

Report of the Head of Democratic Services

Report to Scrutiny Board (Strategy and Resources)

Date: 11 January 2021

Subject: Financial Health Monitoring 2020/21– Month 7 (October)

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Has consultation been carried out?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Will the decision be open for call-in?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

1. Purpose of this report

- 1.1 The purpose of this report is to provide members of the Scrutiny Board (Strategy and Resources) with information regarding the projected 2020/21 financial health position of those service areas that fall within the Board's remit at Month 7 (October).

2. Background information

- 2.1 The net revenue budget for the general fund for 2020/21 was set at £525.7m with a savings target of £28.4m identified before the emergence of the Covid-19 pandemic.
- 2.2 Following the closure of the 2019/20 accounts, the Council's general fund reserve stands at £31.5m. The 2020/21 budget assumes further use of £9.0m from this reserve during the current financial year. It is anticipated that general fund balances will be added to in year but in light of the potential impact of COVID-19 on capital receipts this position will be kept under review.
- 2.3 Financial monitoring continues to be undertaken on a risk-based approach where financial management resources are prioritised to support those areas of the budget that are judged to be at risk, for example the implementation of budget action plans, those budgets which are subject to fluctuating demand and key income budgets. This risk-based approach has again been reinforced through specific project

management based support and reporting around the achievement of the key budget actions plans.

3. Main issues

- 3.1 Covid-19 has had a dramatic impact on the financial outlook of the Council creating significant pressures on the authority's income streams and also leading to additional expenditure. The Directorate Dashboards set out in Appendix 1 highlight a Covid related budget pressure of £111.7m before proposals to balance.
- 3.2 When wider corporate budget pressures are considered such as pension strain and severance costs resulting from the Early Leaver's Initiative, loss of income from Council Tax and Business Rates collection and impact of Covid-19 on the Capital Programme the total in year budget pressure resulting from Covid-19 stands at £178.2m.
- 3.3 A number of proposals to balance the budget are set out in the Executive Board report. These include application of an expected £88.4m of Government grant made up of specific Covid-19 grant and a contribution to lost income as a result of the pandemic, generation of non-covid related savings and application of earmarked reserves totalling £39.6m, £7.7m in staffing linked to the capital programme and an assumption that the £42.5m shortfall in the Collection Fund will impact in 2021/22.
- 3.4 These measures lead to a projected balanced budget position for 2020/21 though it is important to note that this does not reflect any further local or national lockdown measures which could impact on these financial projections.
- 3.5 Following a decision to use a one off earmarked reserve to the value of £23.4m associated with the pre-payment of rent at Merrion House the Council has withdrawn its application for a capitalisation directive to Government and has drawn up proposals to balance the budget using its own resources as set out above and in Appendix 1.
- 3.6 Details of the Council's overall projected 2020/21 financial health position at Month 7 (October) was reported to the Executive Board at its meeting on 16 December 2020. The Executive Board report is attached at Appendix 1 for the Board's consideration.
- 3.7 The Board will also consider the initial budget proposals for 2021/22 at the meeting, which are presented elsewhere on the agenda.
- 3.8 Appropriate senior officers have been invited to attend the meeting to discuss the attached report and address any issues raised by the Scrutiny Board.

4. Corporate considerations

4.1 Consultation and engagement

- 4.1.1 The Council's financial health monitoring is a factual report and is not subject to consultation.

4.2 Equality and diversity / cohesion and integration

4.2.1 The Council's revenue budget for 2020/21 was subject to Equality Impact Assessments where appropriate and provided as part of the papers presented to Council on 26 February 2020.

4.3 Council policies and the Best Council Plan

4.3.1 The 2020/21 budget targeted resources towards the Council's policies and priorities as set out in the Best Council Plan. The attached Executive Board report comments on the financial performance against the agreed budget, supporting the Best Council ambition to be an efficient and enterprising organisation.

Climate Emergency

4.3.2 As a factual report detailing the Council's financial position for 2020/21 there are no specific climate implications identified in the attached Executive Board report.

4.4 Resources, procurement and value for money

4.4.1 All resources, procurement and value for money implications are detailed in the main body of the attached Executive Board report.

4.5 Legal implications, access to information, and call-in

4.5.1 There are no legal implications arising from the attached Executive Board report.

4.6 Risk management

4.6.1 Budget management and monitoring is undertaken on a risk-based approach where financial management resources are prioritised to support those areas of the budget that are judged to be at risk, for example the implementation of budget action plans, those budgets which are subject to fluctuating demand and key income budgets. To reinforce this risk-based approach, specific project management based support and reporting around the achievement of the key budget actions plans was in place for 2020/21.

5. Conclusions

5.1 The attached Executive Board presents the Council's overall projected 2020/21 financial health position at Month 7 (October). The financial challenge posed by Covid-19 is unprecedented and the overall overspend highlighted in this report of £178.2m represents more than a third of the net revenue budget for 2020/21. The scale of the challenge is therefore clear and as highlighted elsewhere in these agenda papers that challenge look set to continue into future financial years.

6. Recommendations

6.1 That the Scrutiny Board considers the relevant information within the attached Executive Board report and agrees any specific scrutiny actions that may be appropriate.

7. Background documents¹

7.1 None

¹ The background documents listed in this section are available to download from the council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.