

---

**Revenue Budget Monitoring 2020-21 – Fourth Formal Report**

---

**Report of the Director of Finance and Transformation (Section 151 Officer)**

This item is not exempt  
Therefore exempt reasons are not applicable  
This is a Non-Key Decision

**1. Purpose of the Report and Summary**

- 1.1 The report sets out the General Fund revenue budget monitoring position and also those for the Dedicated Schools Grant (DSG) and the Housing Revenue Account (HRA). The report includes details of the financial impact of the COVID crisis
- 1.2 This is the fourth and final formal report for the financial year 2020-21 which explains the current position, gives reasons for the most significant variances, and sets out the management actions being taken where appropriate.
- 1.3 It is now forecast that non COVID pressures can be managed through mitigating service and corporate savings, and also that the financial impact of the COVID crisis, taking into account the additional Government committed to date can be managed with a neutral impact on the Council's General Fund. However, there remains a high degree of uncertainty regarding the year end position which reflects the changing course of the pandemic, the impact across all public services and the Government response. Indeed, in the light of the lock down announced on 5<sup>th</sup> January it is now anticipated that additional costs / loss of income will continue beyond March and into the new financial year. As such a re-profiling of £6M costs, and the associated funding, was reflected in the Council's budget report presented to Council in February. The final profiling of COVID costs and funding will be reported as part of the Outturn position. It is currently assumed that locally the NHS, and other partners, will continue to deliver on their service and financial commitments over the coming months in the face of as yet unknown pressures.
- 1.4 There is also particular concern that the ending of the furlough scheme will result in significant job losses which in turn will push many residents onto reliance on Universal Credit and Council Tax Subsidy. The latter is funded directly by the Council. While this may not necessarily have an impact during this financial year, it

will translate into a significant additional take up and will affect the Collection Fund deficit next year and the Council's MTFP.

- 1.5 Further to the monitoring and MTFP update reports presented to Cabinet in July 2020, directorates have sought to control costs and to identify savings which mitigate the impact of rising demand pressures. As a result in year cost savings of £1.750m have been identified which have been reflected in the projections. Delivery of these savings will require continued focus by services. The Council is limited in its ability to deliver savings as the desire for cost savings has to be balanced against the need to maintain services to residents and build a recovery from the pandemic.
- 1.6 In addition, measures have also been taken to mitigate the impact of income losses. The Government have initiated a fees and charges re-imbursment scheme which provides mitigation against a proportion of lost income. The scheme only provides reimbursement of income losses net of associated cost savings and latest estimate suggests a net claim of £4.7m.
- 1.7 Income due to HCaL is excluded from the scheme due the Company ownership model. However, DCMS have devised a scheme from which HCAL will access funding of £0.640m will partially offset their shortfall in leisure income. The latest projections as set out in Table 3 assume any remaining shortfall in income will fall against HCAL's accounts, rather than the Council's General Fund, such that the Company will likely carry forward a significant year end deficit.

#### DSG

- 1.8 The ongoing review work (to bring ongoing spending into line with the underlying level of available funding) relating to the DSG is important, and needs to come to a successful conclusion. There is currently a forecast in year surplus of £0.009m. This includes estimates of £0.271m costs in relation to COVID-19. The Department for Education announced additional funding for schools and High Needs in July 2020. Hull is to receive £4 million additional High Needs grant for 2021-2022, this along with the ongoing review work, will enable the cumulative deficit to be repaid over the next three years, fund increased demand and identified priorities for pupils with special educational needs and disabilities.

#### HRA

- 1.9 The HRA forecast is for an in-year surplus of £2.563m at Year End over original Budget. Details on how this surplus has originated can be found in Section 10 of this report.

## **2. Recommendations**

- 2.1 That members note the overspend relating to the Social Care budgets, the savings to be delivered in year of £1.75M and the impact of the COVID 19 response in terms of projected additional costs and loss of income (see Appendix C for details) which currently suggests a neutral year end position with regard to the General Fund.
- 2.2 That members note the forecast in year surplus of £0.009m for the DSG, and actions/funding required to bring the cumulative position into balance in the medium term.
- 2.3 That members note the forecast of an in-year surplus of £2.563m for the HRA.

## **3. Reasons for Recommendation**

- 3.1 The Council needs to ensure that it is managing its resources effectively while ensuring that the public receive the benefits from the functions that it provides itself or commissions from other service providers.

## **4. Background**

- 4.1 The fourth formal revenue budget monitoring round for 2020/21 has been undertaken by Heads of Services, Assistant Directors and Directors and results in projected outturn positions for the General Fund, the Housing Revenue Account (HRA) and the Dedicated Schools Grant (DSG).
- 4.2 In addition to providing projected outturn figures, managers have commented on significant variances from the profiled budgets to actual spend and income received for the corresponding period. For the purposes of this analysis the estimated COVID costs have been excluded from the “mainstream” revenue projections and are shown separately with detail in Appendix C.
- 4.3 Managers have completed a progress statement on the MTFP savings within each individual service area (including Transformation savings where relevant). This savings view is consolidated in Appendix A. These have then been Red / Amber / Green (RAG) rated with explanations provided for any expected shortfall in the savings to be achieved from the amount relied upon in the budget

## **5. Position to date –Actuals vs Profiled Budget for the General Fund (excluding the impact of COVID)**

- 5.1 Table 1 below shows the summary position as at the end of period nine (December 2020) for service areas. It shows that at that point there was an unfavourable variance to date of £1.014m.

