

Report for: DECISION

Item Number:

Contains Confidential or Exempt Information	No
Title	BUDGET UPDATE REPORT 2020/21
Responsible Officers	Ross Brown, Chief Finance Officer
Authors	Shabana Kausar, Assistant Director Strategic Finance
Portfolio	Councillor Bassam Mahfouz, Cabinet Member for Finance & Leisure Services
For Consideration By	Cabinet
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Affected Wards	All
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Purpose of Report

The report provides the fourth financial update to Cabinet for 2020/21 on pre-COVID General Fund pressure and pressures relating to COVID-19. Due to a combination of factors the Councils in year position is significantly improved against the Quarter 2 report. In total the Council is facing a net estimated pressure of £6.163m, of which (£2.879m) net underspend relates to business as usual services and activities and £9.043m pressure relates to COVID-19 (£7.314mm General Fund and £1.729m HRA). The government funding allocations announced to date now move the Council to a more appropriately funded position in year, although it should be noted that there is still a shortfall of £9.043m currently.

Cabinet approved the spend measures put forward by officers at the July meeting to help mitigate some of the new pressures as a step on the journey of attempting to deliver a balanced budget in-year. Officers have worked closely with Strategic Leadership Team (SLT) to review and refine measures for spend areas which can be seen through the continuous reduction in the business as usual pressures.

1. Recommendations

It is recommended that Cabinet:

- 1.1 Notes the General Fund revenue budget non-COVID forecast outturn position of (£1.150m) underspend (0.46%) for 2020/21 (section 4), and a break-even position on Housing Revenue Account for 2020/21 (section 8).
- 1.2 Notes financial pressures arising from COVID-19 in 2020/21 are currently causing an estimated in-year net budget pressure of £9.043mm (section 5).
- 1.3 Notes the combined General Fund revenue overspend forecast position of £6.163m (section 4).
- 1.4 Notes that there remains uncertainty re some elements of government funding to support the financial commitments made by the Council in relation to COVID-19, and that mitigations have been put in place Council wide to address the forecast overspend. As at period 9 these have taken effect and that efforts continue across the Council with the aim of ensuring the forecasted overspend is brought down as far as possible and further additional measures or the use of reserves may be needed to deliver a balanced budget.
- 1.5 Notes the progress on delivering the 2020/21 savings (section 6).
- 1.6 Notes the in-year Dedicated Schools Grant (DSG) deficit forecast of £1.700m to be charged to the DSG account (section 7).
- 1.7 Notes the 2020/21 capital programme forecast a break-even position (paragraph 9.3).
- 1.8 Approves the re-profiling of 2020/21 capital programme net slippage of £17.384m (appendix 3) into future years.

2. Reason for Decision and Options Considered

- 2.1 To forecast the financial position for 2020/21 based on available information at end of 31 December 2020 for non COVID-19 and COVID-19 pressures. The report outlines the Council's forecasted position on revenue, capital, income and expenditure to the end of quarter 3.

3. Key Implications

- 3.1 The report presents the management accounts of the Council and provides information on the projected full year financial position at 31 December 2020 (quarter 3). The overall net budget pressure forecast at the end of quarter 3 is

£6.073m (£24.562m quarter 2), of which:

- (£1.240m) underspend (£8.313m quarter 2) is in relation to non COVID-19 General Fund activity;
- £7.314m (£14.948m quarter 2) is in relation to COVID-19 (£7.314m General Fund and £1.729m HRA), with the gross pressure being in excess of c£95m. The net pressure reflects a combination of government grant (c£67m) and estimated additional government support (c£18m), as shown in section 5.

3.2 Councils are required to deliver a balanced budget each year ensuring that the projected expenditure and commitments can be matched by the available resources in year. As is to be expected, the new COVID-19 driven budget pressures give rise to a real challenge in the Council's ability to achieve a balanced budget in the absence of further firm and extensive funding commitments from Government.

4. General Fund Revenue Outturn Position 2020/21 (non COVID-19)

4.1 The General Fund revenue outturn forecast for 2020/21 at the end of Quarter 3 is £254.025m (£271.214m quarter 2). This represents a forecast net overspend of £6.073m (£23.262m quarter 2) (2.45%) against a General Fund revenue budget of £247.953m.

4.2 Services are continuing to implement measures by way of departmental mitigation plans to address the forecast overspend relating to the non COVID-19 pressure. Progress of these have been included previously and this report through the quarterly budget monitoring process forms part of the overall financial management strategy to help deliver a balanced position in conjunction with the spend control measures. Notwithstanding the much improved position and given the remaining variance as set out in this report, it is possible that reserves will need to be used to deliver a balanced budget.

