

## **SLOUGH BOROUGH COUNCIL**

**REPORT TO:** Cabinet

**DATE:** 26 July 2021

**SUBJECT:** REVENUE AND CAPITAL BUDGET MONITORING REPORT  
2020-21 PROVISIONAL (YEAR-END) POSITION

**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 Revenue Forecast Position
'B'	-	General Fund Savings Position
'C'	-	Transformation Fund Position
'D'	-	Housing Revenue Account Forecast Position
'E'	-	Capital Programme Summary
'F'	-	Capital Programme General Fund Position
'G'	-	Capital Programme HRA Position

## **1 Summary and Recommendations**

- 1.1 This report provides Cabinet with an update on the provisional financial outturn of the Council's General Fund Revenue, Housing Revenue Account and Capital Programme for the financial year 2020/21.
- 1.2 This report reflects a forecast position and issues at this point in time, and these will inevitably change as further work is undertaken on preparing accounts for this financial year which is yet to be started. Changes will also arise from the ongoing financial review.

### **Recommendations:**

Cabinet is requested to:

- a) Note the reported provisional financial position of the Council for the year end 2020/21 of a £6.6m overspend;

- b) Note the financial risks of £49.8m in Section 7 that could impact the final outturn position, that together with the £6.6m overspend is the £56.4m reported in the s114 Notice on 2 July 2021;
- c) Note the provisional capital outturn for the General Fund of a £4.8m underspend, a £14.3m underspend for the HRA and the overspends on two large projects.

## 2 THE PROVISIONAL GENERAL FUND (YEAR END) POSITION 2020/21

### COUNCIL SUMMARY

- 1.3 The 2020/21 approved net budget for the Council is £124.412m.
- 1.4 The provisional year-end position for the Council at the end of the financial year 2020/21 is a **£6.580m** overspend. This is inclusive of COVID related expenditure as well as COVID Grants received within the year. The Quarter 3 Monitoring report showed Covid grant separately and for the provisional outturn these grants have been applied to the services where applicable.
- 1.5 The projected outturn for 2020/21, based on expenditure to 31<sup>st</sup> December 2020, reported to Cabinet on 1<sup>st</sup> February 2021 assumed a £2.873m underspend. The Medium-Term Financial Strategy 2021/22 – 2023/24, approved by Council on 8<sup>th</sup> March 2021 assumed £2.400m of this underspend would be used to part fund the Slough Children's Trust historic deficit with the remaining £0.473m being used to help fund the 2021/22 budget.
- 1.6 When the budget for 2021/22 was set it assumed an £8.173m General Fund balance and only £3.252m of other earmarked reserves. In the report the S151 Officer, as part of his statutory S25 statement to Council referred to these as follows *“the level of reserves are currently barely adequate to cover unforeseen demands and will need to be increased going forward.”*
- 1.7 In May 2021, the 2018/19 accounts were approved at Full Council. As part of this process an error in the level of surplus due to the Council by the Slough Urban Renewal (SUR) company accounted for was identified, reducing the general fund balance at 31.03.20 to £0.550m. This is the lowest level of reserves of all upper tier councils in the country and is not a sustainable level of reserves going forwards.
- 1.8 Additionally, the 2019/20 accounts have not been prepared and will need auditing in due course.
- 1.9 A new senior financial management team has been put together since April 2021 to drive forward the Council's financial recovery and transformation. It is also reviewing past practice prior to the MHCLG Financial Assurance review to be undertaken in the summer and the audit of the 2019/20 and 2020/21 Accounts.
- 1.10 This work is also addressing the recommendations by external audit arising from the 2018/19 Audit and their statutory recommendations and action plan reported to Council in May 2021. This work is in progress and has so far identified a number of areas that will have a cumulative impact on the financial position as at 31 March 2021:

**Table 1. Emerging Cumulative Issues Impacting Position at 2020/21**

	<b>Cumulative Impact £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).	37,580
Revenue costs of funding the refurbishment costs of Nova House that had been assumed to be capital.	5,200
Revenue costs, particularly in respect of IT that had been incorrectly coded to capital.	3,510
Inadequate provisions - various additional provisions required	3,500
<b>Total changes not taken into account in previous forecasts</b>	<b>49,790</b>

- 1.11 The £49.8m above in addition to the £6.6m overspend in paragraph 5.2 is the cumulative deficit position of £56.4m as reported in the s114 Notice on 2 July 2021.
- 1.12 The Council had savings planned for 2020/21 of £7.955m, only £1.929m of these were delivered in the year and £6.026m of savings were deemed to be unachievable in the year. Of this, £4.929m was included as a pressure in the 2021/22 budget report to remove the savings. The £6.026m unachieved savings contributed to the Council's overspend and is set out in more detail in Appendix B.
- 1.13 The current provisional outturn position excluding the emerging issues shows an overspend of £6.580m which is summarised in table 2 overleaf with full details shown in Appendix A.

