

**Report to the
Finance and Value for Money Overview and Scrutiny
Commission – 25 June 2021
Cabinet – 28 June 2021**

Wards All

2020/21 Provisional Financial Outturn

This is a key Decision. Forward plan ref: 0024/21

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

1. Purpose of the Report and Summary

- 1.1. This report sets out the provisional outturn position for 2020/21 with regard to the Council's General Fund Revenue Budget, Schools expenditure, Housing Revenue Account and the Capital Programme. The financial information provided in this report will be incorporated into the Council's annual Statement of Accounts which will be made available for audit by 31 July with final sign off by 30 September. The key points for Members are set out below.
- 1.2. In line with the Fourth Formal Monitoring Report, it is now anticipated that non COVID pressures will 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 without an adverse impact on the Council's General Fund in 2020/21 and that additional contingency funding will be available in 2021/22 and 2022/23. However, there remains a high degree of uncertainty regarding the 2021/22 Budget and beyond, which reflects the changing course of the pandemic, the impact across all public services and the Government response.
- 1.3. The Council faces significant budgetary challenges as it continues to respond to the COVID crisis and support the City through recovery whilst facing a significant revenue deficit in 2022/23; estimated to be c£13M when setting the 2021/22 budget. However, favourable movements in most of the Service Areas during the last months of the 20/21 financial year, and additional Government funding, provides for additional contingency funds to both off-set the risks of increasing costs during 2021/22 and the potential to partially close the forecast budget gap in 2022/23 which may reduce the scale of the savings required to balance next year's budget.
- 1.4. A revised MTFP and proposed financial strategy will be presented to Members in July 2021 informed by early monitoring of the new-year position. In addition, through the use of the capitalisation flexibility relating to transformation costs, it is proposed that a further £4M of 2020/21 revenue resource is released to support future years budget deficits and that funding for future years is carried forward. The table at section 4.1.4 outlines the COVID funding received and applied in 2020/21 and the potential impact on future years.

- 1.5. The outturn position as detailed in this report assumes that there will be no carry forward of unspent service budgets from 2020/21 into 2021/22 barring those items detailed at 4.11.
- 1.6. The 2021/22 Budget proposals and MTFP approved by Council in February 2021 reflected the estimated of cost arising from service demands as at the position at the end of December 2020. Although the outturn is broadly consistent with the position reported in March 2021, as highlighted at that time, the adequacy of the 2021/22 budgets will need to be reviewed in light of the on-going pressures in relation to Children and Adult services and generally in relation to the pandemic. The first formal budget monitoring report for 2021/22 will inform the planned revision to the Council's MTFP with both reports scheduled for presentation to July Cabinet.
- 1.7. There remains concern that the winding down of the Government's 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 and has the potential to significantly impact the Collection Fund and the Council's MTFP. Please see refer to section 4.8 for an analysis of the 2020/21 Collection Rates.
- 1.8. The Housing Revenue Account has also seen an underspend of £2.6m against original budget, which represents a favourable movement of £0.090m since the fourth formal monitoring report projections. (Section 4.9).
- 1.9. The Dedicated Schools Grant has recorded an in year underspend of £0.300m, which represents an improvement compared to the position reported previously (a small underspend of £0.009m) (Section 4.10). The overall cumulative deficit is now £3.292m.
- 1.10. With regard to the Capital Programme, there has been spend of £102.7m against an expected spend of £120m at Quarter 3.

2. Recommendations

- 2.1. That the year-end outturn position relating to the Council's General Fund, Dedicated Schools Grant, Housing Revenue Account and Capital Programme be noted.
- 2.2. That the additional allocations to 2021/22 Contingency budgets and the COVID Contingency Reserve and additional use of the Capital Receipts flexibility, as per Table 4.1.5, are noted and approved.
- 2.3. That the Service Area carrying forward of specific resources into 2021/22 as detailed in 4.11 be approved.
- 2.4. That the revised Capital Programme shown at Appendix D be approved.

3. Background

- 3.1 The formal monitoring reports considered by Cabinet during 2020/21 identified potential overspending from the outset, predominantly relating to Children's Services and Adults Social Care. These major service variations were expected to be, and have been, mitigated by corporate savings and measures taken during the year. Directorates have also 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 are reflected in the Outturn figures. 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. The explanations for budget variations are detailed in the following paragraphs.

4 Main Issues for Consideration

4.1 General Fund

- 4.1.1 The overall provisional outturn position for 2020/21 is shown in the table below. The detailed position by Directorate is shown from Section 4.2.
- 4.1.2 The service positions suggest that, after identification of £1.75m of savings and excluding the impact of COVID, services will outturn at £0.300m in excess of budget but that this can be mitigated by savings on corporate budgets. This represents an overall improvement compared to the position previously reported. However, as explained in more detail in the Directorate section, Children services have seen an adverse movement, primarily due to significant pressures in looked after children's placement costs, which have continued to rise since the last formal budget monitoring report.
- 4.1.3 The memo column shown within the table, details the gross costs and projected income loss incurred in 2020/21 in relation to the COVID 19 emergency. The neutral outturn position is the result of mitigating government support provided in the form of dedicated COVID funding.

