implications

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

Legal implications

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

Property implications

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

Recommendations

22. EMT are asked to:
- (a) Note the updated information and management actions provided by this report and the attached appendix on the 2020/21 Revenue Budget Outturn.
 - (b) In relation to the Capital Programme, note the forecast Outturn position described in **Appendix 2**.

Reasons for Recommendations

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

Alternative options considered

24. A number of 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.

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