**Table 2. General Fund Provisional Outturn Position 2020/21**

Directorate	Revised Budget £'000	PROVISIONAL (Year End) Position 2020/21 £'000	Full Year Variance £'000	Last Variance Dec 2020 (Q 3) £'000	Change £'000
Adult and Communities	51,721	53,966	2,245	6,426	(4,181)
Children, Learning and Skills	40,632	45,504	4,872	2,394	2,478
Regeneration	(886)	3,475	4,361	3,190	1,171
Place & Development	20,947	21,466	519	2,521	(2,002)
Finance and Resources	10,529	18,001	7,472	3,107	4,365
Chief Executive Office	1,123	1,123	0	0	0
<b>Service Total</b>	<b>124,066</b>	<b>143,535</b>	<b>19,469</b>	<b>17,638</b>	<b>1,831</b>
Non-Service Areas					
Treasury Management	915	1,735	820	0	820
Other Corporate Items	(3,975)	(3,275)	700	0	700
<b>Total Expenditure</b>	<b>121,006</b>	<b>141,995</b>	<b>20,989</b>	<b>17,638</b>	<b>3,351</b>
<u>Funded by:</u>					
Council Tax	(61,121)	(61,121)	0	0	0
Business Rates – Local Share	(33,869)	(33,869)	0	0	0
Business Rates Surplus	(1,970)	(1,970)	0	0	0
Revenue Support Grant	(6,222)	(6,222)	0	0	0
Other Grants	(21,230)	(21,230)	0	0	0
<b>Funding Total</b>	<b>(124,412)</b>	<b>(124,412)</b>	<b>0</b>	<b>0</b>	<b>0</b>
COVID Grant Estimate	3,406	(11,003)	(14,409)	(20,511)	6,102
<b>Total including COVID Grants</b>	<b>0</b>	<b>6,580</b>	<b>6,580</b>	<b>(2,873)</b>	<b>9,453</b>

### COVID Funding

- 1.14 The Authority received a number of government grants to help address various financial pressures that occurred as a result of the pandemic; these grants can be split into general grants, other specific grants, bids and grants for businesses.
- 1.15 Overall the Council received £66.607m of COVID grant funding in 2020/21. The first tranche of Covid funding (£3.406m) from MHCLG was received at the end of the financial year 2019/20 and was transferred to earmarked reserves to be spent in 2020/21.
- 1.16 The available COVID funding in 2020/21 was thus £69.812m of which £56.270m was spent. Of the remaining balance of £13.542m, £10.303m relates to ring-fenced business grants and will be carried forward to be distributed and spent in the financial year 2021/22.
- 1.17 The remaining £3.239m of unallocated funds includes £1.385m Contain Outbreak Management Fund (COMF) grant and £0.741m of Test and Trace which will be moved to reserves to meet expected related COVID pressures/costs in 2021/22.

The Council tax hardship grant of £1.113m will remain in the General Fund and an equal contribution made to Collection Fund under s13a.

1.18 The council's 2020/21 COVID position is summarised in table 3 below:

**Table 3. Summary of COVID Grants**

<b>Descriptions</b>	<b>Received £'000</b>	<b>Spent £'000</b>	<b>Balance £'000</b>
COVID Grant General	(9,735)	4,752	(4,983)
Other COVID Grant	(12,310)	6,798	(5,512)
COVID Bids	(2,421)	2,694	273
Business Grants	(37,920)	27,617	(10,303)
MHCLG Tranche 1 B/fwd.	(3,405)		(3,405)
<b>Sub-Total</b>	<b>(65,791)</b>	<b>41,862</b>	<b>(23,930)</b>
COVID GRANT Provisional (Income Loss)	(4,020)	4,020	(0)
Directorate COVID related expenditure to be Offset		10,388	10,388
<b>Sub-Total</b>	<b>(4,020)</b>	<b>14,408</b>	<b>10,388</b>
<b>Total Inc. Business Grants</b>	<b>(69,812)</b>	<b>56,270</b>	<b>(13,542)</b>

1.19 The £13.542m relates to ring-fenced COVID grants that will be transferred to reserves to finance future commitments. The details of these grants are as shown in table 4 below.

**Table 4. Transfer to Reserves of Covid Grants**

<b>Grants</b>	<b>£'000</b>	<b>£'000</b>
Business Grant		
Business Grants for Closed Businesses	(3,532)	
Backdated Grants for Closed Businesses (Addendum)	(1,764)	
CLG BEIS - Business Support Grant	(4,267)	
Christmas Support Payment - Wet Led Pubs	(93)	
New Burdens - Local Restrictions Support Grants and the Additional Restrictions Grant.	(458)	
New Burdens - Covid-19 business support grant schemes	<u>(189)</u>	(10,303)
<u>Other COVID Grants</u>		
Contain Outbreak Management Fund - Test Track and Contain (Oct 2020)	(1,385)	
Test and Trace Support Grant (Self Isolation Grant)	<u>(741)</u>	(2,126)
Total Grants transfer to reserves		<u>(12,429)</u>
<u>S13a Contribution to Collection Fund</u>		
Council Tax Hardship		<u>(1,113)</u>

**Budget Changes**

- 1.20 There have been no budget transfers (virements) between directorates since last reported at quarter 3.

