SLOUGH BOROUGH COUNCIL

REPORT TO:	Cabinet
DATE:	9 March 2022
SUBJECT:	Revenue and Capital Monitoring Report – 2021/22 [Quarter 3 – December 2021]
PORTFOLIO:	Cllr Anderson - Financial Oversight, Council Assets and Performance
CHIEF OFFICER:	Steven Mair, Director of Finance (Section 151 Officer)
WARD(S):	ALL
KEY DECISION:	No
EXEMPT:	No
DECISION SUBJECT TO CALL	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 forecast revenue and capital outturn positions for 2021/22 as at quarter 3 (31 December 2021) and notes a number of risks associated with this.

Recommendations:

1.2 That the Cabinet note the following:

- The forecast year-end position for the General Fund revenue budgets is a net adverse variance of £292k. The current forecast assumes Covid-19 pressures will be funded from additional grants received in year and will continue to be monitored monthly and reported alongside any grant funding provided to mitigate the spend or lost income.

- That there are a number of exceptional issues, estimated to be £95m, not included in the forecast above that are included in the Capitalisation Direction request to DLUHC.

- The DSG balance is forecast to be a cumulative deficit of £25.5m by the end of this financial year.

- At end of December 2021, the HRA was forecasting a surplus of £0.927m for 2021/22, however this may change as work progresses on the Business Plan. Any surplus will be transferred to the HRA reserves at year-end.

- The additions and reductions to the capital programme set out in appendix E.

- The forecast capital programme outturn for the General Fund for 2021/22 is currently £55m, of which £12m is to be financed from new borrowing.

- The forecast capital programme outturn for the HRA for 2021/22 is currently £13.0m.

2 Report

2.1. Background

2.1.1. On 2 July 2021, the Council's section 151 officer issued a S.114 notice that projected in-year overspending coupled with the correction of various historical issues was expected to significantly exceed levels of available reserves in the Council's approved budget report. This is more fully explained in the budget report and S25 Report on the same agenda as this report.

2.1.2. Since July the Council has been having ongoing dialogue and engagement with DLUHC about obtaining additional financial support. In addition, to reduce the burden of debt charges on revenue budgets, the Council is also planning to significantly scale back its capital investment plans and undertake an asset disposal programme.

2.1.3. The Council's net reserves position is currently estimated to be in deficit by £223m at 31 March 2022, prior to a Capitalisation Direction. However, it will take a number of years until the Council can reach a sustainable financial position and will have to rely on future government capitalisation until it does so. It is therefore imperative that the Council manages both revenue and capital spending within approved budget limits to enable it to reach sustainability as soon as possible. As such all members, directors and responsible officers are taking responsibility for managing services within budget constraints.

2.2. General Fund (GF)

2.2.1. 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.

2.2.2. The forecast GF position as at the end of December 2021, up to 31 March 2022, is a £292k overspend, excluding the £95m of items in the Capitalisation Direction, as set out in the following table:

Table1 – General Fund Revenue Forecast 2021/22

Directorate	Current Budget £'000	Forecast Outturn £'000	Full Year Variance £'000	Month 8 Variance £'000	Change since month 8 £'000
People (ADULT)	46,023	46,523	**500**	577	(77)
People (CHILDREN) excl. (SCF)	12,011	12,019	**8**	(1)	9
Slough Children First Contract	31,056	32,374	**1,318**	828	490
Place & Community	10,361	10,796	**435**	435	0
Resources	23,939	23,933	**(6)**	(3)	(3)
Service Total	**123,390**	**125,645**	**2,255**	**1,836**	**419**
Corporate Budgets	12,416	10,453	**(1,963)**	(1,963)	0
Non-Service Total	**12,416**	**10,453**	**(1,963)**	**(1,963)**	**0**
Expenditure Total	**135,806**	**136,098**	**292**	**(127)**	**419**
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**	**292**	**292**	**(127)**	**419**

People Adults

2.2.3. The People (Adults) directorate budget for 2021/22 is £46.023m and as at the end of quarter 3 (December 2021) is reporting a £0.500m overspend, approximately 1% of the budget.

2.2.4. Increased demand for mental health services is leading to a £0.587m overspend, this is partly attributed to the impact of the COVID-19 pandemic.

2.2.5. The costs of care packages and use of interim agency social workers within the Localities are leading to a forecast overspend of £1.522m.

2.2.6. These overspends are offset by overachievement of client contribution invoicing of £0.400m, an extra in year funding allocation of £0.850m from the Better Care Fund and various minor underspends across various services of £0.359m.

