

CABINET	DATE 22.09.2021	ITEM NO 7
TITLE 2021/22 Revenue Budget Monitor Report	WARD(S) All	
CHIEF OFFICER Director of Finance	CABINET MEMBER Linda Perks	
DECISION CLASSIFICATION <i>Non Key</i>	IS THE FINAL DECISION ON THE RECOMMENDATIONS IN THIS REPORT TO BE MADE AT THIS MEETING? Yes	

1. **Decision required**

This report makes the following recommendations to Cabinet:

- 1.1 Note the revenue monitoring position based on period 3 end of June 2021 data.
- 1.2 Note that management action will take place to contain expenditure pressures within existing resources wherever possible, to ensure that the Medium Term Financial Strategy (MTFS) remains on track.
- 1.3 Note that after taking account of additional resources for Health & Adult Services from the Adult Social Care precept, but prior to the allocation of residual growth resources, agreed by Council, the General Fund budget is reporting a headline:
 - forecast service pressure of £18.3
 - corporate pressure of £2.5m related to “No Recourse to Public Funds”
 - Treasury Management saving of £8.8m
- 1.4 Note that the Housing Revenue Account (HRA) is currently reporting pressures of £3.1m.
- 1.5 Note COVID related pressures of £12.1m, to be financed from government grant

2. **Links to the Royal Greenwich high level objectives**

- 2.1 This report forms part of the reporting cycle for 2021/22 supporting the delivery of the Council’s MTFS. As such the achievement of the budget is a key factor underpinning all aspects of the Royal Greenwich Strategy and in

particular, to continue to achieve excellence and good governance in the management of public finances.

3. Purpose of Report and Executive Summary

3.1 This report provides an overview of the revenue budget monitoring of the Council and presents forecasts of the financial position for the year based on period 3 end of June 2021 data.

4. Introduction and Background

4.1 In overall terms, overspend pressures of £12.0m is forecast for the year, prior to support from additional resources.

4.2 The departmental tables detailed in Appendix A are summarised in Table 1 below. The financial projection column in each table represents the view of the forecast outturn position.

Table 1- Forecast Outturn Variance by Directorate

Forecast Spend versus Resources £m	2021/22 Forecast Covid-19 Overspend/ (Underspend) £m	2021/22 Forecast Business as usual Overspend/ (Underspend) £m
Health & Adults	7.7	4.5
Children's Services	0.2	0.6
Communities & Environment	1.0	4.4
Housing & Safer Communities	0.4	3.4
Finance	2.0	(0.1)
Regeneration Enterprise & Skills	0.8	5.5
Service Total	12.1	18.3
<u>Corporate</u>		
No Recourse to Public Funds		2.5
Treasury Management premium		(8.8)
Net GF Position	12.1	12.0
HRA	0.0	3.1

- COVID spend to be met from the Governments COVID emergency funding grants.
- Council agreed price, demand and budget realignment resources for 2021/22, which will be allocated as the year progresses, the financial forecast is refined as the effects of COVID continue to unwind / become clearer and other uncertainties such as the Local Government pay settlement become clearer.

4.3 Departmental Variances

4.3.1 Health and Adult Services +£4.5m (2020/21: +£0.1m)

The projected outturn for HAS as at period 3, indicates an overspend of £4.5m,

which is largely in line with the forecast outturn position at P9 last year. This is, of course, prior to the final outturn position which showed that as a result of both additional Government and NHS resources, as well as emergency approaches to operations, the outturn was reduced to £0.1m. The quarter 1 figures include demand pressures on care packages, where we are seeing an increase post-lockdowns, and contract inflation (£936k). The Service is looking at additional projects to mitigate the impact of this for example a detailed review of all care packages £50k per annum. It is important to note that the figures contain approximately £1.8m pressure from both historic contract inflation, and London Living Wage uplifts.

4.3.2 Children's Services +£0.6m (2020/21: +£0.1m)

Main area of overspend is Transport costs £2.6m largely due to the costs of both the in-house and private vehicle hire contracts. There is currently a review taking place on SEN Transport provision, this includes both contractual arrangements along with eligibility criteria. This element will continue to be closely monitored, especially as the overall number of pupils in schools within the borough continues to increase (some of whom may require SEN and associated transport support). There is a likelihood that demand will result in increased pressure, some of which will be mitigated by savings resulting from the review. The transport overspend is partially offset by underspends against;

- Early Help £0.4m due to the close of the Community Based Interventions service and a number part year / vacant posts in the CORE Teams.
- There is a £1.5m net placement underspend against Safeguarding & Social Care service; this mainly due to service seeing a reduction in the number

of Look after children placements presenting themselves. However, placements are a volatile area and liable to fluctuations in numbers / needs of young people. The service will monitor closely to assess risk and demand impact and is developing the adolescent unit to support future placements.

4.3.3 Communities and Environment +£4.4m (2020/21: +1.2m)

Main areas of overspend are Street Services £2.9m which is due to staff budget shortfall within Street Services, refuse charges and other unfunded activities. Sports and Community £1.5m comprising £1.2m of contract inflation and £0.3m of interest charges. Overspends in other areas are Community & Environment Management £0.3m staffing pressure, Electoral Services £0.1m staffing shortfall and By Election costs, Design & Commercial £0.3m shortfall in income targets. This is offset by various underspends in Compliance £0.2m, Registrars £0.2m and HR/OI £0.2m.

