

SLOUGH BOROUGH COUNCIL

REPORT TO: Cabinet

DATE: 15th November 2021

SUBJECT: Revenue and Capital Budget Monitoring Report – 2021/22
(Period 6 – September 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

APPENDICES:

- 'A' General Fund Forecast
- 'B' Savings Programme
- 'C' Transformation Fund (Flexible Capital Receipts)
- 'D' Housing Revenue Account Forecast Position
- 'E' General Fund Capital Programme Monitor
- 'F' HRA Capital Programme Monitor

1 Summary and Recommendations

1.1 This report sets out the Council's current forecast financial position as at 31 March 2022 and notes a number of risks associated with this

Recommendations:

1.2 Cabinet is requested to note the following information:

- Based on the S114 notice as at 2nd July 2021 the General Fund balance is currently forecast to be a cumulative deficit of £111m as at 31/3/22.
- The current forecast for 2021/22 planned savings is a net overspend position of £0.02m.
- The DSG balance is forecast to be a cumulative deficit of £24.2m as at 31/3/22, this forecast deficit position has increased recently by circa £0.238m compared to month 5.

- At 30 September 2021, the HRA was forecasting a net surplus of £0.950m for 2021/22, however this may change as work progresses on the Business Plan.
- The forecast capital programme outturn for the General Fund for 2021/22 is currently £50.6m, of which £19.4m is to be financed from new borrowing.
- The forecast capital programme outturn for the HRA for 2021/22 is currently £12.9m

1.3 It should also be noted however that there are significant Council wide uncertainties in the current forecasts, which as well as being subject to ongoing monitoring, verification and challenge are also heavily dependent on the accuracy of information and continued emerging issues. Service specific risks are noted in section 3.3. In particular Council wide issues are:

- year-end Statements of Accounts for 2018/19, 2019/20 and 2020/21 have yet to be finalised and audited. Further adjustments to these accounts may impact on the financial position as currently reported.
- the capitalisation direction as previously reported has been under continuous review since July and remains so. At this stage the work is ongoing but it is highly likely that the £111m cumulative deficit as at 31/3/22 will be increased as will the total forecast deficit previously reported as £174m in the S114 notice and updated to Council as likely to be above £200m. The impact on corporate budgets remains to be determined as part of this review. The emerging issues that will need to be funded by an additional capitalisation direction are likely to include by way of example:
 - further funding of the Council's Minimum Revenue Provision
 - pay award of 1.75% for the Council and Children's Company and other revenue pressures
 - inadequate provisions and contingencies
- Covid-19 is an ongoing issue and a £6.4m contingency was built into the 2021/22 GF budget to cover any additional expenditure or loss of income as a result of ongoing lockdown measures. It is assumed that any additional expenditure will be compensated for with COVID grants, but this has yet to be confirmed by DLUHC.

Reason

- 1.4 In July 2021, the Council's section 151 officer highlighted that projected in-year overspending coupled with the correction of various historical issues was expected to significantly exceed levels of available reserves even after allowing for the Capitalisation Direction of £12.2m used in the Council's approved budget report.
- 1.5 Since then the Council has been having ongoing dialogue and engagement with DLUHC about the possibility of obtaining additional financial support. To reduce the burden of debt charges on revenue budgets, the Council is also planning to significantly scale back its capital investment plans

1.6 However, no additional funding is certain, and the Council's net reserves position at 31 March 2021 is currently estimated at c£111m in deficit using the S114 notice. However as noted above this is likely to increase. It is imperative that the Council manages both revenue and capital spending within approved budget limits, and all members, corporate directors and responsible officers are taking responsibility for managing services within these constraints.

Options considered

- 1.7 There is a statutory obligation for all local authorities to review income and expenditure against budget on a regular basis throughout the year, and where it appears that there has been a deterioration in the financial position, it must take steps to deal with that situation. The Council has no option not to do this, but it does have the ability to determine how the review process is carried out.
- 1.8 Effective financial management is a corporate responsibility which involves all members of the Council's senior leadership team and all elected members. The Council's Finance Action Plan aims to improve corporate financial management by producing detailed monthly budget monitoring reports which provide accurate, comprehensive and up to date information on the Council's current financial position, its expected year-end outturn and the financial challenges it faces.