**Adults & Communities**

- 1.21 The Directorate's approved budget is £51.721m with a net provisional outturn of £53.966m. This represents an overspend of £2.245m, (which is 4.3% of the approved budget and an improvement from last quarter). The majority of this overspend is related to the impact of covid. This includes £1.4 of non-achievable income for the Council's leisure contract and £0.549m of an expected increase in income for regulatory services that has not been possible to achieve during the last year due to reduced activity due to the pandemic restrictions.
- 1.22 The provisional outturn position is summarised in the table overleaf:

**Table 5. Summary of Adults & Communities Provisional Outturn 2020/21**

<b>ADULTS &amp; COMMUNITIES - PROVISIONAL (YEAR END) POSITION 2020/21</b>					
<b>Directorate</b>	<b>Revised Budget</b>	<b>PROVISIONAL (Year End) Position 2020/21</b>	<b>Full Year Variance</b>	<b>Last Variance December 2020 (Q 3)</b>	<b>Change</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Adult Social Care	40,303	40,761	458	3,588	(3,130)
Public Health	6,715	6,715	0	315	(315)
Communities and Skills	4,505	5,743	1,238	1,790	(552)
Regulatory Services	198	747	549	733	(184)
<b>Total</b>	<b>51,721</b>	<b>53,966</b>	<b>2,245</b>	<b>6,426</b>	<b>(4,181)</b>

1.23 The overall provisional position in Adult Social Care is a £0.458m overspend. This is an improvement from last quarter due to some services remaining closed resulting in reduced costs and expenditure badged to COVID grant. These pressures do include increase in client numbers by 5% above those normally anticipated, additional support for care providers, inflation increases of up to 5%, additional PPE and loss of income from in-care financial assessments of clients.

1.24 The Communities and Skills overspend of £1.238m is due to the loss of income from the Leisure Services contract and Regulatory Services variance is due to a loss of income, which is compensated by the MHCLG COVID income loss grant.

**Management Action**

1.25 The Adults Social Care service is exploring all means to reduce this budget pressure in 2021/22. A bid has been placed for some extra funding from Frimley Integrated Care System to offset the additional on-going costs not funded by CCG monies and local authority COVID grant.

1.26 The Recovery plan includes a new Adult Social Care Transformation Programme with support from PeopleToo, a consultancy firm working with the service to implement cost reduction and efficient strategies to maximise the use of the allocated budget.

**Children, Learning & Skills and Slough Children's Services Trust (SCST)**

1.27 The Directorate's net controllable Revenue Budget for 2020/21 is £40.632m inclusive of the Dedicated Schools Grant (DSG). The provisional outturn is £4.872m (12% of its budget).

1.28 The budget pressure primarily relates to the SCST and reflects the increase in numbers of Children Looked After and the Council's contribution to SCST's historic deficit.

1.29 The provisional outturn position is summarised in the table below:

**Table 6. Summary of Children, Learning and Skills Provisional Outturn 2020/21**

<b>CHILDREN, LEARNING &amp; SKILLS -PROVISIONAL (YEAR END) POSITION 2020/21</b>					
<b>Directorate</b>	<b>Revised Budget</b>	<b>PROVISIONAL (Year End) Position 2020/21</b>	<b>Full Year Variance</b>	<b>Last Variance December 2020 (Q 3)</b>	<b>Change</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Directorate Services	5,377	5,087	(290)	375	(665)
Slough Children's' Service Trust (SCST)	28,723	33,907	5,184	2,345	2,839
Inclusion	787	856	69	(108)	177
Schools	3,691	3,665	(26)	93	(119)
Early Years and Prevention	2,391	2,326	(65)	(311)	246
<b>Sub Total</b>	<b>40,969</b>	<b>45,841</b>	<b>4,872</b>	<b>2,394</b>	<b>2,478</b>
<b>Dedicated Schools Grant (DSG)</b>	<b>(337)</b>	<b>(337)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>40,632</b>	<b>45,504</b>	<b>4,872</b>	<b>2,394</b>	<b>2,478</b>

- 1.30 The Directorate service is reporting an under spend of (£0.290m) used to offset budget pressures on PFI unitary charge, CLS and central management and the Children, Learning & Skills other areas.
- 1.31 The Council budget for Slough Children's Services Trust (SCST) overspent by £5.184 of which £2.774m was in-year overspend and £2.410m relates to the Council's contribution to SCST's historic deficit.
- 1.32 SCST had a historic deficit of £5.435m and Cabinet approved the Council to contribute £2.410m on 15<sup>th</sup> March 2021 as part of the proposed future delivery model for Slough Children's Services. The remaining £3.025m of the deficit was funded by the DfE.
- 1.33 The in-year overspend of £2.774m includes £0.399m of specific costs relating to the COVID pandemic. The remaining £2.410m relates to demand pressures in the service, partly as a result of the two lockdowns in 2020/21 that caused surges in the number of Childcare cases and the difficulty of finding placements for new Children in Care.
- 1.34 As part of the Contract with SCST the Council has to fund the increased costs of Looked After Children caused by increased demand, primarily in additional placement and social worker costs.
- 1.35 The Schools service has an underspend of (£0.026m) due to a reduction in non-staffing contractual costs in Strategic Information resource.
- 1.36 Early Years and Prevention service is currently forecast to underspend by £0.065m. This is partly due to the service moving towards a more permanent workforce reducing its reliance on agency staff. The income projection has also been partially reduced on fees and charges however this is offset by the COVID support funding.



