

Decision maker: Cabinet 1st December 2020
Full Council 8th December 2020

Subject: Revenue Budget Monitoring 2020/21 (2nd Quarter) to end
September 2020

Report by: Director of Finance & Resources

Wards affected: All

Key decision (over £250k): No

1. Purpose of Report

- 1.1 The purpose of this report is to update members on the current Revenue Budget position of the Council as at the end of the second quarter for 2020/21 in accordance with the proposals set out in the "Portsmouth City Council - Budget & Council Tax 2020/21 & Medium Term Budget Forecast 2021/22 to 2023/24" report approved by the City Council on the 11th February 2020.

2. Recommendations

- 2.1 It is recommended that:

- (i) The forecast financial shortfall of between £6.1m & £12.6m across the General Fund and the Housing Revenue Account as consequence of the Covid-19 Pandemic be noted
- (ii) The following Revised COVID-19 Deficit Recovery Strategy be approved in the sum of £11.9m (being sufficient to cover the Council's pessimistic forecast COVID-19 related overspend of £11.8m):
 - Earmarking £5m of the Council's Corporate Contingency - leaving a residual £5m for all other known and unknown financial risks that may arise during the year
 - Earmarking £5m of the MTRS Reserve which currently holds an uncommitted balance of £8m - leaving just £3m only to fund future Spend to Save schemes and any costs of redundancies that may be required
 - Removal of Capital Schemes that have been funded by Revenue with a total value of £1.927m
 - Should any funding remain after meeting the financial impact of COVID-19, that it be returned to the MTRS Reserve / Contingency to be available for any short-term legacy impacts of COVID-19 that continues into 2021/22

- (iii) In accordance with the Revised COVID-19 Deficit Recovery Strategy it is recommended that the following schemes up to the value shown are removed from the approved Capital Programme

Scheme to Be Removed From Capital Programme	Amount Released From Corporate Resources £
Children, Families & Education	
Tangier Road Children's Home*	2,100
Beechside Children's Home*	6,600
Enable and Improve Mobile Working	191,000
Adaptations to Carers Homes	600,000
King Richard School Rebuild 900-1000 places*	150,000
Universal Infant Free School Meal Provision*	35,100
Special Education Needs - Building Alterations*	350,000
Beacon View Primary School - Kitchen Block*	3,300
Culture, Leisure & Economic Development	
Allotment Security Grants	3,800
Canoe Lake De-silting	25,000
Outdoor Fitness Equipment	19,400
Round Tower Improvement Works	75,000
Health, Wellbeing & Social Care	
Shearwater House - Backup Power Supply*	9,200
Kestrel Centre Relocation to Civic Offices*	37,700
Leader	
Port Master System*	13,500
Communities & Central Services	
Project Management	44,900
Ground Floor Reception Improvements	14,900
Traffic & Transportation	
Local Transport Plan & Road Safety 3	192,000
Eastern Road Waterbridge*	21,800
Anglesea Road Footbridge*	26,800
Traffic Signal Upgrade Packages*	2,500
Western Corridor - South	102,000
Total Value of Schemes to Be Removed	1,926,600

*Scheme is complete/substantially complete and unused resources can be released

- (iv) The forecast General Fund outturn position, inclusive of funding Losses, for 2020/21 be noted:

- (a) The Base Case forecast of COVID-19 related overspending of £5,362,000 after expected government funding

- (b) That the Base Case forecast overspending of £5,362,000 remains uncertain and in a pessimistic scenario could see that overspending rise to £11,800,000
 - (c) The COVID-19 forecasts do not currently make any provision for additional costs or losses of income / funding that may arise from the new national restrictions.
 - (d) Non COVID-19 related underspending of £4,094,100
 - (e) Taking account of the likely range of COVID-19 forecast overspends, the combined overspending for the Council is forecast to be between £1,268,100 and £7,706,100.
- (v) Members note that in accordance with approved policy as described in Section 8, any actual non COVID-19 overspend at year end will in the first instance be deducted from any Portfolio Reserve balance and once depleted then be deducted from the 2021/22 Cash Limit.
 - (vi) Members note that at the time this report was prepared the Country had just entered a period of new national restrictions. Due to the wide ranging and rapidly changing implications arising from the COVID-19 Pandemic, the overall financial impact of COVID-19 over the remainder of the 2020/21 financial year and into the medium term remains very uncertain and maintaining headroom within the Revised COVID-19 Deficit Recovery Strategy is vital in order to ensure that the financial resilience of the Council is not compromised and the council continues to remain financially resilient into the medium term.
 - (vii) Directors, in consultation with the appropriate Cabinet Member, consider options that seek to minimise any forecast non COVID-19 overspend presently being reported and prepare strategies outlining how any consequent reduction to the 2021/22 Portfolio cash limit will be managed to avoid further overspending during 2021/22.