**Table 1 – Adjusted Actual Spend Against Budget as at 31 December 2020**

| Service  | A                | B                       | C                        | Sum (C-B)        | Percentage variance of profiled budget % |
|--|------------------|-------------------------|--------------------------|------------------|--|
|  | Full Year Budget | Profiled budget to date | *Adjusted Actual to date | Variance to date |  |
|  | £'000            | £'000                   | £'000                    | £'000            |  |
| Adults Social Care                               | 77,021           | 59,971                  | 61,231                   | 1,260            | 2  |
| Health & Wellbeing                               | 21,268           | 15,833                  | 15,727                   | -107             | -1                                       |
| City Safe  | 935              | 997                     | 1,024                    | 27               | 3  |
| <b>Total Public Health &amp; Adults Services</b> | <b>99,224</b>    | <b>76,801</b>           | <b>77,981</b>            | <b>1,180</b>     |  |
| Children Safeguarding                            | 48,529           | 37,071                  | 37,683                   | 612              | 2  |
| Learning and Skills                              | 4,012            | 2,380                   | 2,387                    | 7                | 0  |
| Early Help Partnerships and Performance          | 6,686            | 5,612                   | 5,576                    | -36              | -1                                       |
| <b>Total Children's Services</b>                 | <b>59,227</b>    | <b>45,063</b>           | <b>45,645</b>            | <b>582</b>       |  |
| Streetscene                                      | 29,460           | 20,926                  | 20,832                   | -94              | -0                                       |
| <b>Sub - Total</b>                               | <b>187,911</b>   | <b>142,790</b>          | <b>144,459</b>           | <b>1,668</b>     |  |
| Town Clerk                                       | 5,824            | 4,368                   | 4,244                    | -124             | -3                                       |
| Leisure Commissioning                            | 6,145            | 6,644                   | 6,645                    | 1                | 0  |
| Economic Development and Regeneration            | 4,027            | 4,451                   | 4,234                    | -217             | -5                                       |
| Customer Services                                | 1,675            | 2,157                   | 1,996                    | -161             | -7                                       |
| Property & Assets                                | 6,367            | 8,074                   | 8,131                    | 57               | 1  |
| Human Resources                                  | 2,703            | 1,902                   | 1,739                    | -163             | -9                                       |
| Finance & Transformation                         | 8,699            | 8,593                   | 8,532                    | -62              | -1                                       |
| Digital and ICT                                  | 4,603            | 3,722                   | 3,936                    | 214              | 6  |
| Neighbourhoods & Housing                         | 2,769            | -1,228                  | -1,201                   | 27               | -2                                       |
| Chief Executive                                  | 964              | 723                     | 633                      | -90              | -12                                      |
| Major Projects and Infrastructure                | 5,363            | 4,428                   | 4,293                    | -135             | -3                                       |
| <b>Sub - Total</b>                               | <b>49,139</b>    | <b>43,834</b>           | <b>43,180</b>            | <b>-654</b>      |  |
| <b>Total of all Service Areas</b>                | <b>237,050</b>   | <b>186,624</b>          | <b>187,639</b>           | <b>1,014</b>     |  |

\*Actual figures have been adjusted for timing differences, re-profiling issues and COVID 19 impact

**Assistant Directors' comments on significant variances to date**

**5.2 City Adults Social Care**

The £1.260m variance to date reflects the impact of additional placement costs. These pressures are reflected in the projections for the Service Area.

**5.3 City Children Safeguarding**

The £0.612m variance to date reflects higher than budget spend on placements for Looked after Children and Agency staff, as reflected in the projections.

## 6. Summary of MTFP Savings

- 6.1 Appendix A details the savings items included within the 2020-21 General Fund budget, and shows the manager's forecast of how much will be achieved and their explanatory narrative to support that view. Of the total savings value of £1.229m, £0.525m is currently viewed at risk and likely to be undelivered.

**Table 2 – Directorate Summary of Expected Achievement of Savings 2020-21**

| 2020/21 Period 9 Summary of Savings by Directorate |                                  |              |                                 |                            |            |
|--|----------------------------------|--------------|---------------------------------|----------------------------|------------|
| Directorate  | Public Health and Adult Services | Regeneration | Legal Services and Partnerships | Finance and Transformation | Total      |
|  | £000                             | £000         | £000                            | £000                       | £000       |
| <b>Total Savings Target</b>                        | -550                             | -453         | -76                             | -150                       | -1,229     |
| Savings expected                                   | -300                             | -178         | -76                             | -150                       | -704       |
| <b>Variance</b>                                    | <b>250</b>                       | <b>275</b>   | <b>0</b>                        | <b>0</b>                   | <b>525</b> |
| <b>Variance RAG Status</b>                         |                                  |              |                                 |                            |            |
| Red  | 75                               | 275          | 0                               | 0                          | 350        |
| Amber  | 175                              | 0            | 0                               | 0                          | 175        |
| <b>Total</b>                                       | <b>250</b>                       | <b>275</b>   | <b>0</b>                        | <b>0</b>                   | <b>525</b> |