### **Management Action**

- 1.37 The service is developing a plan to address the pressure on the High Needs Block within the DSG.

### **Regeneration**

- 1.38 The Regeneration Directorate net budget is (£0.886m) and is reporting a provisional overspend of £4.361m, compared to £3.190m reporting in December 2020.
- 1.39 The overspend is mainly due to an increase in bad debt provision of £1.012m, £1.775m identified for cost of staff incorrectly charge to capital, increased emergency repairs cost and increased consultancy costs in major projects.
- 1.40 The provisional outturn position is summarised in the table below.

**Table 7. Summary of Regeneration Provisional Outturn 2020/21**

<b>REGENERATION - PROVISIONAL (YEAR END) POSITION 2020/21</b>					
<b>Directorate</b>	<b>Revised Budget</b>	<b>PROVISIONAL (Year End) Position 2020/21</b>	<b>Full Year Variance</b>	<b>Last Variance December 2020 (Q 3)</b>	<b>Change</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Major Infrastructure	4,264	4,490	226	635	(409)
Planning & Transport	2,107	2,905	798	968	(170)
Parking	426	1,034	608	594	14
Regeneration Development	(6,351)	(3,496)	2,855	335	2,520
Regeneration Delivery	(1,354)	(1,775)	(421)	490	(911)
Economic Development	22	317	295	168	127
<b>TOTAL</b>	<b>(886)</b>	<b>3,475</b>	<b>4,361</b>	<b>3,190</b>	<b>1,171</b>

### **Place & Development**

- 1.41 This Directorate's current net budget is £20.947m. The provisional year-end position is an overspend of £0.519m.
- 1.42 The main pressure in this area continues to relate to tackling homelessness (£0.318m is directly due to COVID19 pressure) and the facilities operational building management.
- 1.43 The provisional outturn position is summarised in the table overleaf;

**Table 8. Summary of Place & Development Provisional Outturn 2020/21**

<b>PLACE &amp; DEVELOPMENT - PROVISIONAL (YEAR END) POSITION 2020/21</b>					
<b>Directorate</b>	<b>Revised Budget</b>	<b>PROVISIONAL (Year End) Position 2020/21</b>	<b>Full Year Variance</b>	<b>Last Variance December 2020 (Q 3)</b>	<b>Change</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Building Management	4,946	5,180	234	299	(65)
Housing (People) Services	2,547	3,088	541	1,163	(622)
Housing Development	22	16	(6)	14	(20)
Neighbourhood Services	1,315	1,175	(140)	37	(177)
Environmental Services	14,125	14,314	189	247	(58)
Direct Service Organisation (DSO)	(2,008)	(2,307)	(299)	761	(1,060)
<b>TOTAL</b>	<b>20,947</b>	<b>21,466</b>	<b>519</b>	<b>2,521</b>	<b>(2,002)</b>

**Finance & Resources**

- 1.44 This Directorate's current net budget is £13.935m and has a provisional outturn of £18.001m. The reported pressure is £7.472m before application of the COVID grant.
- 1.45 The directorate unachieved savings due to the COVID pandemic (£2.550m) are made up of Our Futures Transformation £1.500m, recommissioning and review of major commercial contracts £0.300m and for reduction in agency costs £0.750m. This is one of the main contributing factors to the overspend.
- 1.46 The other pressures relates to increase bad debt provision of £0.452m, cost of IT staff and Agresso support incorrectly charged to capital of £1.603m, increased agency costs and unfunded legacy legal cases.
- 1.47 The provisional outturn position is summarised in the table overleaf.

**Table 9. Summary of Finance and Resources Provisional Outturn 2020/21**

<b>FINANCE &amp; RESOURCES - PROVISIONAL (YEAR END) POSITION 2020/21</b>					
<b>Directorate</b>	<b>Revised Budget</b>	<b>PROVISIONAL (Year End) Position 2020/21</b>	<b>Full Year Variance</b>	<b>Last Variance December 2020 (Q 3)</b>	<b>Change</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Customer and Communications	846	1,049	203	122	81
Organisation Development & HR	1,104	2,135	1,031	0	1,031
Governance	953	2,180	1,227	813	414
Digital & Strategic IT	4,750	6,503	1,753	(745)	2,498
Corporate Resources	1,439	4,178	2,739	177	2,562
Transformation	(1,500)	0	1,500	1,500	0
Transactional Services	3,076	1,775	(1,301)	1,240	(2,541)
Corporate and Departmental	(139)	181	320	0	320
<b>SUBTOTAL</b>	<b>10,529</b>	<b>18,001</b>	<b>7,472</b>	<b>3,107</b>	<b>4,365</b>
COVID GRANT (General)	3,406	(4,982)	(8,388)	(14,790)	6,402
1 COVID GRANT Provisional (Income Loss)	0	(4,020)	(4,020)	(1,585)	(2,435)
Other COVID GRANT	0	(2,273)	(2,273)	(3,046)	773
COVID BIDS	0	273	273	(1,090)	1,363
Business Grants	0	0	0	0	0
<b>TOTAL</b>	<b>13,935</b>	<b>6,999</b>	<b>(6,936)</b>	<b>(17,404)</b>	<b>10,468</b>