4.3 The net position is summarised in table 1 below:

Table 1: Quarter 1 Summary of Net Revenue Budget Variance

Revenue Budget	Forecasted Net Variance - Quarter 3 (£M)			Forecasted Net Variance - Quarter 2 (£M)
	Pre Covid-19	Covid-19 ¹	Total	
Children's and Schools	8.685	0.000	8.685	10.233
Adults & Public Health	(5.456)	0.000	(5.456)	(3.033)
Chief Executive	1.475	0.000	1.475	1.550
Place	4.397	0.000	4.397	4.774
Covid-19 (Council Wide)	0.000	56.617	56.617	52.331
Net Cost of Services Sub-total	9.101	56.617	65.718	65.856

Revenue Budget	Forecasted Net Variance - Quarter 3 (£M)			Forecasted Net Variance - Quarter 2 (£M)
	Pre Covid-19	Covid-19 ¹	Total	
Corporate Budgets	(10.251)	0.000	(10.251)	(5.211)
Covid-19 (Corporate)	0.000	(49.304)	(49.304)	(37.383)
Total General Fund	(1.150)	7.313	6.163	23.262

¹Further details of COVID-19 related pressures are set-out in table 2 and 3.

4.4 Explanations for significant pre COVID-19 overspends and pressures are set out below.

Children's and Schools

4.4.1 The Children's and Schools service position has improved in year but are reporting a significant gross budget pressure of £11.791m (£13.764m quarter 2) which includes DSG pressure of £1.700m. The gross pressure is partly being off-set by combination of the DSG pressure being carried forward and in-year management actions, bringing the net forecasted overspend to £8.685m (£10.233m quarter 2).

4.4.2 The budget pressure is mainly driven by a combination of demand and cost pressures in relation to placement pressures across Special Education Needs and Disability (SEND), Children with Disability service and SEN transport. Management actions have helped to reduce the service pressure.

Adults & Public Health

4.4.3 Adults and Public Health service are reporting a gross underspend of (£1.115m) (£0.699m quarter 2) which is fully off-set by in-year management actions of £4.341m (£3.732m quarter 2) increasing the underspend to (£5.456m) (£3.033m quarter 2).

4.4.4 The main drivers of the forecast variance relate to a combination of various one offs, a reduction in billed income for residential and homecare placements off set by net reduction in value and volume of placement expenditure mainly across over 65 cohort. In addition, amounts had been forecast to cover increased discharge costs passported from NHS funding, that are now not going to manifest themselves this year but will feed through to 2021/22 as a pressure/growth requirement.

Chief Executive

4.4.5 Chief Executive are reporting a gross pressure of £2.708m (£2.108m quarter 2) which is offset by in year management actions reducing the pressure to £1.385 (£1.550 quarter 2). The main drivers of the budget pressure are:

a) Finance budget pressure of £1.974m is mainly driven by combination of reduction in grant income and other income across finance services (£1.052m), pressure due to decision to pause court recovery action for

- council tax and business rates and delay in delivery of contractual savings.
- b) Housing Benefit (HB) Subsidy underspend of (£1.001m) relates to a reduction in number of overpayments created to end of December which have been considerably lower than in previous years (down 49%). This reduction has led to an increase in HB being subsidised at 100% and reduced debt being created. Whilst the overall caseload has increased by 8% the Council has seen a reduction in cost due to the change in the B&B household composition. A key factor for the reduction is also due to very little new demand coming through due to the pause on evictions, it is very difficult to state at this stage how much of this trajectory will continue on a recurring basis once this policy is lifted in the new financial year.
 - c) ICT & Property Services net pressure of £0.191m includes pressure of £0.610m relating to underachieved income, majority of which relates to closure of Ealing Town Hall whilst the operating costs of buildings (including the town hall) have reduced slightly.

Place

- 4.4.6 Place are reporting a gross pressure of £7.142m (£6.786m quarter 2) which is partly being off-set by a further in-year management actions of £2.745m (£2.012m quarter 2) reducing the forecasted overspend to £4.397m (£4.774m quarter 2). The main drivers of the budget pressure are:
- a) Place Management overspend of £0.357m is mainly due to one-off redundancy costs and agency costs.
 - b) Place Delivery net pressure of £3.139m is mainly driven by pressure relating to Amey contract extension and other costs in quarter 3.
 - c) Community Development net pressure of £0.511m is mainly driven by combination of pressures relating to non-delivery of savings, delay in retendering of service contract and cost of ward forums.
 - d) Growth & Sustainability net pressure of £0.392m is mainly driven by a combination of one-off pressure across planning service, relating to a software license, write-off of non-collectable income from 2011 in relation to architect fees and unachievable rental income across Strategic Property.