Risks and uncertainties

2.2.7. There are a number of other risks and uncertainties within the service that could affect the assumptions made and the overall forecast outturn such as:

- Managing the increasing demand for services
- Residual demand pressure from the Discharge to Access (D2A) initiative with the CCG

- Timely recruitment to key positions to implement the strategic and realisation of the benefits from the transformation programme within the financial year

- Vacancies in social work teams due to the difficulties in recruitment which limits reviews of social care assessments and provision.

- Inadequate IT systems to support effective management control and decisions making. Controcc, the care package commitment system is highly unreliable with issues range from inaccurate coding of care packages, poor record validation to inconsistent package approval processes. All are being addressed.

2.2.8. The directorate is mitigating these risks through the following projects and actions:

- Debt management and financial assessment project to maximise income

- Review of agency staff and recruitment of permanent staff to posts

- Review of the Mental Health budget

People Children

2.2.9. The People (Children) directorate net overall position at the end of quarter 3 (December 2021) is an overspend of £1.326m, of which £1.318m relates to Slough Children First (SCF), against a net budget of £43.067m.

2.2.10. This is an adverse movement of £0.499m from previous month, £0.490m relating to SCF and £009m for Council Children services respectively. The forecast assumes that COVID-19 related pressures impacting this financial year, will be supported by one-off funding, however, if pressures are recurring, longer term solutions will need to be identified.

2.2.11. The directorate has a savings target of £1.044m excluding growth of £1.194m, of which £485k is at risk of slipping.

Slough Children First Contract

2.2.12. The contract with SCF is forecasting an overspend of £1.318m at the end of December 2021 which is adverse movement of £0.490m since month 8. The overspend is mainly due to increased agency spends due to ongoing challenges in the recruitment to permanent staff, legal costs of adoption and increased placements cost. The increased costs are offset by additional Strengthening Families income.

2.2.13. The change in the year end forecast position arises from a new high cost placement (£200k), further legal costs of (£150k) and a materialising risk that a number of the newly placed unaccompanied asylum seekers who are proving to be adults. Thus, the Company is incurring placement costs without accruing grant income whilst awaiting age assessments and Home Office decisions, estimated to be circa (£150k).

Place and Community

2.2.14. The Place and Community directorate net budget for 2021/22 is £10.361m and is forecasting a £0.435m overspend as at the end of quarter 3 (December 2021), approximately 4% of the budget. The overspend is mainly due to reduction in recharges to capital and unachieved historical income targets.

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

2.2.16. The directorate budget includes an in-year savings target £9.657m, of which the service is forecasting £6.516m as achievable, and £3.141m as unachievable to be delivered via one-off funding.

Recovery Initiatives

2.2.17. The directorate has identified several initiatives to mitigate savings which have been deemed unachievable as well as in-year budget pressures such as:

- Use of DfT grant £1.2m
- Claim for loss of income due to Covid of £2.193m and expenditure of £0.637m
- Reduction in concessionary fares expenditure and use of S106 £0.810m
- A combination of reduced service delivery and a reduction in overtime in the DSO and additional recharges not accounted for £0.747m.

Resources

2.2.18. The Resources directorate is reporting an underspend of £6k against an overall budget of £23.939m. This is a favourable movement of £3k from the previous month mainly due to additional COVID-19 related expenditure identified in Customer Services and expected to be recharged.

Risks and uncertainties

2.2.19. Customer services continues to deliver COVID-19 related projects. This includes the Local Test and Trace Service, the processing of Grants for Businesses affected by COVID-19 and Self-Isolation Payments. At this stage the specific central government grant funding is sufficient to cover these costs, however this will be monitored closely and changes reported accordingly.

Corporate

2.2.20. The impact of the anticipated pressure of the pay award is part of the capitalisation direction submission to DLUHC and has thus been separated from the other elements of the forecast outturn.

2.2.21. When the budget was approved in March 2021, it was assumed that Minimum Revenue Provision (MRP) for 2021/22 would be funded from capital receipts. This is not good accounting practice and the cost of MRP has been recalculated as is significantly higher than estimated in March. This exceptional cost has been included in the Capitalisation Direction request that will be submitted to DLUHC.

2.2.22. It is assumed that the budgeted contribution to reserves will not be made in 2021/22. However, the capitalisation direction request to DLUHC includes £20m to top up reserves by 31 March 2022.