20/21 Provisional Outturn - Draft subject to amendments	Full Year Budget	Provisional Outturn	Provisional Variance - including accepted Carry Forwards	Forecast Variance at Fourth Formal Report	Change between reported Variances	COVID-19 impact
	£'000	£'000	£'000	£'000	£'000	£'000
Adults Social Care	77,027	78,085	1,058	1,250	-192	10,400
Health & Wellbeing	21,213	21,213	0	0	0	846
City Safe	935	849	-86	12	-98	908
Total Public Health and Adults Services	99,175	100,147	972	1,262	-290	12,154
Children Safeguarding	49,003	50,735	1,732	716	1,016	12,357
Learning and Skills	4,012	4,426	414	404	10	465
Early Help Partnerships and Performance	6,636	6,636	0	-64	64	572
Total Childrens Services	59,651	61,797	2,146	1,056	1,090	13,394
Streetscene	29,827	29,547	-280	-100	-180	4,119
Sub – Total	188,653	191,491	2,838	2,218	620	29,667
Town Clerk	5,824	5,824	0	0	0	356
Leisure Commissioning	5,995	6,479	484	446	38	2,211
Economic Development and Regeneration	3,247	3,247	0	0	0	425
Customer Services	1,623	1,438	-185	0	-185	248
Property & Assets	6,366	5,803	-563	404	-967	1,056
Human Resources	2,703	2,630	-73	0	-73	7
Finance & Transformation	9,019	9,093	74	93	-19	2,443
Digital and ICT	4,667	4,449	-218	133	-351	0
Neighbourhoods & Housing	2,658	2,658	0	0	0	831
Chief Executive	964	877	-87	0	-87	0
Major Projects and Infrastructure	5,328	5,093	-235	125	-360	834
Sub – Total	48,394	47,591	-803	1,201	-2,004	8,411
Service Area Savings identified	0	-1,750	-1,750	-1,750	0	0
Total of all Service Areas	237,047	237,332	285	1,669	-1,384	38,078
<u>Corporate/Strategic Expenditure</u>						
Corporate Expenditure	18,269	18,385	116	-1,487	1,603	4,593
Contingencies	1,168	1,387	219	84	135	
Grants	-79,971	-80,095	-124	271	-395	-42,671
Reserves	-3,160	-3,160	0	0	0	
Council Tax/Business Rates	-173,353	-173,872	-519	-519	0	
Total Corporate Items	-237,047	-237,355	-308	-1,651	1,343	-38,078
General Fund Total	0	-23	-23	18	-41	0

4.1.4 The Table below shows the amount of COVID funding received during 2020/21 (detail included at Appendix B), less the amount applied to Service Areas to mitigate their Outturn position for COVID costs and the proposed allocation of the resultant resource to off-set potential COVID costs in the current and later years.

4.1.5 The table also references the proposed capitalisation of an additional £4M of transformation costs. The original 2020/21 Budget assumed only the capitalisation of £2M of additional costs associated with the required investment in Children’s Services in response to OFSTED. However, analysis of the capital receipts generated in year (£6.66m) allows for additional capitalisation of £4M of revenue costs to provide an enhanced buffer to protect the Council against the impact of the COVID pandemic.

20/21 Outturn	£M
Covid Funding received - as per Appendix B	58.56
Covid funding applied - as per Table 4.1.3	-42.67
Headroom	15.89
<u>Carry Forwards as per MTFP</u>	
General Fund - use of Covid Emergency funding	-3.00
Public Health use of COMF and Test and Trace funding	-3.00
HCAL venue developments/reopening - use of NLRF funding	-0.48
Theatres loss of income - use of Emergency Covid funding	-1.00
Council Tax - use of COVID hardship funding	-0.80
Winter Grant - use of Winter Grant scheme	-0.55
	-8.83
<u>Additional COVID</u>	
<u>Contingency 21/22</u>	
Children and Young People Placement /Agency Staff Contingency	-1.50
Adult Training Grant loss Contingency	-0.69
Additional Income loss contingency – Car Parks / Theatres	-0.50
Waste initiatives	-0.37
	-3.06
Transfer to COVID Contingency Reserve	4.00
Capitalisation of Transformation costs	4.00
Total COVID Contingency Reserve (Appendix A)	8.00

4.2 **Director of Legal Services and Partnerships**

4.2.1 Summary Directorate Position

Budget	Variance	Movement from previous forecast
£12.808m	0.258m favourable	0.258m favourable

Director Comments:

My Directorate reported an overall underspend, which represents an improvement compared to the position previously reported (balanced budget). This is mainly the result of savings in Human Resources and Customer Services.

4.3 **Director of Public Health and Adult Services**

4.3.1 Summary Directorate Position

Budget	Variance	Movement from previous forecast
£99.175m	£0.972m unfavourable	£0.290m favourable

Director Comments:

I am pleased to report that the directorate's outturn position is a slight improvement on that last reported to Members at period nine, the end of December position. The Health and Well Being service came in as expected on budget. The other two services have also shown slight improvements from previously reported.

The Adult Social care position is due to a continued reduction in people being provided formal care, reflecting in part a reluctance of people to take up care during the continuing pandemic. In addition to the continued support with early help and intervention, delaying people needing care and giving them a better life experience as a result.

The year has been challenging for all, but the impact on this Directorate as a whole has been immense. That we have out turned very close to the budget position is a credit to all of the staff working in the Directorate.

