

## SLOUGH BOROUGH COUNCIL

**REPORT TO:** Cabinet

**DATE:** 26 July 2021

**SUBJECT:** REVENUE BUDGET MONITORING REPORT – 2021/22  
(PERIOD 2 – MAY 2021)

**CHIEF OFFICER:** Steven Mair, Section 151 Officer

**CONTACT OFFICER:** Steven Mair, Section 151 Officer

**WARD(S):** ALL

**PORTFOLIO:** Cllr Swindlehurst: Leader of the Council

**KEY DECISION:** NO

**EXEMPT:** NO

**DECISION SUBJECT TO CALL IN:** NO, this a noting report only.

### **APPENDICES:**

- 'A' General Fund Forecast
- 'B' Savings Programme
- 'C' Transformation Fund (Flexible Capital Receipts)

### **1 Summary and Recommendations**

- 1.1. This report sets out the forecast revenue position for 2021/22 for the General Fund, Housing Revenue Account (HRA) and the Dedicated Schools Grant (DSG) as at the end of May 2021.
- 1.2. The forecast General Fund revenue position as at Period 2 is a £6.907m overspend. This forecast is net of Covid pressures which are assumed will be covered by the £6.4m Covid contingency in the budget and funded through Covid grants from the government.
- 1.3. The financial implications of Covid-19 will continue to be monitored monthly and reported alongside any grant funding provided to mitigate the spend or lost income.
- 1.4. The forecast HRA position is currently breakeven as at Period 2. Detailed work is due to be undertaken from this month to give a thorough understanding of each budget line.

### **Recommendations:**

Cabinet is requested to note the current management position on the 2021/22 accounts:

- (a) The forecast General Fund revenue position for 2021/22 as at the end of May 2021 is a £6.907m overspend;

- (b) The emerging issues of £33.272m that together with the £6.907m makes up the deficit position for 2021/22 of £40.179m as reported in the s114 Notice;
- (c) The progress towards the 2021/22 savings programme;
- (d) The work being done by all parties across the Council to verify the savings identified in the 21/22 budget and action being taken to mitigate the budget gap in the current financial year by 30/9/21;
- (e) The current forecast spend on Transformation to deliver savings;
- (f) The Housing Revenue Account (HRA) is forecast to spend to budget for 2021/22 as at the end of May 2021.

## 2 The Forecast Position 2021/22

### Context

- 3.1 The Council approved the 2021/22 Budget in March 2021, including a Savings Programme for this year of £15.6m.
- 3.2 Covid-19 is an ongoing issue and a £6.4m contingency was built into the budget to cover any additional expenditure or loss of income as a result of ongoing lockdown measures. It is assumed in the budget that this will be compensated for by the Government with Covid grants.
- 3.3 The financial impact of Covid-19 will continue to be monitored closely throughout the year.
- 3.4 The 2021/22 General Fund revenue budget was approved in March 2021 based on the capitalisation directive which MHCLG have agreed to in principle subject to the Council having a governance and financial review. This review started in July 2021.
- 3.5 Further work since March has indicated that the original direction will not be sufficient to cover the emerging issues. The estimated level of general reserves the Council has at 31 March 2021 is essentially nil. The Council is having further engagement with MHCLG about increasing the Capitalisation Direction for 2021/22.
- 3.6 A detailed list of improvements and work to be implemented was given in the CEO's response to the s114 Notice on 2 July 2021. The key points for the 2021/22 budget are listed below:
  - Introduce rigorous spend control measures, already implemented and which will operate until at least 31/3/22;
  - Verify the savings identified in the 21/22 budget, officers to draft by 30/9/21;
  - Review the Housing Revenue Account – October 2021;
  - Review the Capital Programme, so that it ultimately covers 5 years and likewise everything in it is supported by robust business cases and dependence on external borrowing is reduced, officers to draft initial work by 31/10/21. This will be an improved programme, but work will need to continue beyond this date to secure a fully rigorous and proper programme;
  - Review the management of the Dedicated Schools Grant to get the annual overspends into balance by 2024/25;

- Introduce a solid and consistent approach to business cases to support the evaluation of projects and programmes, to ensure they are aligned with the Council's priorities, supported by the senior leadership, stakeholders are engaged, and all options are considered – already begun and ongoing.

