
Revenue Budget Monitoring 2021-22 – 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 To update Members on the latest revenue budget monitoring position, explanations for material variances from Budget, year-end projections, and the management actions being taken where appropriate.
- 1.2 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 also sets out the very significant estimated financial impact of the COVID crisis.

General Fund

- 1.3 In this final round of budget monitoring for the financial year 2021/22, no material movement is projected from the position previously reported. At this stage, it is still forecast that non COVID pressures can broadly be managed through mitigating service and corporate savings, and also that the financial impact of the COVID crisis, taking into account the additional Government funding committed to date can be managed with a neutral impact on the Council's General Fund. However, there remains a degree of uncertainty regarding the year end position which reflects the increasing cost of Social Care, the changing course of the pandemic, the impact across all public services and the Government response. As a result, there is likely to be some movement in cost projections by the year end but it is not anticipated that this will be material in magnitude and will not impact on the latest MTFP projections underpinning the 2022/23 Budget Strategy.
- 1.4 Contingencies for the financial year 2021/22 of the value of £11.9M were created at the end of 2020/21 to meet these additional demands, as reported in the Provisional Outturn report. Additional £18M of funding has been received so far in the year, resulting in a total value of £29.9M of Contingencies. However, much of the

Contingency funds have already been committed in year, to mitigate the COVID pressures incurred by Service Areas. An analysis of the movements in these Contingencies can be found in Table 2.

- 1.5 Further to the Budget report presented to Cabinet in February 2021, directorates have sought to control costs and to identify savings which mitigate the impact of rising demand pressures. This is particularly true in relation to Social Care, where placement and agency cost pressures remain high.

DSG

- 1.6 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 £0.050m. The Department for Education announced additional funding for schools and High Needs in July 2020. Hull is set to receive additional High Needs grant for 2022-2023, although the final value is yet to be confirmed, and along with the ongoing review work, will enable the cumulative deficit to be repaid over the next two years, fund increased demand and identified priorities for pupils with special educational needs and disabilities.

HRA

- 1.7 The HRA forecast is now for an in-year surplus of £0.050m at Year End over original Budget. Details on how this small deficit has originated can be found in Section 8 of this report.

2. Recommendations

- 2.1 That members note the latest service projections and the expected broadly neutral Outturn position at 31st March 2022. (Table 1)
- 2.2 That members note the impact of the COVID 19 response in terms of projected additional costs and loss of income. (Table 2)
- 2.3 That members note the forecast in year surplus of £0.050m for the DSG, and actions/funding required to bring the cumulative position into balance in the medium term.
- 2.4 That members note the forecast of an in-year surplus of £0.050m 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 2021/22 has been undertaken by Head of Services, Assistant Directors and Directors and results in projected outturn positions.
- 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. Appendix A shows the summary position as at the end of Period 9 (December 2021) for service areas. It shows that at that point there was an unfavourable variance to date of £2.495m.

5 Finance Summary of the General Fund Year End Position

- 5.1 Table 1 below summarizes the forecasted outturn position referred to by Directors in Section 6 which provide for an expected neutral outturn projection.
- 5.2 The memo column shown within the table, details the costs projected for 2021/22 in relation to the COVID 19 emergency, the gross costs and projected income loss alongside the mitigating government support.

Table 1 – Projected Financial Outturn Position up to 31 March 2022 for the General Fund

21/22 Projected Position	Full Year Budget	Year Enc Forecast	Projected Variance	Projected Variance at Third Formal Report	Variation Between Periods	COVID-19 impact
	£'000	£'000	£'000	£'000	£'000	£'000
Adults Social Care	79,170	79,170	0	0	0	9,247
Health & Wellbeing	21,068	21,024	-44	0	-44	2,455
City Safe	1,485	1,485	0	0	0	391
Total Public Health and Adults Services	101,723	101,679	-44	0	-44	12,093
Children Safeguarding	57,040	59,278	2,238	2,236	2	3,909
Learning and Skills	4,973	5,084	111	137	-26	174
Early Help Partnerships and Performance	9,777	9,862	85	45	40	0
Total Children's Services	71,790	74,224	2,434	2,418	16	4,083
Economic Development and Regeneration	3,741	3,952	211	264	-53	344
Property & Assets	6,561	6,980	419	598	-179	83
Chief Executive	974	982	8	0	8	0
Major Projects and Infrastructure	5,237	5,298	61	77	-16	576
Streetscene	30,120	30,020	-100	100	-200	1,272
Total Regeneration	46,633	47,232	599	1,039	-440	2,275
Town Clerk	5,884	5,946	62	0	62	551
Customer Services	1,786	1,936	150	140	10	65
Human Resources	2,728	2,728	0	0	0	0
Neighbourhoods & Housing	2,751	2,693	-58	-99	41	208
Total Legal Services and Partnerships	13,149	13,303	154	41	113	824
Corporate Finance	8,861	8,861	0	-17	17	2,885
Digital and ICT	5,026	4,905	-121	0	-121	18
Leisure Commissioning	6,194	6,194	0	0	0	979
Total Finance and Transformation	20,081	19,960	-121	-17	-104	3,882
Total of all Service Areas	253,376	256,398	3,022	3,481	-459	23,157
<u>Corporate/Strategic Expenditure</u>						
Corporate Expenditure	23,996	19,241	-4,755	-4,812	57	935
Contingencies	7,105	8,418	1,313	968	345	1,243
Grants	-103,453	-102,953	500	500	0	-27,384
Reserves	-1,364	-1,372	-8	-8	0	0
Council Tax/Business Rates	-179,660	-179,660	0	0	0	2,049
Total Corporate Items	-253,376	-256,326	-2,950	-3,352	402	-23,157
General Fund Total	0	72	72	129	-57	0