5. 2020/21 COVID-19 Pressures

5.1 COVID-19 Budget Pressure

- 5.1.1 On 12 December the Council submitted its eighth return to MHCLG setting out the likely full year financial impact of COVID-19 for Ealing in 2020/21.
- 5.1.2 The table below provides an overview of the estimated budget pressure relating to COVID-19.

Table 2: COVID-19 Budget Pressure Overview

Service Area	Forecasted Net Variance - Quarter 3 (£M)				Forecasted Net Variance - Quarter 2 (£M)
	General Fund	HRA	Collection Fund	Net Budget Pressure	
Cost Pressure excluding savings	35.596	0.000	0.000	35.596	31.144
Savings Pressure	8.567	0.000	0.000	8.567	8.732
Income Pressure	12.455	1.302	18.844	32.601	32.598
Gross Pressure (MHCLG Return)	56.618	1.302	18.844	76.764	72.475
Additional Pressure identified in Q3	0.000	0.427	0.000	0.427	0.000
Gross Pressure	56.618	1.729	18.844	77.191	72.475
Grant Allocation	(46.922)	0.000	(3.061)	(49.984)	(33.703)
Net Pressure before compensation	9.694	1.729	15.783	27.205	38.772
Sales, Fees & Charges Compensation Scheme ¹	(2.381)	0.000	0.000	(2.381)	(6.741)
Collection Fund deficit ²	0.000	0.000	(15.783)	(15.783)	(15.783)
Unfunded Net Pressure	7.313	1.729	0.000	9.043	16.248

¹ Sales, Fees and Charges compensation scheme reimbursement included above is only reflective of funding received to date.

² Collection Fund reflects governments proposal for councils to carry forward and fund the deficit from within local resources over a 3-year period.

5.1.3 The unfunded net pressure currently does not reflect additional funding expected through the sales, fees and charges compensation scheme which will look to reducing the general fund pressure further. The mechanism for sales fees and charges requires a quarterly submission to be made separate to the main MHCLG return that is then assessed and paid upon approval. The Council is waiting to hear if its second return has been successful and in addition will submit for the remainder of the year. As an estimate, these submissions would be worth c£6m.

5.1.4 The gross pressure of £77.189m excludes payments in respect of COVID-19 Business Rates reliefs (i.e. retail and nursery reliefs) which equate to estimated £57.983m included in the return. The loss of income due to these reliefs will be reimbursed through section 31 grant.

5.1.5 Set out in the table below is summary of the total budget pressure relating to COVID-19 in relation to what has been included with the return covering the three main estimated areas;

- Expenditure Pressures c£35.821m (£31.144m October's return)
- Savings unachievable in-year c£8.567m (c£8.733m October's return)
- Income across all sources c£32.803m (£32.598m October's return)

Table 3: COVID-19 Budget Pressure Estimate Summary

Service area	Forecasted Net Variance - Quarter 3 (£M)			Forecasted Net Variance - Quarter 2 (£M)
	Net Budget Pressure before Savings	Savings	Net Budget Pressure post Savings	
Children's and Schools	3.826	1.832	5.658	6.754
Adults & Public Health	12.450	0.920	13.370	13.123
Place	9.239	1.933	11.172	8.317
Chief Executive	2.621	0.639	3.260	3.140
Other (includes Shielding)	7.463	0.000	7.463	5.166
Subtotal: General Fund Spend Pressure	35.599	5.324	40.920	36.500
HRA Spend pressures	0.222	0.000	0.222	0.000
Total Expenditure Pressure	35.821	5.324	41.142	36.500
Retained Business Rates	4.133	0.000	4.133	4.133
Council Tax	14.711	0.000	14.711	14.711
General Fund Income	12.452	3.243	15.695	15.829
Subtotal: General Fund Income Pressure	31.296	3.243	34.539	34.673
HRA Income	1.507	0.000	1.507	1.302
Total Income Pressure	32.803	3.243	36.046	35.975
Gross Pressure (MHCLG Return)	68.624	8.567	77.191	72.475
Grant Allocation (table 4a)	(49.984)	0.000	(49.984)	(33.703)
Other Government Measures (table 2)	(18.164)	0.000	(18.164)	(22.524)
Net Pressure	0.476	8.567	9.043	16.248