## General Fund

3.7 The forecast General Fund revenue position as at the end of May 2021 is a £6.907m overspend as set out in the following table:

**Table 1. General Fund Revenue Forecast 2021/22**

Directorate	Budget £'000	Forecast Year- End Position £'000	Full Year Variance £'000
People Adult	46,111	49,456	3,345
People Children	12,008	13,313	1,305
Children's Services Trust Contract	30,342	30,914	572
Place	6,805	8,654	1,849
Customer & Community	7,099	8,192	1,093
Finance & Resources	1,053	903	(150)
Corporate Operations	12,904	13,219	315
Strategy & Improvement	1,591	1,591	0
<b>Service Total</b>	<b>117,913</b>	<b>126,242</b>	<b>8,329</b>
Treasury Management	2,736	2,736	0
Parish Precept	185	185	0
Pension Deficit	4,264	4,264	0
Covid Contingency	6,400	6,400	0
Other Corporate Budgets	2,261	2,885	624
Contribution to Reserves	2,046	0	(2,046)
<b>Non-Service Total</b>	<b>17,892</b>	<b>16,470</b>	<b>(1,422)</b>
<b>Expenditure Total</b>	<b>135,805</b>	<b>142,712</b>	<b>6,907</b>
Council Tax	(61,032)	(61,032)	0
Business Rates – Local Share	(33,531)	(33,531)	0
Collection Fund Deficit	7,815	7,815	0
Revenue Support Grant	(6,257)	(6,257)	0
Covid Grant	(6,375)	(6,375)	0
Other Grants	(24,225)	(24,225)	0
<b>Funding Total</b>	<b>(123,605)</b>	<b>(123,605)</b>	<b>0</b>
Capitalisation Direction	(12,200)	(12,200)	0
<b>Total</b>	<b>0</b>	<b>6,907</b>	<b>6,907</b>

## People Adults

3.8 The People Adults directorate has a budget for 2021/22 of £46.111m and as at the end of May 2021 the directorate is reporting a £3.345m overspend. The directorate has an in-year savings target of £3.387m in order to remain within the allocated budget. Out of the £3.387m savings target the Adult Social Care Transformation programme is planning to deliver £1.939m. The workstreams to deliver these savings are reporting good progress as they begin to realise actual savings profiled to deliver in the latter part of this year. High priority work is currently underway to identify further savings to deliver against the additional savings of £1.898m identified for People (Adults) at the beginning of this financial year, which will be reported in future monitoring reports.

## **People Children**

- 3.9 The People Children directorate has a budget for 2021/22 of £42.350m and as at the end of May 2021 the directorate is reporting a £1.877m overspend. The directorate has an in-year savings target of £1.624m in order to remain within the allocated budget. Of the £1.624m savings target the directorate is planning to deliver £1.614m. The savings include those being delivered by Slough Children First, the Council's wholly owned company, which provides children's social care services.
- 3.10 Budget monitoring meetings and the savings tracker are reporting good progress as they begin to realise actual savings profiled to deliver in the latter part of this year. Further work is also underway to identify further savings to deliver against the additional savings of £0.920m identified for People: Children at the beginning of this financial year, which will be reported in future monitoring reports.
- 3.11 The key issues contributing to this overspend are:
- £0.572m for the Children's Company (Slough Children First) due to the cost of the Innovate teams and increased agency costs due to ongoing challenges with recruitment of permanent staff
  - £0.695m due to unachieved savings, but projects are now progressing to realise the savings this year.
  - £0.239m for the Schools Service
- 3.12 Schools Services net overspend £0.239m highlights the contract shortfall in budget of £0.135m for Capita, and premises cost on PFI contracts £0.107m, COVID impact on income of £0.037m.
- 3.13 A number of proposals are being discussed to mitigate the current budget gap of £1.877m across children's services (£1.305m) which includes Slough Children First (£0.572m). One proposal focuses on the re-designation and repurposing of five of the network of 10 children's centres enabling private, voluntary and independent sector providers to deliver statutory funded early education from these purpose built centres. The savings require community consultation and approval from stakeholders including core purpose delivery partners (enshrined in legislation, sections 1-5 of the Childcare Act 2006) the Cabinet and Ministerial approval from the DfE.

## **Place**

- 3.14 The Place directorate current budget is £6.805m and as at the end of May 2021 the directorate is forecasting an overspend of £1.849m to year-end. This is mainly due to forecast budget pressures of £1.011m and, of the total directorate savings of £3.983m, £0.838m are currently forecast as unachievable.
- 3.15 The service has identified mitigating proposals and actions which would reduce the overspend by £1.452m, however this is not reflected in the forecast yet because work is still ongoing to verify the proposals. These mitigations would reduce the overspend to £0.398m
- 3.16 The main contributing factors to the overspend within the directorate are:

- The c£0.7m relating to the cross-cutting savings which the service has not yet reallocated within the directorate, but which will be delivered as part of the mitigating proposals and actions referred to in paragraph 3.15 above.
- The Place Strategy division is forecasting an overspend c£0.8m which is mainly utility costs £0.2m, rechargeable works £0.2m and a historic unachievable income target of £0.4m.