The following table outlines the Covid funding brought forward from 2020/21 to create Contingencies in 2021/22, as per Provisional Outturn report presented to Cabinet on 28th June 2021 and the additional funding received in year so far. It also presents the projected use of these funds during 2021/22 at the time of the report. It is anticipated that no material balance will be left in these Contingencies at the end of 2021/22.

Table 2 – COVID Funding and Contingencies

COVID Funding and Contingencies	Funding 2021/22	Projected Use of Funding in 21/22 as per Table 1	Projected Balance end of 21/22
	£M	£M	£M
<u>Carry Forwards as per MTFP</u>			
General Fund - use of Covid Emergency funding	3.29	3.04	0.25
Public Health Contingency	3.00	3.00	0.00
HCAL venue developments/reopening - use of NLRf funding	0.48	0.48	0.00
Theatres loss of income - use of Emergency Covid funding	1.00	1.00	0.00
Council Tax - use of COVID hardship funding	0.80	0.71	0.09
Winter Grant - use of Winter Grant scheme	0.55	0.55	0.00
	9.12	8.78	0.34
<u>Additional contingency 21/22 as per Outturn report</u>			
Children and Young People Placement/ Agency staff Contingency	1.50	1.50	0.00
Adult Training Grant loss Contingency	0.40	0.40	0.00
Additional Income loss contingency - Car Parks/Theatres	0.50	0.50	0.00
Streetscene Waste Initiative	0.37	0.37	0.00
	2.77	2.77	0.00
Total contingencies at beginning of 2021/22	11.89	11.55	0.34
<u>Additional funding received in 2021/22</u>			
Contain outbreak management fund	2.55	2.55	0.00
Test and Trace practical support	3.84	2.64	1.20
Infection control and rapid testing fund	5.63	5.11	0.52
Adult Social Care Workforce Recruitment and Retention	2.26	2.26	0.00
Re-opening of High Street - Welcome Back Fund	0.56	0.56	0.00
Winter Grant Scheme extension	0.43	0.43	0.00
Protect and Vaccinate	0.21	0.21	0.00
Local Support Scheme - Apr to May 2021	0.29	0.29	0.00
Local Support Scheme - June to September 2021	1.16	1.16	0.00
Bus Recovery Grant	0.21	0.21	0.00
Dedicated School and College Transport Capacity	0.32	0.14	0.19
Covid Safe Elections	0.03	0.03	0.00
New Burdens Covid funding	0.55	0.27	0.28
Total	18.02	15.84	2.18
Total Contingencies	29.91	27.39	2.52

6 Comments of Directors relating to projections in Table 1

Director of Legal Services and Partnerships

- 6.1 The pressures highlighted in Legal driven by CYPS case load and external staff costs are materialising as forecast with increased pressures in legal counsel costs emerging during period 9 monitoring which are being monitored and largely mitigated by more favourable forecasts in the Service/Directorate.
The extension of the Call Centre contract in Customer Services for a further 6 months carries an additional c£278k pressure which carries the risk of increasing further in the last quarter of the financial year and will continue to be closely monitored; the service is also facing pressures highlighted in this period relating to increased Coroners costs (c£74K) for professional fees and (c£57K) temporary mortuary costs which along with the Call Centre pressure are currently also being mitigated in part by forecast staff vacancy savings in the service.
N&H favourable variance is due to the receipt of the SART grant which is currently funding staff costs, the position is unique to this year and mitigates some historic budget pressures (c£89K) which will be considered during 22/23 budget setting.

Director of Children's Services

- 6.2 The Directorate will not deliver within its overall budget primarily due to significant pressures in looked after children's placement costs and agency social work costs.

Children Safeguarding

- 6.3 While the overall number of Looked after Children is stabilising around 900, the lack of internal low cost fostering placements is leading to an increase in the number of children placed in agency fostering households which are at a higher cost. There are also pressures with 16+ placements and Permanency Orders (non LAC), however the success of the internal children's homes estate and the Connect edge of care service is resulting in an underspend on agency residential placements which is helping to offset the pressures. The following table provides information on the placement costs budget and forecast, and how the metrics support current projections.