I am sincerely hoping that the new financial year brings better news on many fronts, although the revised funding for Social Care is still awaited and any much needed additional funds continues to be ad-hoc and one off funds.

4.4 Director of Regeneration

4.4.1 Summary Directorate Position

Budget	Variance	Movement from previous forecast
£45.732m	£1.165m favourable	£1.594m favourable

Director Comments:

A challenging year for the Directorate with budget pressures mitigated by the Covid grant assistance from Government. Carry forwards in the Economic Development Service are focused upon gaining immediate traction in expediting Economic and employment recovery, leveraging Central Government programmes.

Economic Development and Regeneration

2021/22 has seen a real focus on Covid grant distribution and reconfiguring how the planning system operates. This action has delayed a number of pieces of work hence the reason for the carry forward requests. These requests lead to a balanced budget position overall taking account of the covid offset funds. The back end of the year saw the activity in terms of supporting people into work increase and the demands on this part of the service will be significant during 2021/22 hence the need for the additional funding to deliver these services.

Property and Assets

Additional underspend on energy due to the further lockdown period. Repairs and Maintenance spend significantly down due to latest lockdown and the non-return to building/closed facilities. As the lockdown lifts and buildings become occupied more repairs requests are expected in 21/22 which could be in excess of the available revenue budget.

Building Cleaning have been less reliant on additional hours/holiday cover due to using displaced staff from other areas within P&A. Additional chargeable work particularly within schools has increased income.

Major Projects and Infrastructure

Major Projects Commissioning of Works & HRA Works costed less than forecasted. Street Lighting Operations underspend on works commissioned and an increase in income in relation to the outturn forecast. Reduction in funding from January to March agreed with bus operators with regards to the main/adult scheme; this reflects reduction in scheduled bus services and associated cost savings.

Streetscene

The continued effect of the pandemic impacted on work schedules (e.g. green corridor and other grounds works, Victoria Dock slipway, A63 clean-ups) resulting in lower than anticipated costs. Higher than anticipated income from sale of recyclable materials and HRA coupled with cost savings arising from reduced maintenance costs have offset higher costs providing winter maintenance services.

4.5 Director of Finance and Transformation

4.5.1 Summary Directorate Position

Budget	Variance	Movement from previous forecast
£19.681m	£0.340m unfavourable	£0.332m favourable

Director Comments:

Although My Directorate is reporting an overall overspend, we have been able to mitigate the majority of the pressures reported during the 2020/21 Monitoring. In particular Digital and ICT Service Area now shows a much improved position compared to that previously reported, the result of contract and staff cost savings.

4.6 Director of Children Services

4.6.1 Summary Directorate Position

Budget	Variance	Movement from previous forecast
£59.651m	£2.146m unfavourable	£1.090m unfavourable

Director Comments:

The Directorate overspent in this financial year primarily due to pressures in looked after children's placement costs and agency social work costs. While most of these are COVID cost in year, the impacts for some children and therefore costs will remain long after restrictions are withdrawn.

The rate of Children Looked After increased again from 915 at the end of December 2020 to 944 at the end of March, with a further increase in the placements overspend to £8.9m.

The significant improvement work to safely reduce the number of children in care and associated costs is under way with a focus upon permanence and sufficiency that will bring about reductions in drift and delay for children in the care system. This will have two effects: addressing the large bulge of children whose permanency has been insufficiently addressed, and where alternative orders would be appropriate, and the shift towards addressing permanency at the outset for children coming into social care services. This will bring long term impact on the length of time that children remain in care, having significant impact in the overall population.

The cost of agency social workers to maintain manageable caseloads and oversight in front line practice has led to a substantial overspend. A wide ranging programme of recruitment is currently underway to mitigate this including plans to "grow" more of our own social workers including opportunities for social work apprenticeships for existing non-qualified staff and recruiting more newly qualified graduates from local universities. This year has also seen significant additional pay costs in the internal children's homes due to staff shielding and isolating and the care required for complex young people due to the lack of secure provision nationally. In total the pay overspend for Children's Safeguarding was £4.7m.

The main area of pressure and risk elsewhere within the Directorate is Home to School Transport costs were demand continues to rise.

4.7 Corporate Expenditure

4.7.1 The adverse movement compared to the position previously reported has arisen as provision for bad debts have been processed reflecting year end positions.

4.8 Collection Rates

Council Tax

The Council Tax in year collection rate ended 0.16% down on 2019/20, equivalent to £173,049. Collectable debit for the year was £108,155,639.24 with £100,889,842.71 collected by the end of the financial year. Debt recovery processes through the Court were suspended from 01 April 2020 to 31 August 2020 as a result of the pandemic which impacted on collection rates for 2020/21.

Collection of 2020/21 debts will continue over the coming financial year with the ultimate collection rate achieved usually being over 98%

The in-year collection rate for those on Local Council Tax Support was 83.61% (including 63.43% for those receiving the maximum 80% support). This compares with 74.86% in 2019/20 (including 72.85% for those receiving the full 80% support). The award of £150 to 25,993 households in receipt of Local Council Tax Support has had the impact of reducing the amount collectable from these households by £3,448,251.

Business Rates

Business Rates in year collection was 4.09% down on the 2019/20 collection rate, equivalent to a deficit of £2,070,753.