## 7 Year End Projections including COVID impact

- 7.1 Table 3 below summarises the forecasted outturn position referred to by Directors in Appendix D as at Period 9. Appendix B provides additional information on budget and forecast for Children Safeguarding, Adults Social Care, and Streetscene, and how the metrics support the current projections. Latest projections suggest that, after identification of £1.75m of savings and excluding the impact of COVID, services will outturn at £1.8m in excess of budget but that this can be mitigated by savings on corporate budgets and balanced through application of capital receipts to fund transformational expenditure.
- 7.2 The memo column shown within the table, details the costs projected for 2020/21 in relation to the COVID 19 emergency with more detail shown at Appendix C, which details the gross costs and projected income loss alongside the mitigating government support. The indicative neutral outturn projection represents the latest forecasts of the immediate impact on the revenue budget although it should be noted that the expected impact on the 20/21 Collection Fund of £10.6m will impact in the revenue budget from 21/22 as the Council will need to recover the year end deficit expected at 31/3/21. It is now anticipated that an element of the costs identified in this report will be incurred in the new year, but pending more certainty over the likely outturn the full costs continue to be recorded within this report. However, as mentioned, the latest MTFP report includes an indicative £6M of re-profiled costs and funding in the new 2021/22 year.

**Table 3 – Projected Financial Outturn Position up to 31 March 2021 for the General Fund**

| 20/21 Revenue Projections                      | Full Year Budget | Year End Forecast | Projected Variance | Projected Variance at Third Formal Report | Variation Between Periods | *COVID-19 impact |
|--|------------------|-------------------|--------------------|---|---------------------------|------------------|
|  | £'000            | £'000             | £'000              | £'000                                     | £'000                     | £'000            |
| Adults Social Care                             | 77,021           | 78,271            | 1,250              | 1,250                                     | 0                         | 16,870           |
| Health & Wellbeing                             | 21,268           | 21,268            | 0                  | 0   | 0                         | 5,126            |
| City Safe                                      | 935              | 947               | 12                 | 0   | 12                        | 496              |
| <b>Total Public Health and Adults Services</b> | <b>99,224</b>    | <b>100,486</b>    | <b>1,262</b>       | <b>1,250</b>                              | <b>12</b>                 | <b>22,492</b>    |
| Children Safeguarding                          | 48,529           | 49,245            | 716                | 978                                       | -262                      | 9,944            |
| Learning and Skills                            | 4,012            | 4,416             | 404                | 656                                       | -252                      | 278              |
| Early Help Partnerships and Performance        | 6,686            | 6,622             | -64                | -150                                      | 86                        | 616              |
| <b>Total Children's Services</b>               | <b>59,227</b>    | <b>60,283</b>     | <b>1,056</b>       | <b>1,484</b>                              | <b>-428</b>               | <b>10,838</b>    |
| Streetscene                                    | 29,460           | 29,360            | -100               | 0   | -100                      | 4,233            |
| <b>Sub - Total</b>                             | <b>187,911</b>   | <b>190,129</b>    | <b>2,218</b>       | <b>2,734</b>                              | <b>-516</b>               | <b>37,563</b>    |
| Town Clerk                                     | 5,824            | 5,824             | 0                  | 0   | 0                         | 116              |
| Leisure Commissioning                          | 6,145            | 6,591             | 446                | 0   | 446                       | 1,381            |
| Economic Development and Regeneration          | 4,027            | 4,027             | 0                  | 0   | 0                         | 414              |
| Customer Services                              | 1,675            | 1,675             | 0                  | 0   | 0                         | 580              |
| Property & Assets                              | 6,367            | 6,771             | 404                | 320                                       | 84                        | 1,551            |
| Human Resources                                | 2,703            | 2,703             | 0                  | 0   | 0                         | 0                |
| Finance & Transformation                       | 8,699            | 8,792             | 93                 | 233                                       | -140                      | 805              |
| Digital and ICT                                | 4,603            | 4,736             | 133                | 132                                       | 1                         | 850              |
| Neighbourhoods & Housing                       | 2,769            | 2,769             | 0                  | 0   | 0                         | 2,452            |
| Chief Executive                                | 964              | 964               | 0                  | -0  | 0                         | 0                |
| Major Projects and Infrastructure              | 5,363            | 5,488             | 125                | 105                                       | 20                        | 679              |
| <b>Sub - Total</b>                             | <b>49,139</b>    | <b>50,340</b>     | <b>1,201</b>       | <b>790</b>                                | <b>411</b>                | <b>8,828</b>     |
| <b>Service Area Savings identified</b>         | 0                | -1,750            | -1,750             | -1,750                                    | 0                         | 0                |
| <b>Total of all Service Areas</b>              | <b>237,050</b>   | <b>238,719</b>    | <b>1,669</b>       | <b>1,774</b>                              | <b>-105</b>               | <b>46,391</b>    |
| <u>Corporate/Strategic Expenditure</u>         |                  |                   |                    |   |                           |                  |
| Corporate Expenditure                          | 18,520           | 17,033            | -1,487             | -1,368                                    | -119                      | 9,123            |
| Contingencies                                  | 1,947            | 2,031             | 84                 | -141                                      | 225                       |                  |
| Grants   | -79,971          | -79,700           | 271                | 271                                       | 0                         | -55,514          |
| Reserves                                       | -4,193           | -4,193            | 0                  | 0   | 0                         |                  |
| Council Tax/Business Rates                     | -173,353         | 173,872           | -519               | -519                                      | 0                         |                  |
| <b>Total Corporate Items</b>                   | <b>-237,050</b>  | <b>238,701</b>    | <b>-1,651</b>      | <b>-1,757</b>                             | <b>106</b>                | <b>-46,391</b>   |
| <b>General Fund Total</b>                      | <b>0</b>         | <b>18</b>         | <b>18</b>          | <b>17</b>                                 | <b>1</b>                  | <b>0</b>         |