Placement Pressure Analysis									
	21/22 Budget Position			Forecast Position P9			Variance analysed		
Placement Category	Average number of children budget based upon	Average cost of placement	Budget 21 / 22	Average number of children in placement	Average cost of placement	Forecast Outturn 21 / 22	Average number of children in placement	To Budget	Number of children as at 31.12.21
		£m	£m		£m	£m		£m	
<u>LAC Placements</u>									
Residential Agency	37	0.223	8.247	33	0.225	7.425	-4	-0.822	31
Foster Agency	167	0.046	7.608	205	0.044	9.085	38	1.477	190
Secure Accommodation	1	0.314	0.314	0	0.000	0.000	-1	-0.314	0
Remand	4	0.073	0.292	2	0.159	0.318	-2	0.026	2
Independent Living / Lodgings, range of placements with varied costs - Agency	35	0.101	3.526	44	0.078	3.447	9	-0.079	43
Other Independent Living / Lodgings	60	0.012	0.713	52	0.024	1.251	-8	0.539	56
Fostering HCC inc placed for adoption	365	0.012	4.464	321	0.011	3.657	-44	-0.807	301
Family & Friends Fostering	159	0.014	2.165	156	0.013	2.095	-3	-0.070	168
Parent & Baby. Short term assessment placements - Agency	2	0.152	0.305	1	0.223	0.223	-1	-0.082	0
Placed with Parents - Nil cost	47	0.000	0.000	51	0.000	0.000	4	0.000	55
Internal Children's Home - cost elsewhere within the budget	33	0.000	0.000	36	0.000	0.000	3	0.000	34
NHS Establishment - Nil cost	2	0.000	0.000	2	0.000	0.000	0	0.000	2
LAC Placement Total	912		27.633	903		27.500		-0.132	882
<u>Non LAC Third Party Placements</u>									
Permanency Orders (not LAC)	490	0.009	4.298	567	0.009	5.274	77	0.975	597
Adoption Allowances	229	0.006	1.464	232	0.007	1.674	3	0.210	228
Therapy & Counselling	n/a	n/a	0.243	n/a	n/a	0.321	n/a	0.077	
Others including Care Leavers, Staying Put and Direct Payments for families of children with disabilities	n/a	n/a	1.886	n/a	n/a	2.244	n/a	0.357	
Non LAC Third Party Placements Total	719		7.892	799		9.512	80	1.619	825
Total Placements	1631		35.525			37.012		1.487	1707
COVID related costs								0.397	
Net Revenue Forecast Position for Placements 21 / 22								1.090	

- 6.4 Agency Social Work expenditure is projected to overspend by c£3.5m due to continuing need to cover vacant posts (offset in part by vacancy savings). Recruiting agency staff is itself becoming difficult in what is increasingly a very competitive staffing area. Staffing the internal children's homes within the context of the pandemic is a continuing challenge, which is also creating financial pressures.
- 6.5 Learning and Skills and Early Help Partnerships and Performance are reporting small overspends associated with additional staffing resources required.

As some of the pressures reported in the Directorate are associated with the COVID response, Government funding received has been used to mitigate the position, returning a £2.4M net projected overspend.

Director of Public Health and Adult Services

- 6.6 The financial projection for the directorate currently suggests that while under pressure, a relatively stable position will be achieved – a significant improvement on previous years' projections at this point in the year. As ever, though, the position with regard to Adult Social Care in particular remains highly volatile, all the more so in the winter months with the potential that ongoing concerns in relation to Covid may be compounded by the impact of seasonal factors like influenza.

Background

- 6.7 The Pandemic continues to have a significant impact on the Directorate in terms of continued response, mitigation of medium to long term impact and moving towards recovery and building back fairer.
- 6.8 The Government is moving forward with their "Health and Care Bill", this has passed the four stages in the House of Commons. The revised bill has had its first and second reading in the House of Lords, so is effectively half way to achieving Royal Assent and implementation.
- 6.9 The Health and Care Bill has several stated aims including improving integration with Health and remove bureaucracy in the system, the main impacts on ASC are:
- Firstly the change that will allow Department of Health and Social Care (DH&SC) to make payments direct to providers, rather than having to run these through local authorities.
 - Putting into legislation the temporary changes in the revised Discharge to Assess model (D2A) which was introduced in early 2020 as reaction to the pandemic. This comes at a cost to ASC which is currently being funded by the Treasury, but there is no guarantee that this will continue.
 - Finally there is a proposal to expand Care Quality Commission (CQC) remit to assess how Local Authorities their adult social deliver on their care duties and to allow the Secretary of State to intervene where the CQC considers a local authority to be failing, effectively an OFSTED type inspection for ASC.

- 6.10 There are also significant changes for Public Health. Public Health England has now been replaced by the UK Health Security Agency and a new Office of Health Improvement and Disparities which came into being in October 2021.
- 6.11 The long-awaited announcement on the future funding of ASC “Build Back Better” is the government’s new plan for healthcare and adult social care was made on the 7th September. The only immediate impact is the extension of the Discharge to Assess (D2A) process where the Government, through the Clinical Commissioning Group (CCG) pay for a person’s first four week of care following discharge from hospital. This speeds up the process of people leaving Hospital. Future benefits to ASC are still being determined.
- 6.12 Health and Social Care Levy Bill received Royal assent on the 21st October and is aimed at providing additional funding for the NHS and ASC through increases in National Insurance. Although the detail of how funding will flow through into Councils to support ASC is still emerging.