Source: MHCLG COVID-19 Return December 2020

5.1.6 The spend pressures and grant funding currently excludes the spend and anticipated grant relating to 'Community Testing Programme'. Ealing successfully bid to take part in the programme, operational details of the programme and budget were approved as an individual cabinet member decision (ICMD) on 4 January 2021. The funding is for council to set-up Asymptomatic Testing Stations (ATS) and based on the local health prospectus data. Ealing is has a target to test 45,000 residents twice over a 6 week period (totalling 90,000). The actual funding is subject to the Council meeting the target of 90,000 tests. An initial pre-payment of £0.567m has been allocated for Ealing with the actual funding only being calculated at the end of the 6-week period. The funding to be received will be paid at a rate up to £14 per test if we meet the target otherwise the funding will be allocated on lower of costs incurred and test performed. Currently the number of people being tested is approximately 700 per day which is falling short of the daily target of 2,000. If the Council were unable to meet this target the Council is at risk of not being reimbursed fully for the costs it incurs. It should be noted that letters of comfort have been provided by the relevant government departments for reimbursement of reasonable costs. The Council have set-up various test sites across a number of geographically dispersed

sites which became operational on 11 January 2021.

- 5.1.7 The current forecast is the expectation for the Council to be fully funded for the collection fund income losses (council tax and business rates). Included within the provisional financial settlement announcement in December 2020 was an announcement of a new local tax income guarantee compensation scheme. Details released in the new year suggest that Ealing will still be left with significant financial risk as a result of the way in which the income loss is calculated. There are marked differences in the ways in which the schemes compensate Councils for both Council Tax losses and for Business Rate losses that make an accurate assessment unnecessarily difficult.

5.2 COVID-19 Grants

- 5.2.1 The Council is expecting to receive in total £108.961m (£92.548m quarter 2) of funding from central government in relation to COVID-19. Included within this amount is £57.983m (£57.983m quarter 2) estimated funding for business rate reliefs and £0.862m (£0.862m quarter 2) of capital funding. The tables below set out detail of the revenue and capital grants. The table below reflects presentational consistency with the MHCLG return which includes funding that is paid out to local residents and business e.g. Infection Control Fund, Discretionary Business Rates grant, Self-Isolation Payment Grant and Cold Winter Fund grant; which are off-set by matching gross spend set out in Table 3 above.

Table 4a: COVID-19 Revenue Grant Allocation included in December MHCLG Return

Grant Funding	Ealing's Share	Precept Share	Total Grants
	£M	£M	£M
Covid-19 Grant Tranche 1	9.568	0.000	9.568
Covid-19 Grant Tranche 2	9.239	0.000	9.239
Covid-19 Grant Tranche 3	3.243	0.000	3.243
Covid-19 Grant Tranche 4	7.802	0.000	7.802
Subtotal: Covid-19 General Funding	29.852	0.000	29.852
Hardship Fund	3.061	0.000	3.061
Infection Control - Tranche 1	2.106	0.000	2.106
Infection Control - Tranche 2	2.772	0.000	2.772
High Street Fund	0.301	0.000	0.301
Track & Trace	2.262	0.000	2.262
Discretionary Business Rates Grant	3.339	0.000	3.339
Emergency Assistance Grant for Food and Essential Supplies	0.396	0.000	0.396
Emergency Active Travel Fund	0.009	0.000	0.009
Self-Isolation Payment Grant	0.308	0.000	0.308
Local Authority Compliance & Enforcement Grant	0.198	0.000	0.198

Grant Funding	Ealing's Share	Precept Share	Total Grants
	£M	£M	£M
National Sleepers Accommodation Plan	0.600	0.000	0.600
Contain Outbreak Management Fund	2.727	0.000	2.727
Contain Outbreak Management Fund December Tier 2	0.684	0.000	0.684
Cold Winter Fund Grant	1.069	0.000	1.069
Clinically, extremely vulnerable support grant	0.299	0.000	0.299
Total of Grant funding Covid-19 Budget Pressure	49.984	0.000	49.984
Business Rates Reliefs/Grants (est.)	17.395	40.588	57.983
Total Grant Allocation	67.379	40.588	107.967

Table 4b: COVID-19 Capital Grant Allocation

Grant Funding	Total Grants £M
TFL Streetscape Measures Funding	0.862
Total	0.862

5.3 Key Assumptions

5.3.1 The key factors and assumptions which form basis of the pressures included in the table above are set summarised in the table below.