\*This represents COVID 19 pressures as reported in Appendix C

## 8. Mitigating Action and Savings

- 8.1 Further to the MTFP and monitoring reports considered by Cabinet in July 20, which identified the significant projected financial impact of COVID, Directorates have sought to minimise costs and make savings to offset the financial pressures whilst maintaining service delivery. During the first months of the pandemic, the focus was to ensure services are maintained, and the needs of the vulnerable met in line with central Government expectations. However, as the scale of both the financial impact and the Government's desire to share the financial burden with Council's has become clearer, so has the need to minimise the Council's costs in order to assist in protection of the Council's financial stability.
- 8.2 Given the demand pressures on the Council's social services for both children and adults arising during the pandemic, and the need to maintain momentum with regard to the improvements required to address the weaknesses identified by OFSTED in Children's services, there is only limited scope to reduce the Council's cost base. Similarly there is also a need to protect the Council's regeneration services in the face of the economic downturn and growth in the unemployment rate in the city.
- 8.3 However, a review of activity has identified a total of £1.5m of non-pay savings which can be delivered this year without impacting on the current recovery plans. As Table 4 below shows, these are mainly in the categories of transport, energy and printing costs, and have also been reflected in the projections in Table 3.
- 8.4 A further £0.250m of Pay savings has been identified across the Service Areas, as recruitment processes are delayed which form part of the £1.750m savings presented in Table 3.
- 8.5 Although these savings will be of material benefit to the Council's Outturn position at 31 March 2021, as demonstrated in Table 3, in offsetting the projected non COVID related outturn position, they are dwarfed by the scale of the COVID impact.

Table 4 Savings

| Financial Year 2020/21<br>Period 9 - December 2020<br>YTD Expenditure variances<br>by Directorate | Children's,<br>Young<br>People and<br>Family<br>Services<br>£000 | Legal Services<br>& Partnerships<br>£000 | Public Health<br>and Adult<br>Services £000 | Regeneration<br>£000 | Finance &<br>Transformation<br>£000 | Total YTD<br>Variances<br>£000 |
|---|--|--|---|----------------------|-------------------------------------|--------------------------------|
| Energy costs  | 0  | 0  | 0   | -500                 | 0                                   | -500                           |
| Transport costs   | -100   | -8                                       | -134  | -67                  | -5                                  | -314                           |
| Printing costs  | -80  | -169                                     | -30   | -21                  | -5                                  | -305                           |
| Other Supplies and services   | 0  | -97                                      | 0   | -210                 | -69                                 | -376                           |
| Vacancy Management  | 0  | -75                                      | 0   | -133                 | -45                                 | -253                           |
| <b>Total YTD Savings</b>  | <b>-180</b>  | <b>-349</b>                              | <b>-164</b>                                 | <b>-931</b>          | <b>-124</b>                         | <b>-1,748</b>                  |

## Corporate Budgets

8.6 A review of corporate expenditure budgets has identified the following:

- Underspend of £0.5m in capital financing costs due to the continued optimisation of historically low borrowing rates coupled with the continued extension to the temporary borrowing policy.
- Council Tax Year End position at 31/03/2020 £0.5m better than assumed within 2020/21 Budget.
- A £400k reduction in dividends payable from fully owned companies as the result of limited trading activity during the pandemic.

8.7 In addition, a review of anticipated capital receipts receivable in year suggests £1.5m will be available to support the revenue budget through the application of the capital receipts / transformation flexibility which will provide for a near balanced non COVID position.

## 9. DSG

9.1 Summary Service Position

| DSG                            | A                      | B                             | C                              | Sum (C-B)           |   |
|--------------------------------|------------------------|-------------------------------|--------------------------------|---------------------|---|
| Service                        | Full<br>Year<br>Budget | Profiled<br>budget<br>to date | *Adjusted<br>Actual to<br>date | Variance to<br>date | Percentage<br>variance of<br>profiled<br>budget |
|                                | £'000                  | £'000                         | £'000                          | £'000               | %   |
| Schools                        | 5,638                  | 4,059                         | 4,209                          | 150                 | <b>3.70</b>                                     |
| Central Schools Services Block | 2,632                  | 2,642                         | 2,663                          | 21                  | <b>0.79</b>                                     |
| High Needs Block               | 29,325                 | 20,519                        | 21,562                         | 1,043               | <b>5.08</b>                                     |
| Early Years Block              | 18,135                 | 13,568                        | 13,568                         | 0                   | <b>0.00</b>                                     |
| <b>TOTAL EXPENDITURE</b>       | <b>55,730</b>          | <b>40,788</b>                 | <b>42,002</b>                  | <b>1,214</b>        |   |
| Government Grants              | -55,730                | -41,798                       | -41,798                        | 0                   | <b>0.00</b>                                     |
| <b>TOTAL INCOME</b>            | <b>-55,730</b>         | <b>-41,798</b>                | <b>-41,798</b>                 | <b>0</b>            |   |
| <b>NET EXPENDITURE</b>         | <b>0</b>               | <b>-1,010</b>                 | <b>204</b>                     | <b>1,214</b>        |   |