**Chief Executive**

1.48 This Directorate's current net budget is £1.123m and is reporting a breakeven position for 2020/21 financial year.

1.49 The provisional outturn position is summarised in the table below;

**Table 10. Summary of Chief Executive Office Provisional Outturn 2020/21**

<b>CHIEF EXECUTIVE OFFICE - PROVISIONAL (YEAR END) POSITION 2020/21</b>					
<b>Directorate</b>	<b>Revised Budget</b>	<b>PROVISIONAL (Year End) Position 2020/21</b>	<b>Full Year Variance</b>	<b>Last Variance December 2020 (Q 3)</b>	<b>Change</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Executive's Office	352	352	0	0	0
Strategy and Performance	771	771	0	0	0
<b>TOTAL</b>	<b>1,123</b>	<b>1,123</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Non-Departmental Services

- 1.50 This service current net budget is (£3.060m) and is expected to overspend by £1.5m. This includes the treasury function which includes interest payable and receivable.
- 1.51 The provisional outturn position for the non-departmental budgets is summarised in the table below:

**Table 11. Summary of Non-Service Budgets Provisional Outturn 2020/21**

<b>NON-SERVICE BUDGETS - PROVISIONAL (YEAR END) POSITION 2020/21</b>					
<b>Non-Departmental</b>	<b>Revised Budget</b>	<b>Forecast (Year End) Position 31.03.2021</b>	<b>Full Year Variance</b>	<b>Last Variance Sept 2020 Q2</b>	<b>Change (Dec. 2020 Q3 &amp; Sept 2020 Q2)</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Treasury Management	915	1,735	820	0	820
Other Non-Service Items	(3,975)	(3,275)	700	0	700
<b>TOTAL</b>	<b>(3,060)</b>	<b>(1,540)</b>	<b>1,520</b>	<b>0</b>	<b>1,520</b>

- 1.52 The capitalised interest has been recalculated at 1.64% rather than 2.68% to reflect the current rate of interest and this has had an adverse impact on the Treasury Management budget of £0.800m.
- 1.53 The overspend on Other Non-Service Items relates to a £0.7m payment to the Local Enterprise Partnership (LEP) relating to the Business Rates pool in 2019/20 that has been paid in 2020/21 and was not accrued.

### Minimum Revenue Provision (MRP)

- 1.54 A full review has been undertaken of the treatment of MRP in the 2020/21 budget. MRP has been financed from capital receipts for a number of years and this will need reversing and charging to revenue. Additionally, the asset lives are being reviewed as well as the discount rates. Once the review is completed it is highly likely that additional costs relating to MRP will need to be charged to revenue in 2020/21.

### Transformation Fund

- 1.55 The Council has an agreed Transformation programme and allowed for £4.426m as part of the 2020/21 approved budget. The statutory guidance on flexible use of capital receipts allows Local Authorities to fund transformation spend that results in ongoing savings from capital receipts. A review is being undertaken of costs charged to the Transformation Fund to ensure they meet the full requirements of the direction. Any expenditure that has been incorrectly charged to the Transformation Fund will need to be written back to revenue.
- 1.56 The Transformation Fund spend for 2020/21 is summarised in the table below and the detail is shown in Appendix C.

**Table 12. Summary of Transformation Fund Programme Provisional Outturn 2020/21**

<b>TRANSFORMATION FUND PROGRAMME PROVISIONAL (YEAR END) POSITION 2020/21</b>			
	<b>Fund Available</b>	<b>Forecast (Year End) Position</b>	<b>Full Year Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'00</b>
Transformation Fund	4,402	3,657	<b>(745)</b>

## 2 Savings Summary

- 2.1 The Council's total savings placed in this year's financial budget was £7.955m. Below is an updated savings summary monitor by service area.
- 2.2 The services were working towards these savings targets to mitigate pressures in 2021/22 and beyond.