3. Background

- 3.1 A Budget for 2020/21 of £174,588,400 was approved by City Council on the 11th February 2020. This level of spending required a contribution from General Reserves of £2.6m since in year expenditure exceeds in year income.
- 3.2 Cabinet on 14th July considered a report which identified an initial forecast of £32m as being the Financial Impact on the City Council of the Covid-19 Pandemic which, after emergency COVID-19 funding from Government, would give rise to a Shortfall in the Councils 2020/21 budget of £20m.
- 3.3 As consequence, Cabinet approved the adoption of the following Deficit Recovery Strategy:
 - Earmarking £5m of the Council's Corporate Contingency - leaving a residual £5m for all other known and unknown financial risks that may arise during the year

- Earmarking £5m of the MTRS Reserve which currently holds an uncommitted balance of £8m - leaving just £3m only to fund future Spend to Save schemes and any costs of redundancies that may be required
- Identifying the remaining sum (currently estimated at £10m) from Capital Schemes that have been funded by Revenue and placing those Capital Schemes "on hold"

3.4 Each month, the Council has been comprehensively reviewing and updating the forecast financial impact of the COVID-19 Pandemic in 2020/21. Since the July report, a further £7.5m in Emergency COVID-19 grant funding has been received bringing the total amount of grant received in four tranches to £19.4m. In addition the government has announced details of an income compensation scheme for lost sales, fees and charges. The revised Deficit Recovery Strategy outlined below has been updated to accommodate the latest forecast of the financial impact of the COVID-19 pandemic and these additional Government grants and initiatives.

3.5 Along with the summary of the forecast full year variances as usually reported through these quarterly budget monitoring reports, this Quarter 2 report also includes an updated assessment of the financial impact in 2020/21 of the COVID-19 Pandemic, and Capital Schemes recommended to be removed from the approved capital programme in accordance with the Revised Deficit Recovery Strategy as recommended within this report.

3.6 Due to the Deficit Recovery Strategy being formulated and reported in July, no quarterly monitoring report as at the end of June was produced. This is therefore the first monitoring report for 2020/21 and reports on the forecast 2020/21 outturn as at the end of September 2020. The forecasts summarised in this report are made on the basis that management action to address any forecast overspends are only brought in when that action has been formulated into a plan and there is a high degree of certainty that it will be achieved.

3.7 Any variances within Portfolios that relate to windfall costs or windfall savings will be met / taken corporately and not generally considered as part of the overall budget performance of a Portfolio. "Windfall costs" are defined as those costs where the manager has little or no influence or control over such costs and where the size of those costs is high in relation to the overall budget controlled by that manager. "Windfall costs" therefore are ordinarily met corporately from the Council's central contingency. A manager / Cabinet Member however, does have an obligation to minimise the impact of any "windfall cost" from within their areas of responsibility in order to protect the overall financial position of the Council. Similarly, "windfall savings" are those savings that occur fortuitously without any manager action and all such savings accrue to the corporate centre.

4 Council Response to the COVID-19 Pandemic and the Overall Financial Impact of COVID-19

4.1 In response to the pandemic, the Council has provided a wide range of financial support across services to residents, businesses, the voluntary sector, commercial tenants, contract providers and suppliers generally. Some of the more significant elements of support include:

- External Care Homes - funding of additional staffing, additional care packages, guaranteeing income levels and PPE
- Hotel accommodation for the homeless
- Funded food deliveries for the vulnerable (via the HIVE)
- Flexible payment terms for Council Tax Payers
- Flexible payment terms for Business Rate Payers
- Grants to Businesses that have been severely impacted by the pandemic
- Free use of car parks and removed enforcement to enable key workers to park close to their homes
- Road closures to improve social distancing
- Financial relief for the City's Leisure Centres provider
- Contributions to the cost of temporary mortuary facilities
- Pitch relief for market traders
- Rent deferral scheme for commercial tenants
- Flexible payment terms for Brittany Ferries
- Flexible contracting arrangements with key suppliers
- Supporting Community Centres to submit furlough claims
- Payments to individuals required to self-isolate

4.2 The Council has been mindful to balance its own financial resilience in order to underpin the delivery of critical and essential services with the emergency needs of the residents and businesses of the City. The Council has taken a responsible approach to meeting emergency spending for the direct costs associated with the emergency such as providing financial support to the Adult Social Care provider market, procuring necessary Personal Protective Equipment (PPE) and providing accommodation for the homeless and rough sleepers whilst also seeking to ensure that any financial support for residents, suppliers and external organisations is provided on a case by case basis with demonstration of need. The Council has also been careful to observe the guidance received from the Cabinet Office in relation to Public Procurement Notices in its dealings with suppliers and the flexibility that the Council has offered. In this way the Council has maintained an approach to target limited financial resources to those at risk and in most need.