Table 5: COVID-19 Budget Pressure Estimate Assumptions and Factors

Assumptions/Factors - Cost Pressures	Assumptions/Factors - Income Pressures
<ul style="list-style-type: none"> • Additional workforce costs. • Additional demand pressures - such as temporary accommodation, care placements and mortuary. • Payments made under the COVID-19 Emergency Investment Fund as approved in March 2020. • New cost pressures seen over the period – including PPE, food provision, other shielding costs. • Costs associated with track and trace. • Grants to care providers under the infection control fund. • Payments made under Discretionary Grant Fund Scheme, Infection Control Fund, Cold Winter Fund, Self-Isolation Payment scheme and Clinically, extremely vulnerable fund. 	<ul style="list-style-type: none"> • Business Rates budgeted income loss. • Council Tax budgeted income loss. • Increase in Council Tax Reduction (CTR) cases and payments. • General Fund Income loss relating to fees and charges, rents and sales such as parking. • Reduction in HRA rental income collected. • Assessment of the level of income savings that are at risk of being delivered in-year.

Assumptions/Factors - Cost Pressures	Assumptions/Factors - Income Pressures
<ul style="list-style-type: none"> Other operational costs to allow for services to continue operating such as remote working. Assessment of the level of expenditure savings that are at risk of being delivered in-year. 	

6. Achievement of 2020/21 Savings

6.1 Cabinet has approved £17.214m of net savings for 2020/21, of which £6.129m were approved in previous MTFS periods. The table below provides an overview summary of savings across the various funding sources.

Table 6: 2020/21 Approved Savings Summary by funding

Savings Summary	General Fund	HRA	DSG	Public Health Grant	Total
	£M	£M	£M	£M	£M
Gross Saving	17.489	0.986	1.474	0.117	20.066
Digital Programme	0.801	0.114	0.000	0.000	0.914
subtotal: Gross Savings	18.290	1.100	1.474	0.117	20.980
One-off Prior Year Savings Reversed	(2.395)	0.000	0.000	0.000	(2.395)
Investment	(1.370)	0.000	0.000	0.000	(1.370)
Net Approved Saving	14.525	1.100	1.474	0.117	17.215

6.2 Progress on delivery of savings is monitored against the gross saving value of £20.980m and is reported to Strategic Leadership Team as part of the quarterly Finance Monitor. The progress reported to date shows that £6.290m (29.98%) of the savings have already been achieved (green) or are on track, with £11.838m (56.42%) being at risk and remaining still in progress.

6.3 The table below summarises the savings programme by Future Ealing Outcome bundles.

Table 7: 2020/21 Savings Programme by Future Ealing Outcome Bundles

Future Ealing Outcomes Bundles	Total	Red	Amber	Green	Blue	% Savings Achieved (Green)
	£M	£M	£M	£M	£M	
Thriving Places (Neighbourhoods)	3.216	1.312	0.470	1.433	0.000	44.57%
All Age Disability	2.202	1.475	0.419	0.308	0.000	13.96%
Assets	0.675	0.241	0.166	0.268	0.000	39.75%
Better Lives Phase 2 Programme	1.678	0.250	0.000	1.428	0.000	85.10%
Commercial	3.732	1.999	0.672	1.061	0.000	28.43%
Independent & Healthy	0.087	0.000	0.087	0.000	0.000	0.00%
Safe and Achieving Young People	1.691	1.511	0.090	0.090	0.000	5.32%

Future Ealing Outcomes Bundles	Total	Red	Amber	Green	Blue	% Savings Achieved (Green)
	£M	£M	£M	£M	£M	
Skills & Employment	0.066	0.066	0.000	0.000	0.000	0.00%
Housing & Homelessness	0.452	0.452	0.000	0.000	0.000	0.00%
Environment Service	3.116	2.616	0.000	0.500	0.000	16.05%
Efficiency	3.150	1.455	0.494	1.202	0.000	38.14%
Digital Programme	0.914	0.460	0.455	0.000	0.000	0.00%
Total Gross Savings	20.980	11.838	2.853	6.290	0.000	29.98%
Key:	Red	Savings at risk of not being achieved in-year and/or have not been replaced.				
	Amber	Savings forecasted to be achieved; or are in progress to be delivered and/or potentially at risk of being delivered.				
	Green	Savings achieved				
	Blue	Replacement savings for savings which were at risk of not being delivered (red savings) and will not be achieved.				

6.4 COVID-19 Impact on Delivery of Savings

6.4.1 In total £8.567m of the savings are have reported in the MHCLG return at being at risk of non-delivery, of these £7.732m have been RAG rated as Red with the remaining RAG rated as Amber.

6.5 Savings at Risk

6.5.1 £11.838m (56.42%) of the savings have been identified at being risk of non-delivery. Details of these savings are set out in appendix 2.