2.2 Savings Programme

2.2.23. The Council's original 2021/22 budget was based on the delivery of £15.6m savings.

2.2.24. The delivery of the savings programme and emerging in-year pressures are summarised in the table below:

Table 2 – Savings and Budget Programme Summary 2021/22 – Service Related

Directorate	Current Savings Target £'000	100% Delivered Savings £'000	Savings at Risk 2021/22 £'000	Emerging pressures 2021/22 £'000	New savings 2021/22 £'000	Budget Gap 2021/22 £'000
Slough Children First Contract	0	(7,197)	0	1,668	(350)	**1,318**
People (Adults)	3,837	(3,260)	500	0	0	**500**
People (Children)	(150)	635	485	531	(1,008)	**8**
Place & Community	9,657	0	2,460	1,977	(4,002)	**435**
Resources	2,232	(2,022)	210	826	(1,042)	**(6)**
Total Savings/Budget Programme*	**15,576**	**(11,844)**	**3,655**	**5,002**	**(6,402)**	**2,255**

**Note: The budget gap relates to service budgets that excludes Corporate Savings of £1.963m reducing the budget gap to £0.192m.*

2.3 Flexible Capital Receipts Strategy (Transformation Fund)

2.3.1 With effect from 1 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 Following the statutory recommendation by Grant Thornton, additional money will be invested in resourcing the Finance Team to ensure the team has sufficient skilled resources to improve in-year financial management and the production of year-end accounts. £900K has been allowed for 2021/22 financed through the flexible use of capital receipts. In the longer term, a new permanent structure is being designed and costed to provide the right financial support for the council and the aim is to implement it by the start of 2022/23. Given the current challenges recruiting staff, it is anticipated it will take some time to fully resource a permanent team.

2.3.4 The table below summarises the use of the Transformation Fund for 2021/22 that will be funded from capital receipts.

Table 3 – Transformation Fund 2021/22

	Budget £'000	**Forecast** £'000	**Variance** £'000
Our Futures	3,234	2,440	(794)
Financial Excellence	2,070	2,070	0
Integrating Public Services and Transforming Service Delivery	778	2,072	1,294
Contingency	500	0	(500)
Total	**6,582**	**6,582**	**0**

2.4 Dedicated Schools Grant

2.4.1 The DSG forecast is a deficit of £4.898m, against grant funds of £73.229m for 2021/22, resulting mainly from the High Needs (HN) Block. This mainly relates to increased demand for out of borough SEN placements, post 16 services and places at Special schools and a failure to address the issues in previous years.

2.4.2 The total DSG deficit is forecast to rise from £20.6m to £25.5m by 31 March 2022, which is mainly due to the overspend on the High Needs Block. The DfE requires Local Authorities to have a management plan agreed by the Schools Forum in place to recover the deficit over a number of years. Progress against the plan will be tracked. Options reviewed by the task group set up by the Director of Finance (S151) to recover the deficit includes:

- Collaborative work is being undertaken with the local CCG and care partners, to establish stronger working relationships. There is a local tripartite panel in place to make decisions around joint funding – SBC are requesting review of the ToR and decision-making processes, resolution of funding disputes, and future developments.

- The authority is currently reviewing the local offer for Alternative Provision, to ensure that we secure sufficient places to meet our statutory 6-day provision for P-Ex pupils, and to work with providers to develop a traded model over time to support schools in identifying how best to purchase any additional AP interventions.

- Review of banding to encompass a blended approach of top-ups and fixed costs will support with cost-effective commissioning, as LA can plan around mostly static costs in our IB maintained special schools.

- Our commissioning approach will be to develop cost-effective commissioning of places from OOB maintained special and independent non-maintained (special) schools to ensure we have sufficient, good quality, affordable places to meet the needs of all CYP with SEND in SBC, throughout all phases.

- Capital investment initiatives have been used to support the expansion of two resource bases in primary sector, and development of one new resource base in secondary sector, to meet growing demand for specialist provision supporting ASD and complex needs.

Table 5 – Dedicated Schools Grant

BLOCKS	Budget	Forecast Position	Full Year Variance	Previous month's Variance	Change	Cumulative surplus/ deficit
	£'000	£'000	£'000	£'000	£'000	£'000
School Block	37,175	37,216	41	41	0	339
CSSB Block	1,020	1,023	3	5	(2)	(27)
HN Block	19,804	24,658	4,854	4,551	303	25,654
EY Block	15,230	15,230	0	0	0	(453)
Total	**73,229**	**78,127**	**4,898**	**4,597**	**301**	**25,513**

2.5 Housing Revenue Account (HRA)

2.5.1 The HRA was budgeted to make a surplus of £0.499m in 2021/22 which would be moved into the HRA reserve at year-end. It is currently forecasting a surplus of £0.927m as at the end of quarter 3 (December 2021), £0.428m higher than budgeted. This is an adverse movement of £0.208m on the month 8 position.