**Table 13. Summary of Savings Programme**

<b>Service</b>	<b>Savings Agreed</b>	<b>Savings delivered</b>	<b>Unachieved Savings</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Adult & Communities	<b>2,395</b>	<b>250</b>	<b>2,145</b>
Children, Learning & Skills	<b>590</b>	<b>0</b>	<b>590</b>
Regeneration	<b>(500)</b>	<b>0</b>	<b>(500)</b>
Place & Development	<b>1,291</b>	<b>50</b>	<b>1,241</b>
Finance & Resources	<b>3,944</b>	<b>1,394</b>	<b>2,550</b>
Treasury Finance & Resources	<b>235</b>	<b>235</b>	<b>0</b>
<b>Total Savings</b>	<b>7,955</b>	<b>1,929</b>	<b>6,026</b>
<b>% Against Saving</b>		<b>24%</b>	<b>76%</b>

- 2.3 Of the £7.955m savings agreed for 2020/21, £4.929m were removed from the budget through the MTFS process agreed in March 2021, £1.929m were delivered in year and £1.097m have rolled forward to be delivered in 2021/22.
- 2.4 Appendix B provides a complete list of savings with further detail. Outlined by directorate.

### **3 Financial Risks**

- 3.1 Given the level of staff turnover in the Finance Team and the organisation generally, combined with the lack of accounts for 2019/20 and 2020/21 there is uncertainty in the current provisional outturn, and it is likely to move from the position summarised above.
- 3.2 The governance of GRE5 is being reviewed and it is highly likely that the council will have to bear some of the costs up to c£5m. GRE5 does not have its own bank account and money has been going through the council's main bank account. There is a potential loan write down of c£7m and the recovery is subject to legal action and leaseholder recovery. It is expected that £2m is recoverable from leaseholders. The review is ongoing.
- 3.3 The Council's 2019/20 accounts are still to be prepared, and although the provisional outturn showed a £0.5m underspend, this is likely to move to an overspend position for the issues identified. This will mean there could be some movement in the assumed baseline level of reserves at the beginning of 2020/21.
- 3.4 The Council Tax and Business Rates Collection Fund has yet to be closed. Although the precept amounts were set when the 2020/21 budget was agreed and cannot change, the s31 grants need reconciling and could impact on the outturn position.

### **4 Housing Revenue Account (HRA)**

- 4.1 The HRA budgeted spend is £38.394 against income of £35.953m; this gives a net deficit for the HRA of £2.441m. The budgeted deficit of £2.441m was to be funded from a draw down from accumulated HRA general reserves from previous years.
- 4.2 The HRA is a statutory ring-fenced account and any balances at the end of the year must be carried forward within this account to the next year. The provisional HRA budget outturn for the 2020/21 is a surplus of (£6.071m) compared to the budgeted deficit.
- 4.3 The unaudited HRA general reserve balance is (£13.419m) at the beginning of the financial year and will increase by £3.858m, which is the net difference between the budgeted draw down amount from reserves of £2.441m which is no longer required and the provisional budget outturn surplus of (£6.299m), to (£17.227m).
- 4.4 One of the contributing factors to the surplus is an underspend in the general tenancy management costs of (£1.468m). This includes one-off revenue receipts of (£0.500m) relating to HRA share of Overage (surplus sales revenue) relating to the Britwell development agreement with Countryside.
- 4.5 The repairs and maintenance budget underspent by (£1.737m) mainly due to reduced volume of works as a result of COVID restrictions.
- 4.6 The provisional outturn is also reporting an underspend in the Contingency Budget of (£3.500m). This contingency budget provision relates to potential claims from council tenants as a result of the High Court ruling against Southwark Council concerning the 2006 Water Resale Order and a potential pension liability (Repairs,

Maintenance and Improvement (RMI) contract) relating to former Slough employees, who transferred under TUPE to Interserve in 2001.

4.7 As at the end of the 2020/21 financial year, no claims have made against the Council, however, as a matter of prudence the contingency budget provision has been rolled forward into 2021/22 to meet potential claims arising in the future.

4.8 The latest overall position is summarised in the table below and the detail is shown in Appendix D:

**Table 14. Summary of HRA Provisional Outturn 2020/21**

<b>SUMMARY - HOUSING REVENUE ACCOUNT PROVISIONAL (YEAR END) POSITION 2020/21</b>					
<b>Directorate</b>	<b>Revised Budget</b>	<b>PROVISIONAL (Year End) Position 2020/21</b>	<b>Full Year Variance</b>	<b>Last Variance December 2020 (Q 3)</b>	<b>Change</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
HRA Expenditure	38,394	33,233	(5,161)	0	(5,161)
HRA Income	(35,953)	(37,091)	(1,138)	0	(1,138)
<b>Sub -Total</b>	<b>2,441</b>	<b>(3,858)</b>	<b>(6,299)</b>	<b>0</b>	<b>(6,299)</b>
Transfer to/(from) reserves	(2,441)	3,858	6,299	0	6,299
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## **5 Capital Outturn**

5.1 This section particularly is work in progress and subject to further due diligence as some items charged against capital should have been included in the revenue budget. It is also unclear whether expenditure on some schemes has been properly approved.

5.2 Full Council approved the capital programme for 2020/21 – 2023/24 on 20 February 2020. Subsequent to this, underspends or slippage on approved schemes were added to the estimated spend following the 2019/20 outturn. Due to Covid-19 expenditure for several schemes was re-profiled into future years which had a material difference in 2020/21. A summary of this is set out in Appendix E with a detailed breakdown of each General Fund scheme in Appendix F and Housing Revenue Account scheme in Appendix G.