### **Customer and Communities**

- 3.17 The Customer & Community directorate has a budget for 2021/22 of £7.099m and as at the end of May 2021 is forecasting a £1.093 overspend. There are in year pressures of £0.363m on Customer Services, £0.565m on Revenues and Benefits, £0.515m on Accommodation Services and £0.129m on Learning Skills and Employment.
- 3.18 These overspends are partially offset by an underspend of (£0.480m) on Localities and Neighbourhoods. To mitigate the pressures, headcount is being reduced in Customer Services by moving contacts online, recruiting permanent staff to vacant posts within Revenues & Benefits (displacing consultancy spend).
- 3.19 In addition, moving processes on-line, negotiating better commercial terms with Temporary Accommodation providers and tighter controls over eligibility, and identifying further savings to mitigate unachievable income targets in Learning, Skills and Employment.

### **Finance**

- 3.20 Finance is forecasting a year-end position of £0.150m underspend. This is mainly due to vacancies within both the Finance and Commercial teams.

### **Corporate Operations**

- 3.21 Corporate Operations is forecasting a £0.315m overspend for 2021/22 as at the end of May 2021. This is due to increased casework, complaints and Freedom of Information requests £0.5m, Employee Relations and Policy £0.1m and ICT £0.2m. This is partially offset by an underspend of (£0.5m) on Business Support.

### **Strategy and Improvement**

- 3.22 The Strategy and Improvement directorate is staffing costs and is forecasting on budget as at the end of period 2.

## **4 Savings Programme**

- 4.1 The Council's 2021/22 budget is dependent on delivery of the original budgeted savings of £15.6m that was agreed as part of setting the budget in March 2021.
- 4.2 The forecast financial impact of the Savings Programme has been included in the forecast positions for the directorates above.

- 4.3 The table below summarises the forecast savings delivery for 2021/22 that shows the current savings forecast along with the emerging pressures as at the end of May 2021 to give the directorate budget gap:

**Table 2. Savings Programme 2021/22**

Directorate	Total Savings £'000	Savings at risk £'000	Emerging Pressures £'000	New Savings Identified £'000	Revised Budget Gap £'000
People Adult	3,387	3,204	141	0	3,345
People Children	150	42	1,835	0	1,877
Place	7,048	1,022	827	0	1,849
Customer & Community	1,244	0	1,100	(7)	1,093
Finance & Commercial	727	0	0	(150)	(150)
Corporate Operations	1,438	0	400	(85)	315
Strategy & Improvement	(233)	0	0	0	0
<b>Savings Programme Total</b>	<b>15,576</b>	<b>4,268</b>	<b>4,303</b>	<b>(242)</b>	<b>8,329</b>

## 5 Flexible Capital Receipts Strategy (Transformation Fund)

- 5.1 With effect from 1<sup>st</sup> April 2016, the Secretary of State under section 15(1)(a) of the Local Government Act 2003, allowed Local Authorities to use Capital Receipts to fund revenue expenditure. This expenditure must be spent on projects which generate ongoing savings or reduce demand for services. In the Local Government Finance Settlement 2021/22 this directive was extended for a further three years to 2024/25.
- 5.2 The Council has made use of this flexible use of capital receipts to fund transformation change costs to deliver ongoing savings.
- 5.3 Full details of the Transformation Fund are set out in Appendix C which outlines the proposed spend on a scheme-by-scheme basis. The table below summarises the use of the Transformation Fund for 2021/22.

**Table 3. Transformation Fund 2021/22**

	Budget £'000	Forecast £'000	Variance £'000
Our Futures	3,234	2,735	(499)
Financial Excellence	1,170	1,170	0
Integrating Public Services and Transforming Service Delivery	147	2,072	1,925
Contingency	500	0	(500)
<b>Total</b>	<b>5,051</b>	<b>5,977</b>	<b>926</b>

## 6 Dedicated Schools Grant

6.1 The Dedicated Schools Grant provides funding for schools and is split into four blocks:

**Table 4: Dedicated Schools Grant**

Overall DSG position	2021/22 Indicative Forecast			Carried Forward surplus/deficit
	Budget £'000	Forecast £'000	Variance £'000	£'000
Schools block	37,200	37,100	(100)	(400)
Central schools services block	1,000	1,000	0	0
Early years block	15,200	15,200	0	(500)
High needs block	19,800	27,200	7,400	26,900
	<b>73,200</b>	<b>80,500</b>	<b>7,300</b>	<b>26,000</b>

6.2 The Dedicated School Grant has been carrying a deficit for a number of years due to overspends on the High Needs Block. It is estimated that the deficit is £19.0m as at 31 March 2021 and currently forecast to rise to £26.0m by 31 March 2022.