2 Report

2.1 General Fund (GF)

2.1.1 In March 2021, the Council approved the GF revenue budget for 2021/22. A balanced budget was approved by members, based on

- delivery of in-year savings totalling £15.6m
- utilisation for revenue purposes of a Capitalisation Direction of £12.2m which was in the Council's approved budget report in March 2021.

2.1.2 The forecast GF position as at the end of September 2021 is a £0.024m 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	Month 5 Variance £'000	Change (since month 5) £'000
People (ADULT)	46,023	46,845	822	871	(49)
People (CHILDREN) excl. (SCST)	12,012	12,202	190	49	141
Children's Services Trust Contract	30,342	31,224	882	886	(4)
Place & Community	9,755	9,088	(667)	(211)	(456)
Finance & Commercial	20,214	20,214	0	833	(833)
Strategy & Improvement	1,667	1,310	(357)	(229)	(128)
Service Total	120,013	120,883	870	2,199	(1,329)

Treasury Management	2,736	2,736	0	0	0
Parish Precepts	185	185	0	0	0
Pension Deficit	4,264	4,264	0	0	0
COVID Contingency	6,400	6,400	0	0	0
Other Corporate Budgets	162	1,362	1,200	623	577
Contribution to Reserves	2,046	0	(2,046)	(2,046)	0
Non-Service Total	15,793	14,947	(846)	(1,423)	577
Expenditure Total	135,806	135,830	24	776	(752)
Council Tax	(61,032)	(61,032)	0	0	0
Business Rates – Local Share	(33,531)	(33,531)	0	0	0
Collection Fund Deficit	7,815	7,815	0	0	0
Revenue Support Grant	(6,257)	(6,257)	0	0	0
COVID Grant	(6,375)	(6,375)	0	0	0
Other Grants	(24,225)	(24,225)	0	0	0
Funding Total	(123,606)	(123,606)	0	0	0
Capitalisation Direction	(12,200)	(12,200)	0		
Total	0	24	24	776	(752)

People Adults

2.1.3 The People Adults net directorate budget for 2021/22 is £46m. As at the end of September 2021 the directorate is reporting a £0.8m overspend, an improvement of £0.5m from last month. This forecast overspend is mainly due to:

- additional savings targets of £0.5m, reduction in Provider services saving of £.05m offset by additional Better Care Funding of £0.8m, and
- £0.3m double counting of commissioning savings achieved to date.

2.1.4 To remain within the 2021/22 allocated budget, it is anticipated that savings from ASC Transformation programme initiatives, which are currently being worked on, will be realised in the period through to March 2022. Thus is an area of risk as noted in section 3.3

People Children

2.1.5 The People Children directorate and Children's Services Trust have a combined revenue budget for 2021/22 of £42.3m. As at the end of September 2021, the directorate, including the Company, is anticipating a £1.1m over-spend. This is due to the combination of additional financing costs, together with a fall in Early Years income due to reduced pupil numbers.

2.1.6 Work is on-going to mitigate the current budget gap.

Place and Community

2.1.7 The Place directorate budget is £9.8m, and as at the end of September 2021 is forecasting a year-end underspend of £0.7m - a favourable movement of £0.5m from last month. This is after accounting for the impact of the reduction in the Council's capital programme and various project work which has either been delayed or curtailed in view of the Council's current financial position.

2.1.8 This forecast position also assumes that any costs incurred directly as a result of COVID-19 will be re-imbursed by the Government, and that the directorate will deliver both its base savings target and any new in-year financial pressures.

Finance and Commercial

2.1.9 Finance and Commercial now includes Customer Services, Human Resources, Governance, IT and Revenues and Benefits. The current budget is £20.2m and as at the end of September 2021 the directorate is forecasting to break-even.

2.1.10 The favourable movement of £0.9m from last month is mainly due to an expected reduction in audit fees combined with other one-off savings and reductions to costs.

Strategy and Improvement

2.1.11 The Strategy and Improvement directorate's 2021/22 budget is £1.7m. As at the end of September 2021 the budget is forecast to be under-spent by £0.4m by the year-end, mainly due to staff vacancies.