\*Actual figures have been adjusted for timing differences and re-profiling issues

### Assistant Director's comments on significant variances to date

High Needs Block - Overspend due to increased demand for pupils with EHCP's in mainstream schools, Special Schools, AP and Post 16. The High Needs block original budget included a surplus balance of £1.7m, due to this increased demand the expected year-end balance has reduced, see projections below.



## 9.2 Projected Year End Position

| 2020/21 Period 9                               | A                | B                 | B-A                |   |                           |
|--|------------------|-------------------|--------------------|---|---------------------------|
|  | Full Year Budget | Year End Forecast | Projected Variance | Projected Variance at Third Formal Report | Variation Between Periods |
|  | £'000            | £'000             | £'000              | £'000                                     | £'000                     |
| Dedicated Schools Grant                        |                  |                   |                    |   |                           |
| Schools and Academies                          | 5,638            | 5,791             | 153                | 0   | 153                       |
| Central Schools Services Block                 | 2,632            | 2,694             | 62                 | 62  | 0                         |
| High Needs Block                               | 29,325           | 29,221            | -104               | 25  | -129                      |
| Early Years                                    | 18,135           | 18,015            | -120               | 108                                       | -228                      |
| <b>Total Expenditure</b>                       | <b>55,730</b>    | <b>55,721</b>     | <b>-9</b>          | <b>195</b>                                | <b>-204</b>               |
| <b>Less Government Grants</b>                  | <b>-55,730</b>   | <b>-55,730</b>    | <b>0</b>           | <b>0</b>                                  | <b>0</b>                  |
| <b>Net Expenditure</b>                         | <b>0</b>         | <b>-9</b>         | <b>-9</b>          | <b>195</b>                                | <b>-204</b>               |
| <b>Deficit Brought Forward from 2019/20</b>    |                  |                   | <b>3,608</b>       | <b>3,608</b>                              | <b>0</b>                  |
| <b>Projected Deficit at the end of 2020/21</b> |                  |                   | <b>3,599</b>       | <b>3,803</b>                              | <b>-204</b>               |

## 9.3 Assistant Director's Comments

| Value £000 | Assumptions / corrective action / comments / reasons for variance   |
|------------|---|
| 153        | <b>Schools Block:</b> School funding is treat as fully spent on delegation to schools. This block also includes funding for supporting growth in school pupil numbers, this is £153k overspent due to the work required to provide places for the increased numbers in secondary schools in the city. A surplus balance of £609k was carried forward from 2019-2020.  |
| 62         | <b>Central Schools Services Block (CSSB)</b> - Expected to end 2020-2021 with an in-year deficit of £62k. The funding in this block under the National Funding Formula is currently protected by a maximum 2.5% reduction per pupil year on year. This leads to an increasing in year deficit, which can be funded until 2023-2024 using the cumulative balance of £1 million which was carried forward from 2019-2020. If the protection is withdrawn, or when the balance is fully spent then the LA services funded from this block of the DSG grant will be required to make savings. This block provides funding for the central statutory educational functions of the LA including leading and planning the educational service, statutory financial services and support, education welfare, asset management, support to the Schools Forum and the Admissions service. |
| -104       | <b>High Needs Block</b> - Expected to end 2020-2021 with an in year surplus of £104k, this includes estimates of costs in relation to COVID-19. The estimates for the effect of COVID-19 on the 2020-2021 financial year are £200k (which are reduced from previous estimates) including additional   |

|      |   |
|------|---|
|      | <p>expenditure of £80k to support pupils with SEND, the actual effects and costs of this still uncertain are expected to emerge over a longer time period and £120k loss of expected savings as the review of IPASS has been paused. A cumulative deficit was carried forward from 2019-2020 of £5.2m. The Department for Education announced 2021-2022 funding during July, this increased funding should enable the block to balance within the agreed three year period by 2023-2024, however, further work is required to review all elements of spend within the block to reduce expenditure to a level to ensure this is achievable. The refreshed High Needs Working Group has met and is putting together a program to focus on areas of concern.</p> |
| -120 | <p><b>Early Years Block</b> - Expected to end 2020-2021 with an in year surplus of £120k, this includes an estimate of £71k in relation to COVID-19 costs. This has changed from the previously reported in year deficit of £108k, due to reduced numbers of 3 &amp; 4 year old and deprived 2 year olds accessing provision. However there is uncertainty with both the Spring term participation numbers, which are expected to fluctuate depending on the Covid-19 situation and funding which will be updated in July 2021 based on the January 2021 census. A cumulative surplus of £510k was carried forward from 2019-2020.</p>  |
| -9   | <p><b>Total in year deficit</b> - Expected to end the year with a predicted in year surplus of £9k which includes £271k related to COVID-19, therefore if this was funded there would be a predicted in year surplus of £280k. A deficit of £3,608 was brought forward from 2019-2020. While balances may be carried forward, this cannot extend indefinitely into the future, therefore the level of spending needs to be controlled to enable the balance to be reduced. The Department for Education have provided local authorities with a template to complete to demonstrate DSG recovery plans, they will work with local authorities with deficits on an ongoing basis.</p>   |