4.3.4 Housing and Safer Communities +£3.4m (2020/21: +1.6m)

Main areas of overspend are Emergency Overnight Accommodation £2.4m, HACTRAC Leasing £0.6m and HACTRAC Prevention £1.2m. Underspends are £0.3m General Fund Properties Income, Safer Communities £0.4m vacant posts and Thistlebrook £0.1m premises costs.

Housing Revenue Account +£3.1m (2020/21: - 2.9m)

Asset Management are projecting a £3.7m overspend which includes the cost of sub-contractors, £0.8m void loss, £0.6m Estate Services mainly utility costs. Underspends on various cost centres due to vacant post £1.0m and increased Lease Holder Charges £1.0m.

4.3.5 Finance- £0.1m (2020/21: -£0.4m)

Various over and underspends on staffing leading to a broadly neutral position.

4.3.6 Regeneration Enterprise and Skills +£5.5m (2020/21: -0.4m)

Overspends in Parking £0.8m due to agency costs, increased back office costs and off-street car parks premises costs, £0.3m Capital Projects & Programme Management premises costs, £0.3m Planning & Building Control staff, legal and advertising costs, £0.1m Regeneration increased industrial estate rent and vacant plot. Underspend on Business Systems & Resources of £0.1m vacant posts. Included in the forecast is a limited early estimate in relation to new

parking measures. Installation and go live of the latest batch of traffic cameras moved into the second quarter of the year and a further batch is scheduled for later this year. The net effects of installation slippage with the associated lack of real activity levels available for modelling as at 30 June, alongside slower return of traffic levels post lockdowns sees a necessarily prudent view at this early stage of the year being adopted in respect of income generated from this activity. The DRES, Finance and Continuous Improvement Teams are working together to keep this area under constant review and ensure that the continued rollout and back office operations are undertaken effectively throughout the year, with revised estimates sought for the end of Q2, as data from the latest batch is analysed.

4.4 Non-Departmental Variances

No Recourse to Public Funds

- 4.4.1 No specific funding has been provided to local councils in recognition of this demand, whereby vulnerable persons with no recourse to public funds approach the council as a last resort.

Although the total number of families and single adults had increased between years (from 97 to 146), with a combination of shorter support time and the Home Office dealing with cases at a faster rate, NRPF closed the 2020/21 financial year with a reduction in pressure of £0.3m less than the previous year, and £0.9m less, than the year before that. The current year forecast of £2.5m is £0.4m less than the outturn for 2020/21.

Treasury Management

- 4.4.2 The Authority has increased its use of under borrowing to £298m at the end at the end of 2020/21.

- 4.4.3 Significant points about this approach are:

- the foregone investment interest on these reduced deposits (around 0.2%) has been far outweighed by the saving in debt interest that would have been payable had this approach not been taken
- this approach must continue to be viewed as time limited and can only be applied whilst external economic conditions continue with interest rates remaining historically low. When borrowing rates are forecast to rise significantly, there will be a need to consider undertaking external borrowing, in order to replace internal cash balances

- the point above highlights the refinancing risk associated with under borrowing and the greater the level of under borrowing, the greater the effect on the council's revenue position if rates were to rise sharply – this risk is kept under review
- it should also be noted that investment interest is forecast to remain low during the year.

4.4.4 This process is expected to lead to the delivery of a £8.8m saving in 2021/22, although as noted above, this is unlikely to be sustainable at such levels into the future.

5. **Austerity Measures**

5.1 The monitoring position assumes the following controls will remain throughout 2021/22:

- Staffing (authorisations by directors):
 - vacancy freeze on permanent posts unless authority given to proceed
 - controls on agency engagement and other temporary appointments
- Value for Money:
 - additional gatekeeping measures to achieve best value through adherence to Contract Standing Orders and financial regulations
 - reviews of departmental budgets through the MTFs process to identify and capture saving opportunities

5.2 There is a requirement within the MTFs that budgets are adhered to. Any major variances could potentially de-stabilise the financial strategy. Hence there is a strong discipline required to meet budget targets.

6. **Financial Standing**

6.1 The Medium-Term Financial Strategy and overall financial standing has been presented in previous reports.

6.2 In compiling this monitoring report officers continue to be mindful of the risks faced by the borough, which could impact on budgetary control. This is

evidenced in the detailed comments under each service directorate, primarily in respect of cost/demand pressures.

- 6.3 Notwithstanding the borough’s commitment to manage the impact of uncertain economic conditions and demand led pressures within current budget levels, there remains an ongoing risk to this position. There is therefore a need for continued management action and close monitoring of the overall position.

7. Reasons for Recommendations

- 7.1 The Cabinet is asked to note the revenue monitoring position based on period 3 to the end of June 2021 data.

8. Cross-Cutting Issues and Implications

Issue	Implications	Sign-off
Legal	There are no legal implications arising from the report.	John Scarborough, Director of Legal Services, 31 August 2021
Finance	This report has been prepared by the Director of Finance and has no other financial implications.	Kim Sullivan Head of Accounting and Business Change 16/08/2021
Equalities	The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no apparent equality impact on end users.	Kim Sullivan Head of Accounting and Business Change 16/08/2021
Risk	The revenue budget monitoring framework represents a key mitigation measure against the risk that service budgets are not contained thereby placing the achievability and sustainability of the MTFS at risk.	Kim Sullivan Head of Accounting and Business Change 16/08/2021

9. Report Appendices

9.1 The following documents are to be published with and form part of the report:

- *Appendix A: Revenue Monitor: Key Departmental Variances*

10. Background Papers

None.