4.3 Nevertheless, the financial position as a consequence of this Emergency is serious. Following four tranches of Emergency Government funding totalling £19.4m & estimated compensation for lost income from Sales, Fees and Charges of £6m, the Council still has a forecast financial shortfall between £6.1m & 12.6m across both General Fund and Housing Revenue Account of which between £5.4m and £11.8m relates specifically to General Fund related activities as described below:

Overall Forecast Financial Impact of COVID-19	Central Forecast £m	Pessimistic £m
Additional Costs	12.3	15.0
Income Loss	16.7	18.0
Funding Loss	2.5	3.0
Total Financial Loss	31.5	36.0
Government Funding (4 Tranches)	(19.4)	(19.4)
Income Compensation Scheme (announced in August)	(6.0)	(4.0)
Financial Shortfall (Expected) - General Fund & HRA	6.1	12.6
Less: HRA	(0.7)	(0.8)
Financial Shortfall (Expected) - General Fund	5.4	11.8

- 4.4 Non COVID-19 related forecast budget variances are set out in more detail below but in summary, the consolidated General Fund financial position taking into account the forecast impact of COVID-19 outlined above and all non COVID-19 related forecast variances is as follows:

Consolidated General Fund Outturn Forecast	Central Forecast £m	Pessimistic £m
COVID-19 Financial Shortfall (Expected)	5.4	11.8
Forecast Non COVID-19 Portfolio Variances	(4.1)	(4.1)
Total Forecast Overspending 2020/21	1.3	7.7

5 Revised Deficit Recovery Strategy

- 5.1 The Council is not permitted to either set (or maintain) a deficit budget or to draw upon its General Reserves to the extent that they fall below the minimum level of £8m. Over the period of the Council's Medium Term Financial Strategy, the level of headroom above the minimum level of reserves that would be available to mitigate against all financial risks over the period is £9.3m, however this is predicated on the Council making cumulative budget savings of £6m over that period in accordance with its approved Medium Term Financial Strategy.
- 5.2 Given the deficit being forecast at the end of June of £20.0m compared with available General Reserves of £9.3m, (or just £3.3m if the Council's budget savings are not met), the Council would have been operating significantly outside of the original Budget parameters set by Full Council.
- 5.3 As a consequence, Cabinet on 14th July 2020 adopted a Deficit Recovery Strategy which, based on full year forecasts made at the end of June 2020, identified savings amounting to £20m would be required to enable the Council to continue to operate

without the need to consider either an Emergency Budget or, if necessary, emergency spending controls and service reductions under a Section 114 Notice.

- 5.4 The strategy approved identified a contribution of £10m from Reserves and Contingencies leaving a remaining balance of £10m to be found by placing previously approved capital spending decisions "on hold" until such time as the overall financial position became clearer and therefore whether those capital spending plans can proceed or actually needed to be deleted.
- 5.5 Since the 14th July report, as well as keeping the forecast under comprehensive review, the Council has been notified of a further £7.5m in Emergency Covid-19 grant funding bringing the total amount of grant received in four tranches to £19.4m and the government has also announced details of an income compensation scheme for lost sales, fees and charges. Consequently the Council now currently expects to receive an additional £6m as a result of this scheme.
- 5.6 As a corollary, the Deficit Recovery Strategy has evolved in response to Government announcements, revisions to financial forecasts and developed into a more detailed plan totalling £11.9m. It is recommended that that the Revised Deficit Recovery Strategy set out below and totalling £11.9m be approved:
- Earmarking £5m of the Council's Corporate Contingency - leaving a residual £5m for all other known and unknown financial risks that may arise during the year
 - Earmarking £5m of the MTRS Reserve which currently holds an uncommitted balance of £8m - leaving just £3m only to fund future Spend to Save schemes and any costs of redundancies that may be required
 - Removal of the following Capital Schemes that have been funded by Revenue with a total value of £1.927m