In 2020/21 the collectable debit dropped from £90,744,127 of 2019/20 to £50,766,832 as a result of additional reliefs offered to businesses to support them through the pandemic. Retail, Hospitality and Leisure businesses and Nurseries received a 100% discount for the year amounting to £42m.

As with Council Tax, collection of outstanding Business Rates will continue after the end of the financial year to which they relate with an ultimate collection rate of over 98% usually achieved.

4.9 Housing Revenue Account

4.9.1 Summary Directorate Position

The following table presents the provisional position for the Housing Revenue Account (HRA) at the end of 2020-21.

The provisional position results in using £6.858m of reserves against an original budget of £9.511m. The HRA therefore shows a £2.653m underspend compared to the Full Year Budget, which represents a non-material movement of £0.090m since the fourth formal monitoring report projections.

The HRA underspent of £2.653m mainly relates to the Housing Repairs & Maintenance programme which underspent by £2.027m compared to the original budget (£2.000m variance reported at the fourth monitoring report), this was mainly as a result of the Covid 19 outbreak, as noted in the fourth monitoring report. In addition Supervision and Management costs underspent by £1.634m (£1.566m noted at the fourth monitoring report), due to a variety of reasons including but not limited to staffing vacancies due to a staffing restructure, slippage of expenditure due to delays in works specifically re the Housing Management System project, the impact of the Covid 19 pandemic causing delays and a underspend on HRA provisions. Also to note capital financing costs (as indicated in the fourth monitoring report) are £500k above the initial budget. This additional £500k has been used to directly fund the HRA capital programme and reduce other funding sources. This has been possible due to an underspend in contingency funds and other underspends noted across the HRA. The rest of the variances mainly relate to small pressures across a variety of lines as shown in provisional outturn table below.

Housing Revenue Account: PROVISIONAL OUTTURN	A	B	Sum (C-B)		Change between reported Variances
	Full Year Budget	Provisional Final Outturn	Provisional Variance - including accepted carry forwards	Forecast Variance at Fourth Forml Report	
	£'000	£'000	£'000	£'000	
Housing Repairs & Maintenance	26,253	24,226	-2,027	-2,000	-27
Supervision & Management	17,689	16,055	-1,634	-1,566	-68
Special Services	5,149	5,175	26	167	-141
Rent & Rates	921	884	-37	10	-47
Provision for Doubtful debts	708	876	168	0	168
Capital Financing	54,102	54,602	500	500	0
CDC Contribution	310	330	20	27	-7
TOTAL EXPENDITURE	105,132	102,148	-2,984	-2,862	-122
Dwelling Rent Income	-89,309	-89,334	-25	0	-25
Charges for Services & Facilities	-3,159	-3,164	-5	-36	31
Non Dwelling rents	-1,257	-1,204	53	17	36
Leaseholders charges for services	-406	-357	49	16	33
Other Fees & charges	-491	-271	220	193	27
Interest on balances	-189	-62	127	128	-1
General Fund Transfer	-810	-898	-88	-19	-69
TOTAL INCOME	-95,621	-95,290	331	299	32
NET (SURPLUS) / DEFICIT	9,511	6,858	-2,653	-2,563	-90

4.10 Schools/Dedicated Schools Grant (DSG)

4.10.1 The provisional outturn across the three DSG blocks, Central Schools Services, Early Years and High Needs Blocks shows an in year underspend of £0.3 m. This has the effect of decreasing the cumulative deficit carried forward to 2021/22 to £3.292 m.

Central Schools Services Block:

Is reporting a £64,000 overspend in line with previous estimates.

High Needs Block:

The High Needs block is reporting a small underspend in line with previous estimates. This is a positive step towards managing expenditure in line with budget available and reducing the £5.2 m cumulative deficit in this block. This has been achieved by increased DSG funding from the Department for Education and also management and review of areas spend.

Early Years Block:

The underspend on the Early Years block is £0.4m greater than planned with reduced numbers of Early Years pupils. This is due to uncertainty due to COVID-19, along with late changes to the basis of funding from the Department for Education which has made this a difficult area to forecast during 2021-2022.

Dedicated Schools Grant	Full Year Budget	Provisional Outturn	Provisional Variance	Forecast Variance at Fourth Formal Report	Change between reported Variances
	£'000	£'000	£'000	£'000	£'000
Schools Block	5,638	5,804	166	153	13
Central Schools Services Block	2,632	2,696	64	62	2
High Needs Block	29,309	29,266	-43	-104	61
Early Years	17,816	17,316	-500	-120	-380
Total Expenditure	55,395	55,082	-313	-9	-304
Less Government Grants	-55,395	-55,395	0	0	0
Net Expenditure	0	-313	-313	-9	-304
Deficit Brought Forward from 2019/20			3,605	3,605	0
Projected Cumulative Deficit at the end of 2020/21			3,292	3,596	-304

4.10.2 The balance of the Schools Block shown above relates to the Pupil Growth fund in year overspend of £166,000. Balances of Local Authority Maintained

Schools at the end of March 2021 stood at £2.4m, no schools converted to be academies during 2020-2021. Maintained School balances are expected to reduce as further schools convert.