Savings Programme

2.2.1 The Council's original 2021/22 budget was based on the delivery of £15.6m savings. Supplemented by an estimated capital impact cost of £1.2m in 2021/22.

2.2.2 These savings have been allocated to directorates as appropriate included in the forecast positions reported above. The table below summarises:

- current savings targets for 2021/22
- savings delivery to date
- potential new savings identified
- new and emerging financial pressures identified up to 30 September 2021,
- the revised 2021/22 budget gap.

2.2.3 This table demonstrates that failure to deliver both revised savings targets and new savings identified during 2021/22 could increase the year end GF deficit by £0.5m

Table 2. Savings and Budget Programme Summary 2021/22

Directorate	Current Savings Target £'000	100% Delivered Savings £'000	Total Savings at Risk £'000	Emerging pressures 2021/22 £'000	New savings 2021/22 £'000	Revised Budget Gap 2021/22 £'000
Place & Community	9,924	(7,496)	1,747	1,827	(4,241)	(667)
People (Adults)	4,294	(3,472)	822	0	0	822
People (Children)	(27)	1,194	570	522	(902)	190
Children's Services Trust Contract	164	0	164	718	0	882
Strategy & Improvement	(221)	233	12	0	(369)	(357)

Finance & Commercial	2,642	(2,255)	(1)	1,504	(1,503)	0
Below the line - Public health	0	0	0	0	(369)	(369)
Total Savings Programme	16,776	(11,796)	3,314	4,571	(7,384)	501

2.3 Flexible Capital Receipts Strategy (Transformation Fund)

- 2.3.1 With effect from 1st 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 on projects which generate ongoing savings or reduce demand for services. The Local Government Finance Settlement 2021/22 extended this directive for a further three years to 2024/25.
- 2.3.2 The Council has used this directive to use capital receipts to fund transformation change costs to deliver ongoing savings. Full details of the Transformation Fund are set out in Appendix C which outlines the proposed spend on a scheme-by-scheme basis.
- 2.3.3 The table below summarises the use of the Transformation Fund for 2021/22. The variance of £1.9m relates to a contractual commitment for services that was not previously included in the 2021/22 transformation budget.

Table 3. Transformation Fund 2021/22

	Budget £'000	Forecast £'000	Variance £'000
Our Futures	3,234	2,935	(299)
Financial Excellence	1,170	1,170	0
Integrating Public Services and Transforming Service Delivery	147	2,072	1,925
Contingency	500	500	0
Total	5,051	6,677	1,626

2.4 Dedicated Schools Grant

- 2.4.1 The Dedicated School Grant (DSG) balance has been an increasing deficit for a number of years due to overspend on the High Needs Block. This mainly relates to increased demand for out of borough SEN placements, post 16 services and places at Special schools.
- 2.4.2 The carried forward deficit from 2020/21 for the High Needs Block is £19.8m, the projected total deficit in-year is £4.5m, and the total deficit at the end of the financial year is projected to be £24.3m.
- 2.4.3 The total DSG deficit is forecast to rise from £19.3m to £24.2m by 31 March 2022. This current projection is in line with the management action plan which was presented to DfE on 26th July as shown in table 4 below.

Table 4: Dedicated Schools Grant

BLOCKS	Budget £'000	Forecast Position £'000	Full Year Variance £'000	Previous month's Variance £'000	Change £'000	Cumulative surplus/ deficit £'000
Schools block	37,175	37,216	41	41	0	339
Central Schools Services block	1,020	1,025	5	0	5	(27)
Early Years block	15,230	15,230	0	0	0	(453)
High Needs block	19,804	24,355	4,551	4,318	233	24,322
Total	73,229	77,826	4,597	4,359	238	24,181

Schools block

2.4.4 The Schools block is showing an over spend of £0.041m mainly due to pressure on Growth Fund budget, this service will be monitored closely, and any variances will be reported accordingly. The carried over deficit from previous year is £0.298m, projected total deficit for Schools Budget will be £0.339m. No change from last month's variance.

Central Schools Services block

2.4.5 CSSB block is forecasting an adverse variance of £0.006m compared to last month nil variance, mainly due to increase in School Licences charges.

Early Years block

2.4.5 The current position is showing that this service will be on target. This is a demand funded / participation-based service with providers claiming funding for actual hours of provision at the hourly rate set by the authority for that particular financial year.