5.3 Through the year some schemes and values were added to the programme, although they were not approved by Council some self-funded, some not. These have been included in the overall budget for comparison with spend but where spend has exceeded the amount approved materially these are highlighted in this report.

5.4 For whatever reason it appears that in a number of cases proper procedures laid out for capital spend approval were not complied with.

**(i) Cabinet Approval to Proceed**

*No new revenue, capital or grant aided scheme(s) may be committed without the specific approval of the Cabinet and unless a report including full scheme appraisal has been undertaken. The report on the scheme must include a financial and technical appraisal in the format prescribed by the Director for Finance & Resources, identifying amongst others, alternative(s) to the proposed bid, resources required for delivery, delivery mechanism and timetable.*

**(ii) Capital Budget Variations**

*Capital schemes may last for more than one financial year so variations need to be considered in terms of both the impact on the scheme as a whole and on the agreed annual programme. The Section 151 Officer, via the approval of the Capital Strategy Board, may authorise a variation(s) to the capital project subject to the overall cost of the scheme (the variation itself, or when added to previous variations) not incurring additional expenditure of more than 10% of the total cost of the scheme or £250,000 whichever is the lower;*

- 5.5 Some items included in the capital programme, particularly IT, were for revenue purposes, some of these have been included in the revenue outturn but further work is needed to verify that all spending is for capital purposes.
- 5.6 Going forward new processes for capital approval will be introduced.
- 5.7 The Capital expenditure for the financial year 2020/21 is £120.954m compared to a revised budget of £139.844m this is broken down by scheme in Appendix F. This reflects spending in the year, not total scheme spending.
- 5.8 Of the expenditure of £120.777 million, £72.002 million relates to the general fund with an underspend of £4.784 million compared to a budget of £76.786 million. £48.775 million of the expenditure of £120.777 million relates to the Housing Revenue Account where there is a £14.283 million underspend against the budget of £63.058 million. The detailed analysis is also shown in Appendix F.
- 5.9 Capital budgets and expenditure for the financial year 2020/21, together with in-year variance, summarised by directorate are shown in the table overleaf:



**Table 15: Summary of Capital Programme**

Directorate	2020/21			
	Revised Budget	Outturn	Variance Over/ Underspend)	% of Spend
	£000	£000	£000	%
<b>General Fund:</b>				
Adults & Communities	4,230	4,291	61	101%
Children, Learning & Skills	3,614	3,095	(519)	86%
Place & Development	4,861	5,193	332	107%
Regeneration	51,923	52,772	849	102%
Finance & Resources	12,158	6,651	(5,507)	55%
	76,786	72,002	(4,784)	94%
<b>Housing Revenue Account:</b>				
Housing Revenue Account	15,585	8,126	(7,459)	52%
Affordable Housing	47,473	40,649	(6,824)	86%
	63,058	48,775	(14,283)	77%
<b>Total Expenditure</b>	<b>139,844</b>	<b>120,954</b>	<b>(18,890)</b>	<b>86%</b>

## General Fund

5.10 The main items of expenditure for the general fund are highlighted in the table below. These projects accounted for approximately 91% of the overall capital programme for the general fund. The net variance of £4.784 million comprises a number of over/(underspends) compared to the estimated level of spending during the year. Despite re-profiling the estimated spend on schemes during the year there are a number of large variances that relate to incorrect profiling. These are indicated in the explanations set out in the table below:

**Table 16: Summary of General Fund Capital Programme**

Scheme	2020/21			Reason For Variance
	Revised Budget £000's	Expenditure £000's	Variance £000's	
<b>Adults and Community</b>				
Cemetery Extension	1,500	2,619	1,119	Incorrect profiling of budget for scheme
Other Adults & Community	2,730	1,672	(1,058)	
<b>Childrens</b>	3,614	3,095	(519)	
<b>Place and Development</b>			0	
Fire Risk Assessment (Nova House)	1,600	3,353	1,753	Incorrect profiling of budget for scheme
other Place & Development	3,261	1,840	(1,421)	
<b>Regeneration</b>			0	
Hotel Development	4,691	16,826	12,135	Overspend explained in the section below
Old Library Site (Residential)	10,673	10,437	(236)	
Capital Works following Stock Condition Surveys	2,400	2,313	(87)	
Herschel St. Car Park		3,799	3,799	Overspend explained in the section below
Hub development	2,000	3,046	1,046	Incorrect profiling of budget for scheme
James Elliman Homes	13,200	4,876	(8,324)	Underspend
Strategic Acquisition fund	5,000	2,364	(2,636)	Underspend
Demolitions	1,799	215	(1,584)	Underspend
Thames Valley University Site	1,122	280	(842)	Underspend
other Regeneration	11,038	8,617	(2,421)	Underspend
<b>Finance &amp; Resources</b>				
Financial System Upgrades/Agresso Phase 2	1,500	0	(1,500)	Costs incurred were revenue
IT Infrastructure Refresh	5,000	1,062	(3,938)	Some costs incurred were revenue
Transformation Fund	4,402	3,657	(745)	
Other Finance and Resources	1,256	1,931	675	
<b>Total</b>	<b>76,786</b>	<b>72,002</b>	<b>(4,784)</b>	

5.11 Two schemes, the Hotel development and Herschel Street Car Park have materially overspent their approved Council budget. These are set out below and the capital approval process will be revised as part of the Action Plan to the s114 report.