6.3 Work is on-going to develop the DSG Management Plan for submission to the DfE followed by a meeting with the department on 26 July 2021.

## 7 Housing Revenue Account (HRA)

7.1 The forecast HRA position is currently breakeven as at Period 2. Detailed work is due to be undertaken from this month to give a thorough understanding of each budget line.

**Table 5. Housing Revenue Account Forecast 2021/22**

Directorate	Budget £'000	Forecast Year-End Position £'000	Full Year Variance £'000
Repairs and Maintenance	8,765	8,765	0
Rents, Rates, Taxes & other charges	187	187	0
Supervision and Management	9,032	9,032	0
Special Services – Grounds Maintenance, Building Cleaning etc	2,492	2,492	0
Provision for Doubtful Debts	1,338	1,338	0
Contingency	3,500	3,500	0
Revenue Contributions to Capital	4,783	4,783	0
Interest Payable on Debt	6,195	6,195	0
<b>Total Expenditure</b>	<b>36,292</b>	<b>36,292</b>	<b>0</b>
Rent Income – Dwellings	(32,788)	(32,788)	0
Non-Dwelling – Shops, Garages	(1,575)	(1,575)	0
Service Charges – Tenants & Leaseholders	(2,428)	(2,428)	0

<b>Income Total</b>	<b>(36,790)</b>	<b>(36,790)</b>	<b>0</b>
<b>Net Total</b>	<b>(499)</b>	<b>(499)</b>	<b>0</b>
Contribution to Reserves	499	499	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

7.2 The HRA 30-year business plan was not updated for the 2021/22 budget and needs to be reviewed. This work is scheduled to happen over the next 3 months.

## **8 Implications of the Recommendation**

### **8.1 Financial implications**

The financial implications are contained within this report.

### **8.2 Legal implications**

Local authorities are legally required to set a balanced budget on an annual basis. The s.151 officer has a duty to issue a s.114 report to elected members if he is of the opinion that the expenditure of the authority incurred (including expenditure it proposed to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure. The Council's s.151 officer issued such a report on 2 July 2021 and this will be considered at a meeting of full council on 22 July 2021. In response the Chief Executive has issued an action plan, highlighted the steps the Council will be taking to deliver savings and balance its budget in future years. Regularly monitoring and reporting to cabinet and full Council is a key part of delivering financial resilience in the future.

Section 3 of the Local Government Act 1999 requires local authorities to make arrangements to secure continuous improvement in the way in which their functions are exercised, having regard to a combination of economy, efficiency and effectiveness. Regularly monitoring budgets and savings proposals can contribute to compliance with this best value duty.

### **8.3 Risk management implications**

Given the level of financial uncertainty and emerging issues, there is clearly a risk that the current budget will prove difficult to deliver and further support is being sought from MHCLG.

The outturn position above £6.907m along with the other emerging issues detailed below £33.272m makes up the deficit position for 2021/22 of £40.179m as reported in the s114 Notice.

**Table 6: Emerging Issues**

	<b>Emerging issues £000</b>
Funding the Council's Minimum Revenue Provision (the principal repayment on council loans) from asset disposals, contributing to the Council exceeding its Capital Financing Requirement (CFR).	14,382
Revenue costs of funding the refurbishment costs of Nova House that had been assumed to be capital.	2,000
Request to increase Reserve levels	10,000
Additional borrowing required	875
Pay award 1.5% for Council and Children's Company	1,065
Costs of IT and Property staff incorrectly assumed to be charged to capital	2,450
Inadequate provisions - various additional provisions required	2,500
<b>Total emerging issues</b>	<b>33,272</b>

**8.4 Environmental implications**

None

**8.5 Equality implications**

There no identified equality implications from this report. Equality impact assessments will be completed for new savings proposals.

**9 Background Papers**

- Revenue Budget Report to Full Council - March 2021
- Capital Strategy to Full Council – March 2021