4.11 Approval of Carry Forwards/CIB

- 4.11.1 It is proposed that the Service Area revenue carry forwards shown in the table below are approved as part of the provisional outturn process. The figures quoted in this report are based on this being the case.
- 4.11.2 The total revenue underspend on Community Budgets in 20/21 (including underspends against 18/19 & 19/20 agreed carry forwards) was £141k. Whilst carry forward of all these balances to 21/22 is sought, the Area Teams will provide supporting evidence on each relevant project across all wards to demonstrate that these monies are still required for the purposes for which they were originally approved by ward members. This evidence will be reviewed by the Portfolio holder for Finance & Transformation in conjunction with the Director of Finance & Transformation. Any amounts which no longer appear to be required for the originally approved purpose will be retained for application to support the delivery of local schemes.
- 4.11.3 The total underspend against CIB capital budgets at the end of 20/21 was £572k. As was the case at the close of 19/20, details of the schemes on which underspends occurred across all wards will be provided by the Area Teams to support the request for carry forward (slippage) of these unused amounts. This supporting evidence will be reviewed by the Portfolio holder for Finance & Transformation in conjunction with the Director of Finance & Transformation. Any balances which are not required for the purposes for which they were originally allocated by ward members – or for which no firm plans appear to be in place to ensure expenditure takes place within a reasonable timeframe – will be retained to support the delivery of local schemes.

Revenue Carry Forwards for Approval	£ '000	
Youth Justice Partnership	50	HCC matched funding for partnership
Bike Hub at Trinity Market	39	Contribution to the Bike Hub at Trinity Market from Event Budget
Hackney Carriage	55	Hackney carriage license income required to be ring fenced to Licensing Activity over a 3 year accounting period
CIB Revenue c/f	141	To meet planned Ward expenditure
Absolutely Cultured	50	To Fund future activities
GreenPower - Hull Street Race	100	2020 event cancelled due to Covid-19, race rescheduled for 2021/2022
Employment Hub	343	Delivery of the Employment Hub Project & Kickstart
Hulltimate Challenge	10	2020 event cancelled due to covid-19, event rescheduled for 2021
Local Flood Authority	69	Review and update of Strategic Flood Risk Assessment
Archaeology	7	To Fund future activities
One North Gateway signage	38	Hull signs – updated from City of Culture
One Public Estate Partnership	63	to contribute to match funding of the successful bid for One Public Estate Partnership funding
Local Plan prep (updates to technical studies)	100	To fund the technical studies required for the Local Plan Review of 2022
Bereavement services system	19	Funding for replacement bereavement services system
JADU Contract	133	Replacement of the Council's current webforms solution
Theatre and Halls	150	To meet work and activities in 2021/22
Total	1,367	

5 Movement in Reserves

5.1 The General Fund Reserve has increased to £21m as at 31 March 2021. This is in line with the Medium Term Financial Strategy and Risk Assessment approved in February 2021. Appendix A sets out the position for Reserves as at 31 March 2021 and reflects the proposals set out in this report regarding the COVID contingency Reserve.

5.2 Appendix A shows a contribution to the NNDR Reserve of £45m however this does not represent a change in the Council's underlying financial position or MTFP projections. Rather this is simply reflective of the required accounting treatment associated with the urgent 100% rate relief granted to retail, hospitality and leisure businesses as a result of the pandemic in April 2020. In summary, the Government have provided a grant of £45m in lieu of the rates the Council would otherwise have collected, providing a neutral impact on the Council's finances, but accounting rules require this grant income to be carried forward at year end as a reserve pending transfer into the Collection Fund in 2021/22.

6 Capital Programme

6.1 Capital programme expenditure for 2020/21 has out turned at £102.7m. This compares with a Revised Budget of £129.7m (Quarter 3 reported budget of £125.4m) and with a forecast outturn position as at Quarter 3 of £120m. Programme

Managers based their forecasts on an assessment of the impact of COVID-19 and subsequent possible delays to the delivery of the capital schemes. However, given the difficulties in predicting the outturn during the year with contractors keen to accelerate spend but the existence of supply chain problems and uncertainty over COVID working practices and possible risk of increased infection rate, the s151 Officer believed a more prudent view was nearer £96 million hence a 20% adjustment to the forecast outturn at Q3.

6.2 The following table summarises the position at year end.

Programme	P3 Forecast Outturn £'000	Final Spend £'000	Variance to Forecast Outturn £'000
Adult Services & Public Health	41	0	-41
Corporate Services	5,740	6,898	1,158
Culture, Leisure & Tourism	5,262	3,718	-1,544
Economic Investment, Regeneration & Planning, Land & Property	18,291	14,241	-4,050
Housing (Incl. HRA)	42,651	36,721	-5,930
Learning, Skills & Safeguarding Children	14,742	14,473	-269
Neighbourhood, Communities & Environment	3,471	1,406	-2,065
Operational Services	18,381	15,442	-2,939
Hull World Class Visitor Destination	11,505	9,806	-1,699
TOTAL	120,084	102,705	-17,379
s151 Adjusted Outturn re COVID-19 Impact	96,067		
COVID related costs (ICT and Property)		986	
Other grant funded schemes outside of the Capital Programme - see note below		21,321	
TOTAL		125,012	

Note: Other Grant Funded Schemes contains Local Growth Fund, Getting Building Fund, Growing Places Loans Fund and Other Grant Funded Schemes.

6.3 Programme Officers have provided explanations for the variances against budget/forecast. The significant variations are identified in the following table with supporting commentary below.