### Hotel Scheme

5.12 Cabinet approved spending on the scheme of £38.875m + 10% as a contingency, £42.765m through a confidential report in June 2017.

5.13 However, for some reason only £29.500m was included in the Capital Programme approved by Council for this scheme in February 2018.

5.14 A further confidential report was presented to Cabinet in December 2018 that asked for approval to go unconditional with SUR and Cycas, allowing for the projects to go in site in Spring 2019. The increased cost of the project was not included in the 2019/20 – 2023/24 Capital programme approved by Council in February 2019.

5.15 Financial close with contractor was concluded on the 5 June 2019 for £37.164 million There is still £0.347 million to be paid as retention.

- 5.16 £42.142 million in total has been spent on the scheme, including property services costs, other professional and legal fees and charges from Utility companies, not included in the business case to Cabinet. The scheme did spend within the overall budget of £42.765m originally reported to Cabinet in June 2017 and Officers managing the scheme were under the impression that this was the approved budget and assumed spending was within this amount so no overspend has previously been reported.

### **Herschel Street Car Park**

- 5.17 In 2019 a condition survey was undertaken on Herschel Street Car Park. This indicated that significant work needed to be undertaken otherwise there would for loss of revenue due to building being not fit for purpose. The demand for parking (pre-Covid and post lockdown) had been rising and with a number of temporary car parks closing in anticipation of approved development. The need to capitalise on revenue could be realised with refurbishment to the Herschel MSCP due to its proximity to the new hotels, The Curve and new housing and commercial developments on Windsor Road. The improvements will justify increased parking charges and season tickets a good source of income.
- 5.18 Work was tendered and included on the contracts above £180k approved by Cabinet that Officers assumed gave them approval to spend.
- 5.19 Nothing was included in the Capital Programme approved by Council for the car park and the costs of works were charged against the £2.400m capital scheme Capital Works following Stock Condition Surveys, causing a large overspend which highlighted the separate scheme in preparing the outturn report.
- 5.20 £4.189 million has been spent on this scheme without Council or Cabinet approval, £3.799 million of this in 2020/21.

### **Housing Revenue Account**

- 5.21 Spend of £48.775 million on Housing Revenue Account (HRA) schemes compares to a budget of £63.058 million the expenditure, an underspend of £14.283 million as detailed in Appendix G and summarised in the table below:

**Table 17: Housing Revenue Account Capital Programme**

<b>Scheme</b>	<b>Budget 2020/21</b>	<b>Scheme Expenditure 2020/21</b>	<b>Variance 2020/21</b>	<b>Reason for variance</b>
	£000's	£000's	£000's	
<b>HRA</b>				
Total RMI programme	15,585	8,126	(7,459)	Slippage of £7.5m on the Osborne contract due to covid
Affordable Homes	47,473	40,649	(6,824)	Slippage of £3.4m on the Akzo Nobel scheme due to a new road requiring completion, spend will be in 2021/22  Slippage of £3.3m on Affordable Homes scheme due to delay in programme because of Covid
<b>Total HRA capital</b>	<b>63,058</b>	<b>48,775</b>	<b>(14,283)</b>	

## 6 Virements

6.1 There have been no virements (a movement of budgets) between directorates this quarter.

## 7 Implications of the Recommendation

### 7.1 Financial implications

The financial implications are contained within this report.

### 7.2 Legal implications

Local authorities are legally required to set a balanced budget on an annual basis. This provisional outturn report indicates that the Council has failed to match expenditure incurred with available resources. Due to the low level of reserves, it is likely that the Council's accounts for 2020/21 will indicate a negative reserve position, however this cannot be confirmed until the previous years' accounts have been closed.

A new s.151 officer was appointed in May 2021 and he 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. In addition Grant Thornton, the Council's external auditors have issued a number of s.24 recommendations, which relate to financial management and financial resilience. Part of the action plan highlights the need for a more robust budget setting process to ensure the Council can deliver a balanced budget in the future.

### 7.3 Risk management implications

The financial risks to the Council are advised in section 4 of this report.

This monitoring report covers the fourth quarter of the 2020/21 financial year and presents end of financial year projections at this point in time.

### 7.4 Environmental implications

None

### 7.5 Equality implications

There are no identified equality implications. Any proposed savings will have an equality impact assessment undertaken, which will feed into the future budget setting process.

## 4. **Background Papers**

- Revenue Budget Report to Full Council – 20<sup>th</sup> February 2020
- Q3 Revenue Monitoring Report to Cabinet – 1<sup>st</sup> February 2021
- Report to Audit Committee (2018/19 Accounts) – 18<sup>th</sup> May 2021