#### 9.4 \*High Needs Block – plan to bring spend on Budget in the next 3 years

| High Needs Block                            | 2020-2021 Estimate<br>£000 | 2021-2022 Projections<br>£000 | 2022-2023 Projections<br>£000 |
|---|----------------------------|-------------------------------|-------------------------------|
| In Year Balance-after savings & adjustments | -104                       | -1,656                        | -3,438                        |
| Carry forward from previous year            | 5,216                      | 5,112                         | 3,456                         |
| Cumulative Carry Forward                    | 5,112                      | 3,456                         | 18                            |

9.5 The Department for Education announced the 2021-2022 funding in July 2020, this provides extra £4million for Hull City Council, around 12%. In the projections it is assumed 5% for 2022-2023, which is the last year in the 3 year settlement. This should be a prudent estimate and allow for the position to balance by the end of 2022-23.

9.6 The Dedicated School Grant is ring-fenced and deficits/surpluses are carried forward each year end.

## 10 Housing Revenue Account

### 10.1 Adjusted Summary Service Position

| <b>Housing Revenue Account</b>    | <b>A</b>                | <b>B</b>                       | <b>C</b>                        | <b>Sum (C-B)</b>        |   |
|-----------------------------------|-------------------------|--------------------------------|---------------------------------|-------------------------|---|
| <b>Service</b>                    | <b>Full Year Budget</b> | <b>Profiled budget to date</b> | <b>*Adjusted Actual to date</b> | <b>Variance to date</b> | <b>Percentage variance of profiled budget</b> |
|                                   | <b>£'000</b>            | <b>£'000</b>                   | <b>£'000</b>                    | <b>£'000</b>            | <b>%</b>                                      |
| Housing Repairs & Maintenance     | 26,253                  | 17,333                         | 15,333                          | -2,000                  | -12   |
| Supervision & Management          | 17,689                  | 12,865                         | 11,842                          | -1,023                  | -8  |
| Special Services                  | 5,149                   | 3,173                          | 3,325                           | 152                     | 5   |
| Rent & Rates                      | 921                     | 373                            | 379                             | 6                       | 2   |
| Provision for Doubtful debts      | 708                     | 0                              | 0                               | 0                       | 0   |
| Capital Financing                 | 54,102                  | 4,973                          | 4,973                           | 0                       | 0   |
| CDC Contribution                  | 310                     | 0                              | 0                               | 0                       | 0   |
| <b>TOTAL EXPENDITURE</b>          | <b>105,132</b>          | <b>38,717</b>                  | <b>35,852</b>                   | <b>-2,865</b>           | <b>0</b>                                      |
| Dwelling Rent Income              | -89,309                 | -67,181                        | -67,181                         | 0                       | 0   |
| Charges for Services & Facilities | -3,159                  | -2,326                         | -2,365                          | -39                     | -2  |
| Non Dwelling rents                | -1,257                  | -918                           | -924                            | -6                      | -1  |
| Leaseholders charges for services | -406                    | -305                           | -305                            | 0                       | 0   |
| Other Fees & charges              | -491                    | -149                           | -73                             | 76                      | 0   |
| Interest on balances              | -189                    | 0                              | 0                               | 0                       | 0   |
| General Fund Transfer             | -810                    | 0                              | 0                               | 0                       | 0   |
| <b>TOTAL INCOME</b>               | <b>-95,621</b>          | <b>-70,879</b>                 | <b>-70,848</b>                  | <b>31</b>               | <b>0</b>                                      |
| <b>NET (SURPLUS )/ DEFICIT</b>    | <b>9,511</b>            | <b>-32,162</b>                 | <b>-34,996</b>                  | <b>-2,834</b>           | <b>0</b>                                      |

\*Actual figures have been adjusted for timing differences and re-profiling issues.

#### **Assistant Director's comments on significant variances to date**

Housing Repairs & Maintenance - £2,000k underspend is the result of the delays in work during the pandemic.

Supervision & Management - £1,023k underspend mainly relates to staffing vacancies throughout the HRA service.

Both variances are reflected in the projected underspend in the table below.