2.5.2 The main reason for the HRA underspend is due an understatement of the budget for rental income of £1.110m. The other contributing factors to the favourable variances are a Housing repairs underspend and interest on HRA borrowings.

2.5.3 The variance on Housing Repairs is mainly due to an overstatement of the current year budget. The recalculation of the interest on borrowings forecast resulted in an under spend of £1.116m against a budget figure of £6.219m. The positive variances are offset by overspend on the Depreciation budget and various overspend on Supervision and Management budgets.

2.5.4 The adverse movement in quarter 3 (December 2021) compared to month 8 of £0.208m is mainly due to a review of the repairs forecast and the supervision and management costs and the amendment to the dwelling rents income forecast.

2.5.5 The HRA general reserves has a provisional balance of £17.227m at the 1 April 2021, dependent on the closing of the prior year accounts, and this is currently forecast to increase to £18.154m based on the forecast in table 5 below.

Table 5 – Housing Revenue Account Forecast 2021/22

Service	Budget £'000	Forecast Year - End Position £'000	Full Year Variance £'000	Previous month's Variance £'000	Change £'000
HRA Expenditure	36,461	36,843	382	325	57
HRA Income	(36,960)	(37,770)	(810)	(961)	151
HRA Surplus/(Deficit)	**(499)**	**(927)**	**(428)**	**(636)**	**208**
Transfer to HRA Reserves	499	927	428	636	(208)
Total	**0**	**0**	**0**	**0**	**0**

2.6 Capital Programme

2.6.1 The reduced Capital Programme for 2021/22 is £114m, compared to £117m noted by Cabinet last month. Of this, £59m is General Fund and £55m is Housing Revenue Account. This includes slippage from 2020/21.

2.6.2 The General Fund Capital programme is currently forecast to underspend by £8.9m by the end of this financial year and any requests to carry forward slippage will require Cabinet approval.

2.6.3 The HRA Capital Programme is forecast to underspend by £42m by March 2022 and any requests to carry forward slippage will require Cabinet approval. The HRA business plan is currently being updated and this may have an impact on the capital programme for this year and future years. Further detail on the 2021/22 programme is provided in Appendix F.

2.6.4 Table 6 below sets out the estimated outturn for the 2021/22 revised capital programme, as at 31 December 2021.

Table 6 – Estimated Capital Programme Outturn 2021/22

Directorate	Original Budget 2021/22 £000s	Brought Forward (Over)/under spends £000s	(Reductions)/ Additions £000s	Revised Budget 2021/22 £000s	Spend 1 April 2021 - 31 December 2021 £000s	Full Year Projection (April 2021 - March 2022) £000s	Variance against actual £000s
General Fund:							
People (Adults)	7,013	886	(7,004)	895	807	948	53
People (Children)	9,004	657	(1,066)	8,595	208	720	(7,875)
Customer & Community	3,163	(524)	(1,493)	1,146	581	1,146	0
Place	57,808	15,002	(33,140)	39,670	10,339	26,549	(13,121)
Corporate Operations	6,000	5,438	(9,060)	2,378	1,608	2,378	0
Finance & Resources	17,451	0	(10,669)	6,782	0	6,582	(200)
	100,439	**21,459**	**(62,432)**	**59,466**	**13,543**	**38,323**	**(21,143)**
Housing Revenue Account:							
Housing Revenue Account	4,823	7,378	0	12,201	3,682	8,198	(4,003)
Affordable Housing	35,849	6,906	0	42,755	1,441	4,803	(37,952)
	40,672	**14,284**	**0**	**54,956**	**5,123**	**13,001**	**(41,955)**
Total Expenditure	**141,111**	**35,743**	**(62,432)**	**114,422**	**18,666**	**51,324**	**(63,098)**

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 above 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. Realising the forecast outturn will be dependent on:

- achievement of in-year savings, particularly in the Place and Community directorate, and
- achievement of planned savings in People Adults of £1.2m across a number of programmes.
- 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 through a further capitalisation direction

- 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

- Report the current position regularly to all forums.

3.4 Environmental implications

3.4.1 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

3.6.1 None

3.7 Workforce implications

3.7.1 None

3.8 Property implications

3.8.1 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 and Capital Budget Monitoring Report – 2021/22 (Period 6 – September 2021), November 2021 Cabinet

- Revenue Budget Report, March 2021 Full Council

- Capital Strategy, March 2021 Full Council

- S114 Notice, July 2021 Full Council