Local Picture

- 6.13 At the time of writing, late January, Adult Social Care is expected to breakeven in 2021-22 with a small overspend forecast on City Safe and a small underspend on Public Health. There are continued financial pressures due to the pandemic, the majority of which are currently being mitigated, either by Central Government funding or other resources.
- 6.14 All services continue in their efforts to manage the budgets however it is important to acknowledge this is within a very challenging landscape of pressures on providers who are experiencing worsening workforce recruitment and retention issues along with people requiring support with increasing complexity and acuity of needs. These continue to be monitored using metrics, looking at both the number of people in care and the average cost of these packages compared to those used during the budget setting process.
- 6.15 There continues to be significant pressures in the market with Homecare providers not able to pick up packages due to staff shortages which has an impact on the hospital discharges. This is a national issue, but locally ASC are working with local Health partners to mitigate this. Set against this is increases in people needing residential care as can be seen in the accompanying metrics.

2021-22 Adult Social Care Variances									
Placement Category	Budget			Period 9 reported Position				Loss / or (gain) in income	Net Variance after accounting for income
	Budget	Average No of people in service	Average cost based on	Period 9 forecast	Average No of people in service	Average cost based on	Period 9 variance		
	£m		£ per week	£m		£ per week	£m		
Residential over 65	26.452	873	581	26.302	933	572			
Volume variance £'m (1)					1.785				
Unit cost variance £'m (2)						-			
						0.445			
							1.340	-	0.794
Short stay / respite budget	3.535			3.685			0.150	-	0.150
Total Variance £m									0.944
Residential under 65	16.803	291	1,107	16.367	291	1107			
Volume variance £'m					-				
Unit cost variance £'m						0.003			
							0.003	-	0.002
Short stay / respite and voids budget	1.129			1.565			0.436	-	0.436
Total Variance £m									0.438
Nursing all ages	1.955	49	765	2.215	51	830.46			
Volume variance £'m					0.086				
Unit cost variance £'m						0.174			
Total Variance £m							0.260	-0.063	0.197
Agency Day Care	2.207	228	186	2.572	228	216			
Volume variance £'m					-				
Unit cost variance £'m						0.365			
Total Variance £m							0.365	-0.050	0.315
Agency Home Care	11.614	1,028	217	11.307	910	242			
Volume variance £'m					-				
Unit cost variance £'m					1.482				
Total Variance £m						1.175	-0.307	0.107	-0.199

Placement Category	Budget			Period 9 reported Position			Loss / or (gain) in income	Net Variance after accounting for income	
	Budget	Average No of people in service	Average cost based on	Period 9 forecast	Average No of people in service	Average cost based on			Period 9 variance
	£m		£ per week	£m		£ per week			£m
Supported Living	8.288	125	1,275	10.275	145	1352			
Volume variance £'m					1.406				
Unit cost variance £'m						0.581			
Total Variance £m							1.987	-0.297	
Shared Lives	0.795	41	373	0.711	38	359			
Volume variance £'m					-0.056				
Unit cost variance £'m						0.028			
Total Variance £m							-0.084	-0.084	
Direct Payments	12.516	661	363	11.706	625	359			
Volume variance £'m					-0.672				
Unit cost variance £'m						0.138			
Total Variance £m							-0.810	0.329	
Total Variance £'m	85.294				1.067		3.340	-0.604	
Other factors affecting the forecast									
Benefit of the new S117 arrangements for new clients									
Additional Comf monies for ASC Covid demand									
Substitution of costs to Covid grants									
Total Service variance									
								1.186	

Notes

- 1) Volume variance, having different numbers of people receiving a service varies the costs
- 2) Unit Cost Variance: Paying different amounts per person per week than was assumed in the budget build varies the costs
- 3) The budgeted average number of people in the service is the average expected across the year and is not people at any one time
- 4) For the average actual number of people is the average to date and the expectation that the expected number leave the service between now and the end of the year.

6.16 The ad-hoc funding from central Government continues, since the last report to Members, as well as the two funds reported in November:

- Adult Social Care Infection Control and Testing Fund: round three where the Council has received £1.761m, the majority must be passported through to providers in the City and must be spent between October and the end of March 2022.

- Workforce Recruitment and Retention Fund for adult social care, where the Council have received £0.984m, work is ongoing to identify opportunities to focus the fund on what will have the maximum impact on staff retention for the winter.

There have been another two further announcements on the allocations of the:

- Workforce Recruitment and Retention Fund round two, for adult social care, where the Council have received £1.816m, work is ongoing to identify opportunities to focus the fund on what will have the maximum impact on staff retention for the winter.
- The Adult Social Care – Omicron Support Fund, £0.363m, which is an extension of the infection control grant with the grant to be spent in January 2022.

The Council have also received funds from the Humber Coast and Vale Integrated Care Systems to fund the early introduction of the national living wage, £1.540m has been received to pass on to providers to allow them to pay the April 2022 national living wage from 1st December 2021.