## 10.2 Projected Year End Position

| 2020/21 Period 9                  |                  |                   |                    |   |                           |
|-----------------------------------|------------------|-------------------|--------------------|---|---------------------------|
| Housing Revenue Account           | Full Year Budget | Year End Forecast | Projected Variance | Projected Variance at Third Formal Report | Variation Between Periods |
|                                   | £'000            | £'000             | £'000              | £'000                                     | £'000                     |
| Housing Repairs & Maintenance     | 26,253           | 24,253            | -2,000             | -500                                      | -1,500                    |
| Supervision & Management          | 17,689           | 16,123            | -1,566             | -561                                      | -1,005                    |
| Special Services                  | 5,149            | 5,316             | 167                | 194                                       | -27                       |
| Ren & Rates                       | 921              | 931               | 10                 | 2   | 8                         |
| Provision for Doubtful debts      | 708              | 708               | 0                  | 392                                       | -392                      |
| Capital Financing                 | 54,102           | 54,602            | 500                | 0   | 500                       |
| CDC Contribution                  | 310              | 337               | 27                 | 0   | 27                        |
| <b>TOTAL EXPENDITURE</b>          | <b>105,132</b>   | <b>102,270</b>    | <b>-2,862</b>      | <b>-473</b>                               | <b>-2,389</b>             |
| Dwelling Rent Income              | -89,309          | -89,309           | 0                  | 0   | 0                         |
| Charges for Services & Facilities | -3,159           | -3,195            | -36                | -42                                       | 6                         |
| Non Dwelling rents                | -1,257           | -1,240            | 17                 | -3  | 20                        |
| Leaseholders charges for services | -406             | -390              | 16                 | 18  | -2                        |
| Other Fees & charges              | -491             | -298              | 193                | 190                                       | 3                         |
| Interest on balances              | -189             | -61               | 128                | 0   | 128                       |
| General Fund Transfer             | -810             | -829              | -19                | 0   | -19                       |
| <b>TOTAL INCOME</b>               | <b>-95,621</b>   | <b>-95,322</b>    | <b>299</b>         | <b>163</b>                                | <b>136</b>                |
| <b>NET (SURPLUS) / DEFICIT</b>    | <b>9,511</b>     | <b>6,948</b>      | <b>-2,563</b>      | <b>-310</b>                               | <b>-2,253</b>             |

### Assistant Director Comments

- 10.3 A CV19 impact has been considered in regards all HRA forecasted spends for this financial year. The gross forecasted impact on direct HRA revenue expenditure is £306k. The gross forecasted direct impact on HRA income is £321k. To note there are expected longer term potential effects to the HRA as a result of CV19. In regards capital expenditure, there are significant longer term potential costs with £469k current forecasted impact for the year with implementation of Safe Systems of Work in particular appreciable. All forecasted spends have been based upon the best possible estimates using the most up to date information in regards the impact CV19 has had on respective HRA budgets, nonetheless as more information becomes available forecasts are likely to change.
- 10.4 The Repairs and Maintenance programme is currently forecasting a -£2,000k variance mainly as a result of the COVID-19 outbreak. This is generating further in year savings within the Period 9 forecast. Predominantly this is impacting Relet Repairs and Planned Cyclical Works within the Repairs & Maintenance programme. Relet Repairs has been indicating a decrease in voids compared to the same period last year, resulting in reduced spend in year savings. Planned Cyclical Works has been impacted from COVID with works not been done resulting in reduced spend

this year, with the need for these planned works to be done next year. An estimate for some additional COVID-19 costs incurred is included in the current forecasts and these are currently been updated for further review/discussions with contractors. The current COVID lockdown is likely to have an ongoing effect on the forecasted projections, however this is unknown at present time. The potential pressure which could therefore occur in future years will need to be managed within the future years agreed budgets. The Repairs and Maintenance programme will be continued to be monitored closely and reviewed regularly.

- 10.5 Supervision & Management costs are forecasting a -£1,566k variance. -£395k is due to staffing vacancies occurring throughout the HRA service (Mainly due to the recent staffing restructure). £129k is due to additional overtime costs and PPE equipment in relation to CV19. -£180k is due to Investment Team professional fees delayed into next year due to CV19. -£293k relates to an expected underspend on provisions. -£78k underspend is expected on liability insurance provisions. -£84k relates to a forecasted underspend on Learning and Development costs. -£270k relates to internal recharges to HCC Legal Services as work could not be completed as expected. This was mainly because of CV19 impacts on this work stream (including closure of courts). -£163k underspend expected in relation to Area Based Spend & Enhanced Environmental Works allocations. -£101k relates to other small forecasted variances in relation to a variety of other budget lines. Included within Supervision and Management is a budget of £822k for the Housing Management System (HMIS) project. There have been delays in the implementation plan due to Coronavirus for which a -£131k delay into 2021/22 has been forecasted.
- 10.6 Special Services costs are expected to overspend by £167k. £77k is due to additional overtime costs and PPE equipment in relation to CV19. £90k relates to other small projected variances across a variety of budget lines .
- 10.7 In the light of the impacts of the COVID-19 pandemic it still remains difficult to forecast the likely Provision for Doubtful Debt at this stage. There is the potential for a further spike due to the socioeconomic effects of the ongoing global coronavirus pandemic in the near future. Nonetheless based on current arrears levels, a much better December collection rate of rent arrears than could have been expected, the fact central government have extended the furlough scheme through the remainder of the financial year, and current expectations in regards lockdown 3 tenants spending patterns. It is likely the effects of COVID-19 will not affect the Provision for Doubtful Debt this financial year as anticipated at the beginning of the pandemic and as per previous monitoring periods. The expected adverse effect is therefore deferred into the next financial year. Based upon the above, the current forecast is that the Provision will be on budget. It is important to note the average rolling arrears levels are still going up significantly and are expected to continue on an upward trajectory for the foreseeable future, and will therefore likely still increase the bad debt provision required going forward into future financial years. The Provision for Doubtful Debt will be kept under continuous monitoring and is reviewed regularly.
- 10.8 Final expenditure capital financing costs are dependent on a number of factors including, but not limited to, the final cost of the HRA capital programme, debt repayments & interest repayments. Current expectations is to increase capital financing costs by £500k to directly fund the capital programme and reduce other funding sources, due to an underspend in contingency funds and other underspends noted across the HRA. Capital financing costs are kept under continuous monitoring and are reviewed regularly.