Scheme to Be Removed From Capital Programme	Amount Released From Corporate Resources £
Children, Families & Education	
Tangier Road Children's Home*	2,100
Beechside Children's Home*	6,600
Enable and Improve Mobile Working	191,000
Adaptations to Carers Homes	600,000
King Richard School Rebuild 900-1000 places*	150,000
Universal Infant Free School Meal Provision*	35,100
Special Education Needs - Building Alterations*	350,000
Beacon View Primary School - Kitchen Block*	3,300
Culture, Leisure & Economic Development	
Allotment Security Grants	3,800
Canoe Lake De-silting	25,000
Outdoor Fitness Equipment	19,400
Round Tower Improvement Works	75,000
Health, Wellbeing & Social Care	

Shearwater House - Backup Power Supply*	9,200
Kestrel Centre Relocation to Civic Offices*	37,700
Leader	
Port Master System*	13,500
Communities & Central Services	
Project Management	44,900
Ground Floor Reception Improvements	14,900
Traffic & Transportation	
Local Transport Plan & Road Safety 3	192,000
Eastern Road Waterbridge*	21,800
Anglesea Road Footbridge*	26,800
Traffic Signal Upgrade Packages*	2,500
Western Corridor - South	102,000
Total Value of Schemes to Be Removed	1,926,600

*Scheme is complete/substantially complete and unused resources can be released

5.7 Based on the financial forecast of the COVID-19 shortfall across the General Fund of £5.4m (paragraph 4.3) the £11.9m Deficit Recovery Strategy, outlined above, contains headroom of £6.5m, which approximates to the difference between the Council's Base Case Forecast and Pessimistic Forecast of the COVID-19 pandemic. Due to the wide ranging and rapidly changing financial implications arising from the COVID-19 Pandemic, the overall financial impact of COVID-19 remains very uncertain and maintaining this level of headroom within the strategy is vital to ensure that the financial resilience of the Council is not compromised.

6 Forecast Outturn 2020/21 – As at end September 2020

- 6.1 At the second quarter stage and before the implementation of the Revised Deficit Recovery Strategy, the General Fund revenue outturn for 2020/21 is forecast to be overspent by £1,268,100. In the event that the Council's Deficit Recovery Strategy for the COVID-19 impact is sufficient and successful, an overall year end forecast underspend of £4,094,100 is expected.
- 6.2 The quarter 2 variance of £1,268,100 consists of a number of forecast under and overspendings within Portfolios and these are summarised below.

Under and overspendings at the quarter 2 stage are:

	COVID-19 Related Variances	Other Variances	Total Variance
	£	£	£
Children, Families & Education	2,001,000	(2,099,600)	(98,600)
Community Safety	93,000	(64,700)	28,300
Culture, Leisure & Economic Development	1,391,000	(163,400)	1,227,600
Environment & Climate Change	180,000	51,100	231,100
Health, Wellbeing & Social Care	4,562,000	391,300	4,953,300
Housing	2,491,000	4,900	2,495,900
Leader	2,453,000	(224,600)	2,228,400
Port	5,677,000	(484,900)	5,192,100
Planning Policy & City Development	372,000	100	372,100
Licensing Committee	17,000	(2,000)	15,000
Communities & Central Services	4,611,000	516,100	5,127,100
Traffic & Transportation	3,746,000	(378,700)	3,367,300
Treasury Management	0	(1,639,700)	(1,639,700)
Other Miscellaneous	620,000	0	620,000
Total Portfolio Variances	28,214,000	(4,094,100)	24,119,900
Funding Loss	2,553,000		2,553,000
COVID-19 Grant	(19,404,800)		(19,404,800)
Income Compensation Scheme	(6,000,000)		(6,000,000)
Total Forecast Overspend	5,362,200	(4,094,100)	1,268,100

7 Quarter 2 Budget Variations – Forecast Outturn 2020/21

7.1 Children, Families & Education – Underspend £98,600 or £2,099,600 Underspend Before COVID-19 Related Variances

The cost of Children, Families & Education is forecast to be £98,600 lower than budgeted.

Additional costs expected to arise as a result of the pandemic total £2.0m; primarily due to higher costs relating to Looked After Children £1.0m (£0.4m of which is the delay in the implementation of planned savings), higher minibuses, taxi and personal assistants costs of £0.2m as a result of social distancing requirements, early help and safeguarding £0.4m, reductions in income of £0.1m and the provision of free school meals during the Christmas holidays £0.2m.

These additional costs are offset by non COVID-19 related underspending, and costs avoided due to COVID-19 of £2.1m due to additional Unaccompanied Asylum Seeking Children Grant of £1.2m, reduced home to school transport costs during April to July due to reduced pupil numbers being transported to school (£0.8m) and staff vacancies across the Portfolio (£0.1m).