7. Dedicated Schools Grant (DSG) Account

7.1 As set out in the ‘Revenue and Capital Outturn’ report to Cabinet in July 2020, the operation of the DSG changed in 2019/20 requiring the Council to carry forward any DSG deficits and underspends to a ring-fenced reserve.

7.2 At the end of 2019/20 the Council held a net deficit balance of £0.605m on its DSG account which includes High Needs DSG deficit of £3.065m. At the end of quarter 3 Children’s and Schools service are forecasting a net deficit of £1.573 for the year.

Table 8: 2020/21 DSG Account Summary

DSG Account	Quarter 3 Forecast £M				Quarter 2 Forecast £M
	Schools Block	Early Years Block	High Needs Block	Total	
Opening Balance as at 1 April 2020	(1.162)	(1.294)	3.065	0.609	0.609

DSG Account	Quarter 3 Forecast £M				Quarter 2 Forecast £M
	Schools Block	Early Years Block	High Needs Block	Total	
2020/21 in-year forecast movement	0.000	1.294	(0.330)	0.964	1.335
Forecast Deficit (+) / Surplus (-) Balance at 31 March 2021	(1.162)	0.000	2.735	1.573	1.944

7.3 The in-year position with regard to other blocks, notably the Schools Block and the Early Years Needs Block, and the potential to release and transfer any benefit to the high needs block is being reviewed working with Schools Forum. Officers are currently working with Schools Forum to develop a DSG High Needs Deficit Recovery Plan in line with DFE requirements to recover the deficit over a number of years, in common with many other authorities.

8. Housing Revenue Account (HRA)

8.1 The HRA is currently forecasting a net overspend of £1.729m (£1.300m quarter 2) in relation to COVID-19. The main driver of the pressure is loss of estimated rental income from residential dwellings.

Table 9: HRA 2020/21 Summary

HRA Revenue Forecast	Forecasted Net Variance - Quarter 3 (£M)			Net Variance - Quarter 2
	Pre COVID-19	COVID-19	Total	
Income	(2.577)	1.507	(1.070)	1.300
Expenditure	0.848	0.222	1.070	0.000
Sub-total	(1.729)	1.729	0.000	1.300
Contribution to Reserves	0.000	0.000	0.000	0.000
Net Balance	(1.729)	1.729	0.000	1.300

9. Capital Programme

9.1 A summary of capital programme is set out in the table below.

Table 10: Capital Programme Summary 2020/21 – 2024/25 Movements

Capital Programme Summary	Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24	Budget 2024/25	Total
	£M	£M	£M	£M	£M	£M
Revised Programme as at Quarter 3						
General Fund	177.018	222.861	179.578	62.201	39.672	681.330
HRA	84.535	127.405	87.282	67.964	59.020	426.206
Total	261.553	350.266	266.860	130.165	98.692	1,107.535
Revised Programme as at Quarter 2						

Capital Programme Summary	Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24	Budget 2024/25	Total
	£M	£M	£M	£M	£M	£M
General Fund	272.012	126.806	48.869	1.850	1.850	451.387
HRA	104.286	104.885	88.036	69.978	59.020	426.205
Total	376.298	231.691	136.905	71.828	60.870	877.592
Changes due to slippage, accelerated spend, reprofiling and/or in-year additions						
General Fund	(94.994)	96.055	130.709	60.351	37.822	229.943
HRA	(19.752)	22.520	(0.754)	(2.014)	0.000	0.000
Total	(114.745)	118.575	129.955	58.337	37.822	229.943

* The table excludes HRA Programme update approved by Cabinet in January as these relate to decisions taken after the Q3 monitoring period. An update of the full programme is included in the Budget Strategy Report presented at the same meeting.

9.2 Revised capital programme reflects:

- Quarter 2 slippage approved by Cabinet in November 2020
- Additions as approved previously by Cabinet for Green Homes Grant LA Delivery Scheme, Gunnersbury Park Sports Hub, Genuinely Affordable Homes, Broadway Living Capital Loan and Secondary SEN Expansion ARP.

9.3 The capital programme for 2020/21 is forecasting a break-even position and net slippage of £17.383m, summarised in the table below.