- 10.9 Other Fees & Charges are currently forecasted to under achieve by £193k. £95k is due to less returned court fees expected due to the courts been/expected to be closed for most of the financial year due to CV19. £98k relates to RTB admin costs, and is based upon the current forecasts of RTB sales expected in the year which is lower than the original budget mainly due to CV19 impacts.
- 10.10 Interest achieved on HRA balances held is forecasted to be underachieved by £128k mainly due to the bank interest rates dropping significantly as a result of the COVID-19 pandemic against the original budgeted rate.
- 10.11 Based upon the figures at Period 9, the HRA is expected to use £6.948m of reserves against an original balanced budget of £9.511m. The HRA therefore shows a forecasted £2.563m variance compared to the approved Full Year Budget.

**11. Comments of the Town Clerk (Monitoring) Officer**

- 11.1 The report gives rise to no immediate legal issues. The position is noted, in particular the continuing impact of the covid-19 pandemic and the government's response to this. It is easily foreseeable that pressures will continue to limit any ability to achieve savings across many areas and in the face of what may be required to facilitate local economic recovery.

**12. Comments of the Section 151 Officer**

- 12.1 The Section 151 Officer is the author of this report

**13. Comments of the HR Assistant Director and compliance with the Equality Duty**

- 13.1 There are no staffing or equality issues arising from the update.

**14. Comments of Overview and Scrutiny**

- 14.1 This report will be considered by the Finance and Value for Money Overview and Scrutiny Commission at its meeting of Friday, 19 March, 2021. Any comments or recommendations made by the Commission will be tabled alongside the report at Cabinet. (Ref. Sc6077 (FH))

**15 Comments of the Portfolio Holder for Strategic Finance – Councillor Webster**

- 15.1 There continues to be pressures around ASC and Children's Services which require attention and a long term resolution. Taking on board the current and ongoing problems, a lot of the red areas are due to the Covid 19 pandemic and as things progress these will improve.

## **16 Conclusions of the Section 151 Officer and Implications on the Medium Term Financial Plan**

- 16.1 The fourth formal revenue monitoring cycle has been a valuable process and the outcome from it is available at this stage of the financial year in order to aid the assessment of the Council's financial position.
- 16.2 Significant cost pressures have been identified within the care services which have implications for the Council's MTFP. Service Area savings and mitigations in Corporate Budgets have been able to offset these area pressures, returning a near balanced budget, including the COVID impact.
- 16.3 The impact of the COVID 19 crisis has been felt during this financial year by the majority of the Council's services, in particular within the care system. The financial positions remains fluid, as does the course of the pandemic, and although a balanced 2021/22 Budget has been set, there remains the potential for the crisis to undermine the Council's financial stability beyond 2021/22.
- 16.4 The review work relating to the DSG is important, and the plan outlined in section 9 of this report should ensure the High Needs block spend is balanced over the next three years. The risk that any unresolved balance remains for the Council to have to accommodate cannot be allowed to crystallise as there are no resources to absorb such costs.
- 16.5 The HRA is projecting an in year surplus of 2.563m at Year End.

**David Bell**

**Director of Finance and Transformation (Section 151 Officer)**

Contact Officer: Brice McDermid Telephone No.: (01482) 615010  
Officer Interests: None Background Documents: - None

|   |   |
|---|---|
| I have informed and sought advice from HR, Legal, Finance, Overview and Scrutiny and the Climate Change Advisor and any other key stakeholders i.e. Portfolio Holder, relevant Ward Members etc prior to submitting this report for official comments | Yes   |
| I have considered whether this report requests a decision that is outside the Budget and Policy Framework approved by Council   | Yes   |
| Value for money considerations have been accounted for within the report  | Yes   |
| The report is approved by the relevant Assistant Director   | Yes   |
| I have included any procurement/commercial issues/implications within the report  | n/a   |
| I have considered the potential media interest in this report and liaised with the Media Team to ensure that they are briefed to respond to media interest.   | Yes   |
| I have included any equalities and diversity implications within the report and where necessary I have completed an Equalities Impact Assessment and the outcomes are included within the report  | There are no equalities and diversity implications within the report. |
| Any Health and Safety implications are included within the report   | n/a   |
| Any human rights implications are included within the report  | There are no human rights implications within the report.             |
| I have included any community safety implications and paid regard to Section 17 of the Crime and Disorder Act within the report   | n/a   |
| I have liaised with the Climate Change Advisor and any environmental and climate change issues/sustainability implications are included within the report   | n/a   |
| I have included information about how this report contributes to the City Plan/ Area priorities within the report   | n/a   |
| I have considered the impact on air quality, carried out an appropriate assessment and included any resulting actions or opportunities necessary to improve air quality in the report.  | Yes   |