2.4.6 The carried over surplus for Early Years block is £0.453m and currently this service is showing nil variance for 2021/22.

High Needs block

2.4.7 The High Needs Block projected forecast as at the end of September 2021 is an over spend of £4.551m which is £0.233m adverse variance from previous month.

2.4.8 The carried forward deficit from previous year is £19.7m, projected total deficit in-year for the High Needs block is £4.551m, and total deficit at the end of the financial year is projected to be £24.3m.

2.4.9 Overspend for High needs relates to the demand of out borough placement of SEN, this includes the post 16 and independence and Special schools.

2.5 Housing Revenue Account (HRA)

2.5.1 The HRA is projecting a net surplus of £1.50m at the end of the current financial year. This is mainly due to increased income from dwelling rents and reduced staff

cost due to vacant posts, partly offset by increased depreciation charges during 2021/22.

2.5.2 The HRA is ring-fenced by statute so any net under or overspends at 31 March 2022 must be carried forward within this account and cannot be transferred to other services. The provisional HRA balance of £17.2m at 31 March 2021 is therefore currently forecast to increase to £18.7m by the end of the current financial year.

2.5.3 The latest overall position is summarised below in Table 5 and the detail is provided in appendix D.

Table 5. Housing Revenue Account Forecast 2021/22

Service	Budget £'000	Forecast Year - End Position £'000	Full Year Variance £'000	Month 5 Variance £'000	Change (since month 5) £'000
HRA Expenditure	36,461	36,669	208	(754)	962
HRA Income	(36,960)	(38,119)	(1,159)	(639)	(520)
HRA Surplus(Deficit)	(499)	(1,449)	(950)	(1,393)	443
Transfer to HRA Reserves	499	1,449	950	1,393	(443)
Total	0	(0)	(0)	(1,393)	(0)

2.5.4 The HRA 30-year business plan was not updated before setting the 2021/22 budget and is currently under review. The new business plan will be refined in future months with outcomes reported to members.

2.6 Capital

2.6.1 A three-year capital strategy for 2021/22, 2022/23 and 2023/24 was approved by Council on the 8 March 2021. However, as explained in the s.114 report, neither the capital strategy nor the 2021/22 budget report clearly set out the revenue implications of repaying the borrowing necessary to fund this level of proposed expenditure.

2.6.2 Project managers were therefore tasked with reducing the capital programme, so that any new schemes financed by external or unsupported borrowing were removed. As a result, the capital programme for the three years to 31 March 2024 has been reduced by £93.4m.

2.6.3 Amendments to the 2021/22 programme are likely to account for £59.7m (64%) of this reduction. These changes mainly relate to:

- Place Directorate – (£42m reduction) – the Strategic Acquisitions Programme, which was established to purchase investment property through external borrowing, is now proposed to be discontinued.

- Adult Social Care – (£7m reduction) – cessation of the Chalvey extra care housing project represents most of this reduction.
- ICT – (£4.4m reduction) – staff costs and other planned expenditure not representing capital investment has been removed

2.6.4 The original capital programme for 2021/22 totalled £141m. After adjusting for the above reductions but with agreed carry forwards (slippage) from previous years of £36m, this brings the current capital programme for 2021/22 to £117m.

2.6.5 Of this revised programme, £62m relates to General Fund (GF) projects and £55m relates to the HRA. Further details are provided in Appendices E and F.