Table 11: 2020/21 Capital Summary

2020/21 Capital Budget Summary	2020/21 Budget	Year to Date Actuals	Current Forecast	Slippage/ (Accelerated) Spend	Forecast Variance Under (-) / Over (+) spend
	£M	£M	£M	£M	£M
Children's and Schools	9.731	3.151	8.541	1.190	0.000
Adults & Public Health	0.579	0.164	0.579	0.000	0.000
Total Children's and Adults	10.310	3.315	9.120	1.190	0.000
Place	68.602	18.167	60.651	7.951	0.000
Chief Executive	98.106	1.990	98.055	0.051	0.000
Total General Fund	177.018	23.472	167.826	9.192	0.000
HRA	84.535	41.645	76.344	8.191	0.000
Capital Programme Total	261.553	65.117	244.170	17.383	0.000

9.4 Approval is now sought for re-profiling of capital budgets of £17.383m, details of these schemes is set out in Appendix 3.

10. Council Tax and Business Rates Collection 2020/21

10.1 The Council's collection performance for council tax and business rates in 2020/21 to 30 September 2020 is set out below.

10.2 Council Tax

- 10.2.1 Council tax in-year collection is 2.64% behind target collection profile which equates to £4.9m. The current net debit figure compared with quarter 3 last year has increased by £5.3m and the cash collected in the first 9 months of the year has decreased by £0.2m. These decreases are due to non-payment due to COVID-19 issues.

Table 12: 2020/21 Council Tax in-year collection

Council Tax In-Year Collection	Quarter 3		Quarter 2	
	£M	%	£M	%
Amount due to be collected to achieve 97.2%	180.136	97.20%	180.370	97.20%
Target Collection	155.326	83.80%	106.239	57.30%
Amount collected	150.426	81.16%	102.670	55.33%
Variance against target	(4.900)	(2.64%)	(3.569)	(1.97%)

Source: QRC Monthly data

10.3 Business Rates

- 10.3.1 Business Rates collection is 5.16% behind target. The net debit has decreased by £53.3m from quarter 2 position last year mainly due to additional relief given to retail properties. The losses in collection are due to non-payment due to COVID-19 issues.

Table 13: 2020/21 Business Rates in-year collection

Business Rates In-Year Collection	Quarter 3		Quarter 2	
	£M	%	£M	%
Amount due to be collected to achieve 97.2%	106.582	97.20%	107.980	97.20%
Target Collection	85.199	77.70%	59.767	53.80%
Amount collected	79.543	72.54%	51.494	46.35%
Variance against target	(5.656)	(5.16%)	(8.273)	(7.45%)

Source: QRC Monthly data

11. Legal

- 11.1 The Council is required to monitor and review, from time to time during the year, its projected income and expenditure commitments and obligations against budget and consider the appropriateness of its reserves in this context. If, having conducted the review, it appears to the Council that there has been a deterioration in its financial position, it must take such action, if any, as it considers necessary to deal with the situation, and be ready to take action if overspends or shortfalls in income emerge. (Section 28 of the Local Government Act 2003).

- 11.2 Section 114(3) of the Local Government Finance Act 1988 (the 1988 Act) requires the Chief Finance Officer to make a report, if it appears to him that the expenditure of the council incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.
- 11.3 Section 114A of the 1988 Act requires the Chief Finance Officer to make a report to cabinet, if it appears to him that the council is about to make a decision which would involve the council incurring expenditure which is unlawful. The council would be acting unlawfully if it has taken or is about to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency on the part of the council.
- 11.4 Were the Chief Finance Officer to issue a s.114A report, the cabinet would be required to prepare a report which specifies:
- a) What action (if any) cabinet has taken in response
 - b) What action (if any) cabinet proposes to take in response and when, and
 - c) The reasons
- 11.5 If adequate measures were not to be agreed in response to a s.114 or s.114A notice, the council would be at high risk of government intervention.

11.6 In regard to Schools Funding and Dedicated Schools Grant (DSG)

- 11.6.1 The Council currently receives funding for schools through the Dedicated Schools Grant (DSG) and has the statutory responsibility under the Schools and Early Years Finance Regulations for allocating this funding to schools.
- 11.6.2 The Schools and Early Years Finance (England) Regulations published in February 2020 sets out the grant condition and accounting regulations that local authorities must follow in respect of DSG deficit and underspend balances.

12. Value for Money

- 12.1 Managing within budget and the achievement of efficiency savings are key responsibilities of budget managers, identified as such in their performance objectives, which have helped promote the VFM culture.
- 12.2 Detailed variance forecasting by service budget holders, together with a corporate overview by Strategic Finance will be reported regularly (in accordance with agreed timetable) to Finance Strategy Group and Strategic Leadership Team. Where forecast adverse variances are identified in this process, they will be addressed via action plans, enabling the General Fund spending to be brought within budget during the year.

13. Sustainability Impact Appraisal

- 13.1 Any sustainability impacts are taken into account before final decisions are taken on whether or not to implement savings proposals as part of the budget setting process. All capital budget proposals are required to set out how the proposal contributes towards carbon emission reduction.