Savings

- 6.17 Unlike in previous years where the savings in the Directorate have been significant, current years savings expectations are modest in comparison. ASC are required to deliver a single saving of £0.250m on Day Opportunities. This will be delivered through a new way of operating day opportunities once this service returns to some semblance of normality. Work on the Day Opportunities continues.
- 6.18 There are £0.139k of non-pay savings expected across the directorate and all are expected to be delivered.

Continuous Improvement

- 6.19 While the transformation journey that ASC undertook from 2016 through to 2020 is complete, the service area is now re-focusing on continuous improvement. This involves revisiting processes and procedures to ensure maximum benefit for the people ASC supports and that best value is obtained for each pound spent; and to prepare for the CQC assessment/inspection framework which is expected to be implemented April 2023.

Public Health Service

- 6.20 The bulk of the Public Health service covers the administration and spend of the Public Health grant, it also covers the public protection service which includes environmental health, Licensing and trading standards. Unlike ASC the level of activity and inspections does not directly drive the spend so metrics are not felt appropriate for this service.
- 6.21 There are numerous short-term (in most cases 1-year) and quick turnaround public health-related grants that are currently being implemented. The details and value of these total approximately £2.2m in 2021/22 and include:
- Children and young people's Weight Management Service grant, £305k (1-yr funding for 2021/22)
 - Adult Weight Management Services Grant, £270k (1-yr funding for 2021/22)

- Mental Health Promotion/Prevention Grant, £344k (1-yr funding for 2021/22)
- Drug Treatment, Crime and Harm Reduction Activity Grant ('Universal' funding), £605k (1-yr funding for 2021/22)
- Year 2 (2021/22) Rough Sleeping and Alcohol treatment allocation (PHE), anticipate £641k (2-yr funding from 2021/22 tbc).

6.22 Across the service there is a small underspend forecast of £44k which is the result of additional income from food Exporting Licences (following Brexit), from the Public Protection element of the service.

City Safe

6.23 The Community Safety service leads on and delivers the core work of the Councils Community Safety function through the multi-agency Safer Hull Partnership, the Crime and Disorder Reduction Partnership. The Domestic Abuse Strategy is now finalised and published, the critical piece of work moving forwards is agreement on a multi agency delivery plan that will work towards the priorities set out in the Strategy. The service support victims of Domestic Abuse, sadly seeing a sharp increase in the numbers of victims coming forward for help following the pandemic and also provides one of the few highly successful male perpetrator programmes in the area. The service delivers the Neighbourhood Nuisance provision for the city, being the enforcement lead for the Housing service but also working closely with partners to look at intervention and diversion in communities where issues are highlighted. We work very closely with all victims, risk assessing and providing wrap around support. The Prevent and Channel agenda are also led within the service, as is the support for Veterans and the Armed Forces, development of the Social Inclusion work for the city and leading many projects in the city covering communities and vulnerability. The service is forecasting a balanced budget.

Director of Regeneration

6.24 Structural pressures remain in Property and Assets which are unlikely to be mitigated by the Directorate in year. These are focused upon the need to align rental income to asset sales and the continued loss of catering activity to schools opting out. There is also ongoing uncertainty from commercial catering income.

Hull Training Adult Education has now transferred to Economic Development and Regeneration (EDR). The service transfers with an inbuilt deficit with the additional challenge of having to move to temporary accommodation as well as having OFSTED monitored inbuilt deficits in the service approach. This will take at least 12 months to resolve. As part of the 2022/23 Budget additional resource has been allocated to address the shortfall. There are additional clawback obligations from the SFA for HTAE which may not crystallise until next financial year. S151 Officer aware.

The table below provides additional information on budget and forecast for Streetscene Waste Disposal costs, Recycling and Parking Income.

2021/22: Budget Monitoring							
	BUDGET 21-22			Period 9 Reported Position			
Waste	Budget	Average Tonnage	Average Cost / Income	Period 9 Cost / Income Forecast	Average Tonnage	Average Cost / Income	Period 9 variance
	£m	Per Annum	£ Per tonne	£m	Per Annum	£ Per tonne	£m
Waste Disposal	10.374	127,864	81.13	10.894	124,364	87.60	0.520
Income from recycling	-0.724	18,555	-39.02	-1.692	22,238	-76.10	-0.968
Total £'m	9.650			9.202			-0.448
	BUDGET 21-22			Period 9 Reported Position			
Parking Related Income	Income Budget	Average No of Ticket Purchases / Notices	Average Income	Period 9 Income Forecast	Average No of Tickets / Notices	Average Income	Period 9 variance
	£m	Per week	£ per week	£m	Per wk	£ per week	£m
Off Street Parking Tickets Purchased	-1.274	8,995	-24,432	-1.303	-9,201	-24,993	-0.029
On Street Parking Tickets Purchased	-1.289	14,826	-24,730	-0.845	-9,717	-16,208	0.444
Penalty Charge Notices (PCN) Issued	-1.450	823	-27,810	-1.499	-851	-28,746	-0.049
Total £'m	-4.013			-3.647			0.366

Director of Finance and Transformation

- 6.25 My Directorate is currently reporting an overall projected underspend of £ 121k. This is mainly the result of income recharges in ICT. Leisure venue variation orders and Pay inflation, and Civica contract pressures have been mitigated as part of the monitoring process. All the Directorate savings as set in the MTFP are expected to be achieved. The COVID pandemic is still having an impact on the Directorate service delivery. The additional costs are expected to be met by the Emergency funding and dedicated grants received in year.