6.3.1 ICT Migration to Cloud

Assessment phases of the workstreams complete during Q4. Progressed on to delivery of required prerequisites for each workstream and implementation of key infrastructure solutions for delivery and protection of systems and data. This work runs over a 3 to 4 month period over all workstreams, with Exchange online Alpha testing due to commence in Q1 of 21/22.

Backup and Disaster recovery workstream as part of the programme has now been delivered during Q4. Express route issues resolved as part of the delivery of the workstream with backups and access to Line of Business systems now running over the dedicated Express Route link.

Focus on skills transfer and learning paths to ensure transition to Business as usual so the wider programme can continue to be delivered and supported once work with Microsoft is complete.

6.3.2 Ice Arena

A detailed design and specification for the works to the Ice Arena has been prepared which have been costed and tendered using the open procurement process on YORtender.

The works include the following:

- New Ice Pad and New Air Handling Unit
- Internal Refurbishment to key parts of the building
- New Boiler and Boot Change Air handling unit

Works are due to commence on site June 2021 with a completion of October 2021, current tender value is on budget.

6.3.3 Building Optimisation Programme

There have been obvious delays to Construction works over the last year due to the pandemic.

- 79 Lowgate – Contractor on site and budget committed. Some delays have occurred on parts of the work which may have a knock on effect but overall progress has generally been maintained.
- George Street - Main works completed. Works for additional welfare facilities now commenced which should be contained within budget.
- Bespoke / Zeals Garth – Initial feasibility study now complete and under review by P&A. This project is tied in with Boulevard Phase 4 for LEP Grant purposes.

6.3.4 Fruit Market Multi Storey Car Park

This is an external scheme with the profile of payments based on forecast milestone payments. Delays have been experienced in the year due to restrictions in place and therefore the profile has slipped into 21/22 for scheme completion.

6.3.5 Key Buildings Efficiency

Further delays with the procurement process prior to tender now mean the works have been given to KWL for direct award. It is expected that if KWL

can offer HCC value within the budget envelope and the payback periods the works will be awarded direct, the works are scheduled in for a June 2021 start on sites across the portfolio

6.3.6 HRA – New Build

The new build growth programme continues to gain momentum despite a challenging 2020/21.

The covid-19 pandemic has had a significant impact on the delivery of new homes. In the early part of 20/21 all sites were forced to shut down, with activity not recommencing until June. This had a significant impact on our programme, with handovers and completion dates pushed out for live schemes. For schemes that were due to start on site in summer 2020 the implications of covid-19 meant that contractors were unable to achieve a start on site until October/ November 2020 owing to resource and capacity issues on the contractors side. As a result this has pushed outputs into 21/22. But more importantly expenditure on all schemes has been slipped by a number of months owing to delays in commencing activity on site. In addition, having to adhere to social distancing on site is impacting on productivity which has resulted in increased costs and extended programmes to deliver new schemes. More recently the impact of the pandemic has seen disruptions to supply chains with longer lead in periods for the delivery of components and materials to site and inflated costs.

6.3.7 HRA – Planned Capital Works

The Council has an on-going duty to maintain the Council housing stock to the government's decent homes standard. A planned programme of works is developed each year underpinned by the business plan to assess long term affordability of the HRA. This identifies the main elements of work (i.e. kitchens, heating, rewire, roofing, window and door replacement) required to specific addresses to ensure the decent homes standard is maintained.

There are many variances that have occurred across most of the programme this financial year as a result of the COVID pandemic. Programmed works not been able to commence until Q2, with some works not been able to start until Q3.

Given the impacts of COVID there has still been over 1,400 major elements of work delivered through the planned works budget during the year.

Slippage of works is also required for the electrical inspection programme, replacement lighting conductors to low rise flat blocks (as highlighted during the year), Ferensway House residual acquisition costs along with the refurbishment budget, lifts programme, Newtown Court ground floor flats and balcony refurbishment, soil stack replacement and sundry external planned schemes works now planned to be carried out in 2021-22.

6.3.8 HRA – Solid Wall Insulation

The approved budget includes provisions of £17.348m to progress a third phase of solid wall insulation to 479 "Caspon" properties in the Bransholme

area over 16 months and £1.8m for cladding works to 49 “5M” type properties at Orchard Park.

Commencement of work on the phase 3 programmes was delayed due to Government lockdown for the Covid 19 Coronavirus and Health and Safety. The allocated budget for the programme does not include the increased cost of £441,635.00 claimed by the Contractor as a relief event under the Contract for this delay but is included within this year’s spend, there is a risk of further increased cost for out of sequence working due to customers isolating and the Contractor having to return to complete the works.

The Caspon programme start in June 2020 and completes November 2021, subject to customers allowing access, wintery conditions and no further restrictions due to Covid 19 Coronavirus and Health and Safety. Fortem are looking to accelerate the programme and the Q2 forecast reflects this. The current forecast is for the remaining £7,459m of the allocated budget £17.348m to be spent in the next financial year.

Similar issues will affect the 5M scheme, which was formally removed from the 2017-18 programme, pending further investigation to determine the suitability of insulating this type of property. Authorisation to progress the programme was given in August and completed in March. Spend for this financial year is £1.657m, this is a saving of £157,000 against the scheme’s overall authorised budget.