14. Risk Management

- 14.1 It is important that spending is contained within budget so that the Council can maintain its financial standing in the face of further pressure on resources in 2020/21 and beyond as set out in the annual review of the Medium-Term Financial Strategy (MTFS) approved by Cabinet in February 2020.
- 14.2 A significant risk to achieving a balanced budget is a combination of managing and mitigating the pre-COVID pressures, delivery of 2020/21 savings and the unfunded pressures relating to COVID-19. Close monitoring by finance officers and Strategic Leadership Team of these pressures has been undertaken and the impact of spend control measures (as set out above) and other mitigations that aid in delivering a balanced budget have been successful.
- 14.3 The agreed minimum level of the General Fund balance has been set at £15.919m as part of the 2020/21 budget process approved by Cabinet in February 2020. This is the minimum risk-assessed amount that should be maintained in the General Fund to protect the Council from variances identified via budget monitoring plus unforeseen events. The financial resilience of the Council cannot be maintained if it looks to utilising the General Fund balance and its un-ringfenced reserves and as such the s151 officer (Chief Finance Officer) will be required to issue a s114 statement. Issuing of s114 statement is the last resort for any s151 officer and one which is taken after careful consideration. The financial position of the Council in year is now such that there is no reasonable prospect of such a statement being needing to be issued.

15. Community Safety

- 15.1 There are no direct community safety implications as part of this report.

16. Links to Strategic Objectives

- 16.1 The Council's medium-term financial strategy, budgets and capital programme are designed to deliver the Council's strategic priorities. The budget set for 2020/21 supported delivery of national and local priorities.

17. Equalities Analysis Assessments (EAAs)

17.1 There is no requirement for an Equality Impact Assessment as part of this report.

18. In Regard to the Council's Public Law Duties

18.1 When making decisions the Council must act reasonably and rationally. It must take into account all relevant information and disregard all irrelevant information and consult those affected, taking into account their views before final decisions are made. It must also comply with its legal duties, including those relating to equalities as referred to above. Many proposals will impact upon third parties and where this is the case there may be a requirement for the Council to consult those affected before a final decision is taken on whether or not to implement the proposal or to amend the proposal prior to implementation.

19. Staffing/Workforce and Accommodation Implications

19.1 There are no direct staffing/workforce and accommodation implications arising from this report.

20. Property and Assets

20.1 The Capital investment proposals set out in this report for approval in principle reflect the need to make efficient use of the Council's property and assets at an affordable cost to support the delivery of Council priorities.

21. Any Other Implications

21.1 The overall financial position of the Council impacts on the future provision of all Council services.

22. Consultation

22.1 Information and explanations have been sought from directorates on specific aspects of this report and their comments have been incorporated.

23. Appendix

- Appendix 1 – 2020/21 General Fund Forecast Summary
- Appendix 2 – Schedule of Savings at Risk
- Appendix 3 – Schedule of Capital Programme Slippage/Acceleration

24. Background Information

24.1 ICMD reports:

- COVID-19 Community testing support measures – 4 January 2021
- COVID-19 Financial Intervention and Measures – 23 March 2020

24.2 Cabinet reports:

- Budget Update Report 2020/21 – 10 November 2020
- Budget Update Report 2020/21 – 15 September 2020
- Budget Statement Report 2020/21 – 14 July 2020
- Revenue and Capital Outturn – 14 July 2020
- Budget Strategy and MTFS 2020/21 to 2022/23 – 11 February 2020

Consultation

Name of consultee	Department	Date sent to consultee	Date response received from consultee	Comments appear in report para:
Internal				
Ross Brown	Chief Finance Officer	Continuous	Continuous	Throughout
Paul Najsarek	Chief Executive	18 January 2021		Throughout
Judith Finlay Gary Alderson	Executive Directors	18 January 2021		Throughout
Helen Harris	Director of Legal and Democratic Services	18 January 2021	19 January 2021	Legal section
Councillor Bassam Mahfouz	Cabinet Member for Finance and Leisure	18 January 2021	19 January 2021	Throughout
Councillor Julian Bell	Leader of the Council	18 January 2021		Throughout
Russell Dyer	Assistant Director - Accountancy	Continuous	Continuous	Throughout

Report History

Decision type: For decision		Urgency item? No	
Authorised by Cabinet member:		Date :	Report deadline:
		Date report sent:	
Report	Report authors and contacts for queries: Shabana Kausar, Assistant Director Strategic Finance, 020 8825 7549		