Corporate Budgets

- 6.26 Corporate expenditure forecast favourable variance of £4.8M is mainly the result of an underspend in capital financing costs due to the continued optimisation of historically low borrowing rates coupled with a continuation of the temporary borrowing policy. It is anticipated that an additional capitalisation of £2.5m of service costs will be applied to continue to progress and deliver the ongoing Council wide transformation programmes, particularly within Children's Services, in response to OFSTED, and Adults Services. Capital receipts generated within this financial year and the available window allow for this.

6.27 Collection rates

Council Tax

The in-year collection rate at Period 9 is 76.65% which is a slight improvement on the same period in the previous year and close to the rate in the pre Covid period. The Council Tax Support caseload has gradually reduced from a peak of 33,790 in August 2020 to 31,408 at period 9.

Business Rates

The in-year collection rate is 73.94% at Period 9 which is over 4% above the same period in the previous year, but remains below the rate achieved in the pre Covid period. The business environment is dynamic and the collection rate during the remainder of the year will be influenced by the resilience of businesses following the end of Furlough support and the overall economic conditions affecting businesses as Covid restrictions are removed.

6.28 Capital Financing

Capital financing costs reflect the external interest payments on the Council's debt portfolio and the Minimum Revenue Provision charge. As a result of the low interest rate environment, continuation of the temporary borrowing policy, forecast cash flows and re-profile of the capital programme, a favourable variance is forecast at this stage of the financial year. However, active consideration is being given to the merit in reducing long term costs and risk by taking on additional long term loans with the PWLB during the financial year. Although such loans will provide for long term benefit in terms of reducing interest costs there would be a short term impact in year in terms of increased interest costs above what currently projected.

6.29 Contingencies

Provisions have been created to meet future cost increases and other Service Area pressures. The value will be regularly reviewed to ensure it is at the level required and is achievable.

7. DSG

7.1 Summary Service Position

DSG	A	B	C	Sum (C-B)	
Service	Full Year Budget	Profiled budget to date	*Adjusted Actual to date	Variance to date	Percentage variance of profiled budget
	£'000	£'000	£'000	£'000	%
Schools	5,971	4,521	5,520	999	22.10
Central Schools Services Block	2,660	2,892	2,923	31	1.07
High Needs Block	32,764	24,769	25,120	351	1.42
Early Years Block	17,969	13,504	13,504	0	0.00
TOTAL EXPENDITURE	59,364	45,686	47,067	1,381	
Government Grants	-59,364	-44,523	-44,522	1	0.00
TOTAL INCOME	-59,364	-44,523	-44,522	1	
NET EXPENDITURE	0	1,163	2,545	1,382	

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

Assistant Director's comments on material variances

Schools - Victoria Dock has converted to academy status which has reduced the forecasted income

High Needs Block - Overspend increased numbers of SEND pupils in Independent schools. Also increases in demand at Special schools, AP and early years high needs support and IPASS agency costs.

7.2 Projected Year End Position

2021/22	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	5,971	5,971	0	300	-300
Central Schools Services Block	2,660	2,891	231	231	0
High Needs Block	32,764	32,492	-272	-590	318
Early Years	17,969	17,960	-9	-371	362
Total Expenditure	59,364	59,314	-50	-430	380
Less Government Grants	-59,364	-59,364	0	0	0
Net Expenditure	0	-50	-50	-430	380
Deficit Brought Forward from 2020/21			3,295	3,295	0
Projected Deficit at the end of 2021/22			3,245	2,865	380

Assistant Director Comments

7.3 Projected Variances

Value £000	Assumptions / corrective action / comments / reasons for variance
0	Schools: School funding is treated as fully spent on delegation to schools. This block also includes funding for supporting growth in school pupil numbers, it was expected this would overspend the budget by £300,000, this expenditure will now occur in 2022-2023 due to timelines of projects.
231	Central Schools Services Block (CSSB) - The CSSB is provided and funded for two distinct purposes; to provide funding for a range of the historic commitments previously agreed by the Schools Forum and for funding on-going responsibilities for LA functions. This provides the Authority with funding to carry out a range of statutory and central 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. The funding for the on-going responsibilities under the National Funding Formula is currently protected by a maximum 2.5% reduction per pupil year on year, and although this reduces funding available, recent pupil number increases have provided some protection. This block is expected to end 2021-2022 with an in-year deficit of £231,000 (this was previously estimated at between £118,000 or £275,000, however the DfE have now indicated the protection they will provide for Historic Commitments). This can currently be funded using the cumulative balance of £1 million which was carried forward from 2020-2021. If the protection is withdrawn, or when the balance is fully spent then either the LA services funded from this block of the DSG grant will be required to make savings, or these services will need to be funded by the General Fund.