Similar issues affected the Preston road scheme, which has been delayed from the 2017-18 programme due to extensive structural repairs being required. Authorisation for the programme was given October 2020 to progress the works in December with an anticipated spend of £71k in the current financial year. The current forecast is to spend £9k in the next financial year.

6.3.9 Hull Neighbourhood Renewal Programme – Frontages

This programme of works is supported through existing uncommitted private housing budget provisions from 2018-19 and ECO/Redressing the Balance funding drawn down from the council’s energy/utility partner following previous energy efficiency programmes.

There is also an additional 500k allocated to this project (secured through a bid application to the LEP – Local Growth Funding) and works delivered will be paid for directly from this allocation also (currently within separate budget code).

Perry, Ruskin and Conway Street areas were due to commence in March 2020 but works were suspended due to COVID-19. The team worked with the contractor to agree Health and Safety documentation and the works commenced on site in September 2020. There was a delay to the programme subsequently due to material shortages and poor weather (external wall insulation and rendering is weather dependant), however, Conway Close has now been completed.

Folkestone/Sculcoates - at quarter 3 the final designs, costs and Health and Safety documentation had been agreed with contractor for an expected

start in early 2021 following the award of contract. There were some legal negotiations with the contractor in relation to the contract clauses and this meant that the start on site date was delayed until mid-March. There were subsequent operational issues and the actual start date was 29th March. There was expenditure against the scheme, however, due to some costs associated with the mobilisation of the programme.

Unfortunately delays across both schemes during Quarter 4 has resulted in slippage into 2021-22 to complete the schemes.

6.3.10 Children's Homes Re provision

West Hull & Ings New Childrens Home

Cabinet approved the replacement of 1123 Hessle Road Children's Home with a new build children's home. Approval was also granted for another new Children's home to be constructed within the Ings regeneration area.

Construction of the six bedroom children's home at Ings commenced in January and progressed well until works had to be suspended on the 27th March 2020 due to the Covid-19 pandemic. The home was completed and handed over to the Council in January 2021 and is now operational.

Good progress has been made on a new Children's Homes in West Hull by the site developer Keepmoat Homes. It has previously been hoped that a contract would be executed in November 2020 however following delays in agreeing the final contract, a contract was entered into and signed by the Council and Keepmoat in March 2021 with a completion date set for the end of August 2021. Despite the delay, the developer Keepmoat Homes did undertake construction works at risk prior to the contract being signed to maintain a programme completion date.

Limetree Replacement

On 27th April 2020, Cabinet approved the construction of a Children's Home to replace the existing Limetree Court facilities at Bellfield House. The design costs and the terms of the Pre-Construction Services Agreement (PCSA) have been agreed and the PCSA was signed and entered into in November 2020. Following this, design workshops commenced between the Council, the contractor, the architect and key stakeholders. The Stage 2 concept design was presented to the Council by the architect and this has now been signed off by the Head of Service for Children, Young People and Family Services, the Head of Service for Strategy for Market Intervention and Growth and the Assistant Director of Property & Assets. Site survey investigation works have now been instructed which will help further refine the design of the home and enable the architect to develop a planning submission at the end of Stage 3. At this stage the contractor will put together a robust cost plan based on tendered costs. This will be assessed for value for money by NPS and the construction costs submitted will be benchmarked against similar schemes to determine competitiveness.

Summary

As a result of delays getting into contract with the site developer for the West Hull Children's Home any unspent budget is slippage in order to meet contractual obligations in 21/22. In addition delays were encountered in agreeing the pre-construction services agreement with the site developer for the design work associated with the new Limetree facility. This coupled with an extended design engagement period has pushed the programme out. Any unspent budget is therefore slippage and is required in order to meet contractual obligation in 21/22.

6.3.11 Schools Maintenance and Improvement

The Schools Capital Programme 2020/21 includes schemes to address basic need for primary, secondary and also Special Educational Needs and Disabilities (SEND) places. Despite all the challenges of the pandemic, the Schools Capital Programme remains on course, proving additional pupil places to address sufficiency shortages in Hull.

Completed projects included expansions at St Mary's College and Kelvin Hall included the provision of an Autistic Spectrum Condition Resource base. A remodelling scheme has been completed at Wansbeck Primary creating an additional 10 place Autistic Spectrum Condition Resource Base for September 2020. Construction works for the new build at Broadacre Primary started January 2021 with completion February 2022. Demolition of the old site and external works to complete September 2022.

Due to Covid19, Newington Primary School requested this project be delayed until summer 2021. The construction works are now due to start May 2021 with a completion August 2021. The Kingswood Academy expansion works are due to commence on site June 2021 with completion early 2022. In addition, a remodelling scheme at Ings Primary to create an Autistic Spectrum Condition (ASC) resource base for September 2021 to be reimbursed from the Special Provision Fund (SEN).

The underspend is the remaining committed budget provision for the Schools Capital Programme which has projects spanning over two or more financial years. This is Grant funding from the DfE, through the Basic Need Allocation.

6.3.12 Cemeteries – Priory Woods

Procurement of Phase 2 of this project, re landscaping and construction works to the Visitor Centre/creation of gardens, is currently live to invite tenderers. Works to start August 2021 and completed by March 2022. Works delayed due to corona virus restrictions at Phase 1.