2.6.6 Table 6 below sets out the estimated outturn for the 2021/22 revised capital programme, as at 30 September 2021.

Table 6. Estimated Capital Programme Outturn 2021/22

Directorate	Budget 2021/22	Over/Under spends from 2020/21	Adjustments (reduction)	Revised Budget 2021/22 (to be approved)	Spend April 21 to 30th Sept 21	Full Year Projection (Apr 21 to Mar 22)	2021/22 Full Year Variance
	£000	£000	£000	£000	£000		
General Fund:							
People (Adults)	7,013	886	(7,004)	895	614	1,497	602
People (Children)	9,004	657	(1,066)	8,595	168	1,125	(7,470)
Customer & Community	3,163	(524)	(1,493)	1,146	556	1,401	255
Place	57,808	15,002	(41,974)	30,836	5,308	26,060	(4,776)
Corporate Operations	6,000	5,438	(7,938)	3,500	767	3,225	(275)
Finance & Resources	17,451	0	(200)	17,251	6,961	17,251	0
	100,439	21,459	(59,675)	62,223	14,375	50,559	(11,664)
Housing Revenue Account:							
Housing Revenue Account	14,823	7,460	0	22,283	2,354	8,532	(13,751)
Affordable Housing	25,849	6,824	0	32,673	929	4,403	(28,270)
	40,672	14,284	0	54,956	3,283	12,935	(42,021)
Grand Total	141,111	35,743	(59,675)	117,179	17,658	63,494	(53,685)
Financed By:							
General Fund							
Borrowing	46,154	21,459	(48,261)	19,352			
Other	54,285	0	(11,414)	42,871			
	100,439	21,459	(59,675)	62,223			
HRA							
Borrowing	19,424	14,284	(10,397)	23,311			
Other	21,248	0	10,397	31,645			
	40,672	14,284	0	54,956			
Grand Total	141,111	35,743	(59,675)	117,179			

2.6.7 The Council is currently expecting to spend £63.5m on capital investment projects in 2021/22, of which £12.9m relates to the HRA, against a revised budget of £117m for the financial year 2021/22. This imbalance reflects a combination of following:

- it has been assumed at this stage that all projects brought forward from previous years will represent capital commitments which cannot now be cancelled or amended, but this is not necessarily the case. Budgets and funding for all capital projects brought forward from previous years but not yet started are currently under review
- detailed delivery programmes and project plans have not yet been realigned to reflect the revised budgets shown above. It may be that some projects initially scheduled for delivery in 2022/23 and 2023/24 can now be accelerated into the current financial year.
- some projects proposed to be deleted from the programme because they were initially intended to be financed from borrowing may be re-instated if alternative funding can be identified.

2.6.8 Work is ongoing to realign capital budgets and projects plans so that a further update can be presented in the next monitoring report.

3 Implications of the Recommendation

3.1 Financial implications

3.1.1 The financial implications are contained within this report.

3.2 Legal implications

3.2.1 Section 31 of the Local Government Finance Act 1992 requires the Council to set a balanced budget at the start of each financial year.

3.2.2 Section 28 of the Local Government Act 2003 requires all local authorities to review actual expenditure against this budget on a regular basis during the year. Where it appears that there has been a deterioration in the financial position, the local authority must take such action as is necessary to deal with the situation.

3.3 Risk management implications

3.3.1 In addition to the risks set out in paragraph 1.3 given the level of financial uncertainty, emerging issues and the restricted financial resources available to the Council, there is clearly a risk that the revenue savings for 2021/22 will prove difficult to deliver. Current forecasts are that General Fund services will overspend the agreed savings target by £0.04m against budget over the course of the year, however achieving this position depends very much on:

- achievement of in-year savings, particularly in Place and Strategy and Improvement directorates, and

- achievement of planned savings in Adults of £1.2m across a number of programmes for which delivery forecasts are expected to accelerate in November. Currently the actual is £0.05m
- all other Departments delivering the savings put forward and absorbing any further emerging cost pressures.

3.3.2 To mitigate all risks the Council is continuing to:

- engage in regular discussion with DLUHC (previously MHCLG) regarding additional financial support
- prioritise preparation and audit of prior years' financial statements so that the historical financial position can be ascertained with certainty,
- move forward with the Finance Action Plan and strengthen financial management so that all Council functions and services operate within their approved budget on a consistent basis
- ascertain whether any additional savings can be implemented during the current financial year
- reporting regularly to all forums the updated position

3.4 Environmental implications

None

3.5 Equality implications

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

3.6 Procurement Implications

None

3.7 Workforce Implications

None

3.8 Property Implications

3.8.1 Implications of reductions in the capital programme for future property acquisitions are set out in section 2.8 of this report. Delivery of savings depends in some directorates on asset disposals, as reported to Cabinet on 21 June and 20 September 2021.

4 **Background Papers**

- Revenue Budget Report to Full Council - March 2021
- Capital Strategy to Full Council – March 2021
- S114 Notice to Full Council – July 2021