-272	<p>High Needs Block - The current estimated position for 2021-2022 is a surplus balance of £272,000 (£590,000 previously reported) and the cumulative deficit carried forward from 2020-2021 is £5.2 million. The budget plan has been updated to reflect the most up to date information available on demand for places and services. The estimated surplus has reduced due to additional expenditure on Agency staff in the IPASS service, this is due to the delay in the review of the service, and a small increase in pupils in the numbers of pupils in Independent provision. The improved in-year position this year on the High Needs block demonstrates that the increased funding and the work of the Schools Forum and the High Needs Working Group has had a positive impact on the High Needs balance, however, current and future expenditure and demand for services needs to be carefully monitored and controlled to ensure that the plan in place to repay the deficit by 2023-2024 is met. The risks to this plan include:</p> <ul style="list-style-type: none"> · uncertainty of future funding levels, and potential changes to the funding system which may come out of the governments SEND review. · pressures due to additional unplanned increased demand · lack of suitable provision due to delays due to COVID. · pressure from all settings to increase banding values · delay in the review of the IPASS service, and uncertainty as to savings from this review, £200,000 savings built into the budget plan from September 2022. · Longer term effects of COVID-19 on the needs of all pupils.
-9	<p>Early Years Block - It is currently estimated that the block will be in a small in-year surplus of £9,000 at the end of 2021-2022. This has changed from a surplus of £371,000 reported previously due to an update on funding from the DfE and on participation numbers. The participation numbers continue to fluctuate continuing the uncertainty around both funding and provision, the budget will be kept under review. Current indications are a reduction in eligible 2 year olds and an increase in Early Years Pupil Premium. The cumulative surplus balance of £1 million carried forward from 2020-2021 provides a reasonable position within the block to deal with the current risks and uncertainties including fluctuations in pupil numbers, and the ongoing effects of COVID-19 on both participation and funding.</p>
-50	<p>Total in year surplus: Expected to end the year with an in-year surplus balance of £50,000. A deficit balance of £3.3 million was carried forward from 2020-2021. 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.</p>

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

8 Housing Revenue Account

8.1 Summary Service Position

Housing Revenue Account	A	B	C	Sum (C-B)	
Service	Full Year Budget	Profiled budget to date	*Adjusted Actual to date	Variance to date	Percentage variance of profiled budget
	£'000	£'000	£'000	£'000	%
Housing Repairs & Maintenance	26,057	16,643	16,275	-368	-2
Supervision & Management	17,821	12,710	12,112	-598	-5
Special Services	5,146	3,228	3,123	-105	-3
Rent & Rates	956	389	463	74	19
Provision for Doubtful debts	793	0	0	0	0
Capital Financing	47,498	4,438	4,438	0	0
CDC Contribution	325	0	0	0	0
TOTAL EXPENDITURE	98,596	37,408	36,411	-997	0
Dwelling Rent Income	-90,590	-67,917	-67,425	492	1
Charges for Services & Facilities	-3,267	-2,456	-2,450	6	0
Non Dwelling rents	-1,321	-989	-954	35	4
Leaseholders charges for services	-415	-273	-268	5	2
Other Fees & charges	-392	-139	-29	110	0
Interest on balances	-19	0	0	0	0
General Fund Transfer	-829	0	0	0	0
TOTAL INCOME	-96,833	-71,774	-71,126	648	0
NET (SURPLUS)/ DEFICIT	1,763	-34,366	-34,715	-349	0

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

8.2 Projected Year End Position

2021/22					
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	26,057	25,689	-368	0	-368
Supervision & Management	17,821	16,989	-832	-557	-275
Special Services	5,146	5,422	276	309	-33
Ren & Rates	956	1,105	149	125	24
Provision for Doubtful debts	793	500	-293	-293	0
Capital Financing	47,498	47,811	313	-1	314
CDC Contribution	325	344	19	19	0
TOTAL EXPENDITURE	98,596	97,860	-736	-398	-338
Dwelling Rent Income	-90,590	-89,875	715	500	215
Charges for Services & Facilities	-3,267	-3,319	-52	-64	12
Non Dwelling rents	-1,321	-1,207	114	112	2
Leaseholders charges for services	-415	-410	5	-8	13
Other Fees & charges	-392	-367	25	-10	35
Interest on balances	-19	-19	0	0	0
General Fund Transfer	-829	-950	-121	-121	0
TOTAL INCOME	-96,833	-96,147	686	409	277
NET (SURPLUS) / DEFICIT	1,763	1,713	-50	11	-61

Assistant Director Comments

8.3 Based upon current projections the HRA is expected to spend on (or around) budget at the year end for the 2021/22 financial year, and there are no significant current expected variations to the budget at this stage. Based upon the detailed figures at P9, the HRA is expected to use £1.713m of reserves against an initial budget of £1.763m. The HRA therefore currently shows a slight forecasted £0.050m surplus compared to the Full Year Budget.

The HRA is currently operating in an unknown and uncertain fiscal climate (as is the rest of the Country). The ongoing CV19 pandemic effects such as the end of furlough or another wave and other external factors may affect the forecasted figures throughout the rest of the financial year. The current forecasts assume that there will be no more shocks that occur due to the CV19 pandemic and that current relative normality in the sector remains.