6.3.13 Bridge Maintenance – Scott Street

Phase 1 of the project now completed. The budget requires re-profiling to 21/22 to continue to Phase 2 of the project and meet planning requirements.

6.3.14 Beverley Road 52a-54 Brunswick Arcade

Rebuilding of the Arcade to offer up to 3 retail units and 6 flats.

Project Activity Quarter 4 (Jan – March 2021)

- Tender documents produced and issued.
- Tenders returned and reviewed.
- Progressing towards contract award and start on site.

6.4 Revised Capital Programme 2021/22 to 2023/24

6.4.1 The Capital Programme approved at February 2021 Council has been updated and is shown at Appendix D to reflect the re-profiling of 2020/21 contractual and non-contractual commitments and accelerated programme funding where required and as shown at Appendix C. A summary analysis of the changes to the 2021/22 to 2023/24 Capital Programme is shown in the following table and is reflected in Appendix D.

6.4.2 Further amendments to the February 2021 approved programme are also shown in the table below under amendments to resources. These relate to additional/confirmation of external grant funding for certain capital schemes, and the progress and refinement of previously approved schemes.

Confirmation of External Grant Funding allocations for 2021/22:

- Disabled Facilities Grants - £0.674M
- Devolved Formula Capital (Schools) - £0.031M
- Schools Maintenance Programme - £10.234M
- Highways - £4.607M
- National Picture Theatre - £0.289m
- Boulevard UFE Phase 4 - £0.500m

	£m	£m
Capital Programme (see Appendix C)	129.712	
Final Outturn 2020/21	102.705	
Variance		27.007
Variance to be reprofiled (see Appendix C and below)		29.175
Other outturn variances (see Appendix C)		(2.168)
Current Approved Programme 2021/22 to 2023/24 - Council 25/02/21		355.745
Amendments to resources proposed:		
- Contractual commitments from 2020/21 brought forward (Appendix D)	24.772	
- Non-contractual commitments from 2020/21 brought forward (Appendix D)	6.742	
- Accelerated Programme funding (Appendix D)	(2.339)	29.175
Sub Total		384.920
Amendments to Resources (Appendix D)		
- Realignment/Confirmation of External Grant Funding		16.335
Proposed Revised Programme		401.255

6.4.3 Appendix D reflects the above programme changes.

7 Comments of the Portfolio Holder for Finance and Transformation (Councillor Webster)

7.1 I am pleased to see that the revenue outturn position is better than expected which allows for additional contingency funding to be provided to meet future COVID related costs. Clearly the course of the pandemic, the associated financial impact and the level of future government support remains very uncertain and the Council's financial strategy will require careful attention over the coming months. With regard to the capital outturn it is very much in line with the in-year monitoring.

8 Monitoring Officer Assurance Statement

8.1 It is noted that the budget pressures in Adults and Children's Services have been counter balanced by the financial performance in other directorates and the impact of Covid 19 funding, consequently the financial pressures have been managed. This has avoided immediate impact upon the Council's reserves.

8.2 The improving financial position in relation to the Direct Schools Grant is noted, however, the need to manage this pressure remains in the longer term.

8.3 The ability to contribute funds toward reserves highlighted in the report provides a basis upon which to plan for the pressures that will inevitably arise in the financial year 2022/23.

9 S151 Officer Assurance Statement

9.1 The section 151 Officer confirms that the financial information included in this report is suitable for inclusion in the Council's Financial Statements.

10 Comments of City HR Manager

10.1 There are no staffing or equality issues arising for the Council.

11 Comments of Overview and Scrutiny

11.1 This report will be considered by the Finance and Value for Money Overview and Scrutiny Commission at its meeting of 25 June 2021. Any comments and recommendations made by the Commission will be tabled alongside the report at Cabinet. (Ref. Sc6220 (FH))

12 Conclusions of the Section 151 Officer

12.1 The General Fund provisional outturn position is in line with previous projections. However, the 201/22 budget's adequacy will need now to be reviewed in light of the outturn position and the ongoing pressures within Children's and Adult as well as the impact of the COVID 19 crisis. At the point of the formal budget monitoring report in July any necessary impacts and adjustments from this pressure will be reflected.

- 12.2 Although the outturn has been delivered broadly in line with expectations, the financial implications of the COVID 19 emergency and the additional Social care pressures, as considered elsewhere on the agenda, present a 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.
- 12.3 The review work relating to the DSG has produced a plan to ensure that 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.
- 12.4 The variations against P3 capital forecasts requires the re-profiling of the 2021/22 programme as shown at Appendix D.
- 12.5 The HRA outturn has seen a small improvement of its position since the last reporting monitoring round, and an overall £2.6m positive movement compared to Original Budget.

David Bell
Director of Finance & Transformation (Section 151 Officer)

Contact Officers: David Bell
Telephone No: (01482) 613084

Officer Interests: None

Background Documents: -

First Revenue Monitoring Report 2020/21
Second Revenue Monitoring Report 2020/21
Third Revenue Monitoring Report 2020/21
Fourth Revenue Monitoring Report 2020/21
Quarter One Capital Monitoring Report 2020/21
Quarter Two Capital Monitoring Report 2020/21
Quarter Three Capital Monitoring Report 2020/21
Budget Setting Report 2021/22

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.	No