8.4 As reported previously it is not expected that the expenditure will be greater than the overall budget for Repairs & Maintenance, in fact it is more than likely to underspend by -£368k this financial year. The implications of increased materials costs as well as shortages in building materials (concrete, wood, plaster etc) should not impact the Repairs & Maintenance budget this year with the majority of the programme tied into

contracts with the contractors. However, the ongoing COVID pandemic and new variants may see unexpected costs for the remainder of the financial year particularly if there was another lockdown.

The net forecasted underspend on Supervision & Management and Special Services is -£557k. Due to recent successful regrade applications within the service (including pay rise of 1.75%) this has resulted in a £341k pressure, this is mitigated somewhat in the current financial year by forecasted net vacancies of -£300k. To note all staffing costs include a presumed 1.75% pay rise which is yet to be confirmed and could change on approval. In addition there has been a delay in undertaking detailed surveys of our properties in part due to the effects of the pandemic, which results in an -£145k underspend. -£120k underspend on general provisions is expected to occur and -£153k regarding learning development costs, mainly due to restrictions and covid-19 delays. The remaining -£180k underspend/slippage relates to a number of other smaller variances across a number of budget lines mainly as direct consequence of CV19 restrictions which make up the residual underspend.

- 8.5 The current volatile economic climate effects the Bad Debt Provision projections. Currently it is difficult to predict what this will look at the end of the financial year due to the amount of variables that need to be considered, including but not limited to the material uncertainty over the end of furlough, CV19 income support, the future of universal credit and tenants spending habits (including utility inflation and general inflation). Nonetheless current projections show a -£293k underspend compared to the initial budget which was set upon data available at the time.
- 8.6 Taking advantage of very low interest rates, long term borrowing of £75m has been taken at an average interest rate of 1.39%. Whilst incurring a short term cost “of carry”, this will ultimately deliver c £1.5m pa saving against longer term interest rate projections. The cost of this decision in this financial year is expected to be £313k, which is the forecasted overspend of capital financing costs. However, to note, final expenditure capital financing costs are dependant on a number of factors including, but not limited to, the final cost of the HRA capital programme, Debt repayments & interest repayments. Therefore, we will continue to monitor this closely. In regards other expenditure lines, to note there is currently a forecasted £155k pressure on Council Tax in relation to voids on the rent and rates budget line. Other expenditure variances are minimal and total £13k.
- 8.7 £715k expected under-recovery on Dwelling rents is forecasted, which is mainly due to a significant increase (c76%) in temporary voids during the year compared to what was originally budgeted for. This figure could change dependant on void levels and other factors, which will be monitored closely throughout the rest of the financial year. In relation to other Income (except dwelling rents) the HRA is currently forecasting - £29k more income compared to the approved budget.

9. Risks

- 9.1 At this stage of the year the main risk is that in the remaining months there are unforeseen variations in the level of demand, and hence net expenditure, falling on the Council, resulting in the forecast position proving to be an understatement of what actually arises. This is particularly the case regarding social care, where ongoing pressures on volumes and significant unit costs can mean that a relatively low number of additional cases may add substantial new spending requirements.

- 9.2 The financial implications of the current COVID 19 emergency, as considered elsewhere on the report, present an unexpected and significant challenge. Given the future years budget shortfalls outlined within the February Council budget report, appropriate and timely action will be required to maintain the Council's financial stability.

10 Comments of the Town Clerk (Monitoring Officer)

- 10.1 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.

11. Comments of the Section 151 Officer

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

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

- 12.1 The Assistant Director notes the projected broadly neutral Outturn position achieved through effective management of resources in challenging times. Recruitment and retention difficulties within competitive staffing areas have been identified and these are being addressed in services. There are no equality duty implications for the Council arising from this report. (KM)

13. Comments of Overview and Scrutiny

- 13.1 This report is due to be considered by the Finance and Value for Money Overview and Scrutiny Management Commission on 25 March 2022. Any comments or recommendations agreed by the Committee will be tabled at Cabinet for consideration alongside the report. Ref: Sc6743 [MK].

14 Comments of the Portfolio Holder for Strategic Finance – Councillor Webster

- 14.1 I welcome the anticipated balanced year end position but would highlight the current heightened uncertainty regarding the impact of COVID which will play out over the coming months which could alter this position.

15 Conclusions of the Section 151 Officer and Implications on the Medium Term Financial Plan

- 15.1 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.

- 15.2 The impact of the COVID 19 crisis has been felt during this and last financial year by the majority of the Council's services, in particular within the care system. Covid impacts and related uncertainties remain a material risk with possible impacts in a number of areas included Council Tax and Business Rates collection rates in addition to service budgets. The financial positions therefore remain fluid, as does the course of the pandemic, but it is unlikely movements by 31 March will undermine the Council's 2022/23 budget.
- 15.3 The review work relating to the DSG is important, and the plan currently in place should ensure the High Needs block spend is balanced over the next two 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.
- 15.4 The HRA is projecting a small surplus at Year End but risks and volatility remain.

David Bell

Director of Finance and Transformation (Section 151 Officer)

Contact Officer: David Bell Telephone No.: (01482) 613084

Officer Interests: None Background Documents: - None

Implications Matrix

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