7.2 Community Safety – Overspend £28,300 or £64,700 Underspend Before COVID-19 Related Variances

The cost of Community Safety is forecast to be £28,300 higher than budgeted.

Regulatory Services income is forecast to have fallen by £93,000 as consequence of the pandemic.

This income loss has been offset by non COVID-19 related underspending elsewhere in the Portfolio totalling £65,000 primarily as a result of staff vacancies.

7.3 Culture, Leisure & Economic Development – Overspend £1,227,600 or £163,400 Underspend Before COVID-19 Related Variances

The cost of Culture Leisure & Economic Development is forecast to be £1,227,600 higher than budgeted.

As a direct consequence of the COVID-19 Pandemic, income across the Portfolio is forecast to be lower than originally budgeted by £1.4m; primarily as a result of the initial closure and, post July 2020, lower usage at leisure sites (£0.9m) and museums (£0.3m).

This income loss has been offset elsewhere within the Portfolio by non COVID-19 related underspending, and costs avoided due to COVID-19, totalling £163,400 principally as consequence of reduced expenditure following cancellation of the 2020 events programme.

7.4 Environment and Climate Change – Overspend £231,100 or £51,100 Overspend Before COVID-19 Related Variances

The cost of Environment and Climate Change is forecast to be £231,100 higher than budgeted.

Additional costs within the Waste Collection and Waste Disposal Services totalling £180,000 due to the pandemic are forecast; primarily due to a downturn in the global recycles market which, has been further impacted by the differing restrictions put in place by countries in respect to the movement of materials.

Non COVID-19 related overspending totalling £51,100 is also forecast within the Waste Collection and Waste Disposal Services offset by a small reduction in water costs (£6,000) within the Public Conveniences service.

7.5 Health, Wellbeing and Social Care – Overspend £4,953,300 or £391,300 Overspend Before COVID-19 Related Variances

The cost of Health, Wellbeing and Social Care is forecast to be £4,953,300 higher than budgeted.

The financial impact of the COVID-19 pandemic on the Health, Wellbeing and Social Care Portfolio is forecast to be £4.6m.

Of this overspending, £1.7m relates to planned 2020/21 savings in Commissioned Care that will now not be achieved; £1.2m to meet additional staffing costs at in house units due staff illness (including shielding) and to increase Social Worker capacity; £1.0m funding assistance to the Adult Social Care market including reimbursement of PPE/infection control costs; and £0.6m forgone income in respect of contributions to care packages and day care services by clients.

Overspending of £391,300 is forecast unrelated to the COVID-19 pandemic, primarily as a result of higher client volumes in both Supported Living (£0.3m) and Day Care (£0.1m) settings within Learning Disabilities.

7.6 Housing – Overspend £2,495,900 or £4,900 Overspend Before COVID-19 Related Variances

The cost of Housing is forecast to be £2,495,900 higher than budgeted.

Additional costs expected to arise as a result of the pandemic total £2.5m. Of this £2.0m relates to the provision of temporary accommodation with the remainder being primarily as result of lower income from charges to external Local Authority clients for professional services and net income from 'The View' restaurant and Telecare services.

7.7 Leader – Overspend £2,228,400 or £224,600 Underspend Before COVID-19 Related Variances

The cost of Leader is forecast to be £2,228,400 higher than budgeted.

As a direct consequence of the COVID-19 Pandemic, income across the Portfolio is forecast to be £2.5m lower than originally budgeted.

The COVID-19 pandemic has led to an expectation that that there will be an increase in the level of tenant rent defaults relating to commercial properties owned by the City Council, a total reduction in property rental income of £1.7m is currently forecast. Much of this relates to commercial properties that have been in the ownership of the City Council for many years. In addition, Spinnaker Tower income is expected to be lower by £0.7m compared to budget; of which £0.5m is as a result of the ending of the Spinnaker Tower sponsorship arrangement with Emirates and £0.2m is the estimated reduction in the profit share that will be payable by Heritage following the temporary closure of the attraction to visitors due to COVID-19 restrictions.

These lost incomes are offset by forecast underspending of £224,600 not directly related to COVID-19, primarily as a result of additional rent from an investment property acquired late in the 2019/20 financial year.

7.8 Port – Overspend £5,192,100 or £484,900 Underspend Before COVID-19 Related Variances

Overall net income from the Port is forecast to be £5,192,100 below target.

Net income as a consequence of the COVID-19 Pandemic is £5.7m lower than originally budgeted.

Of this figure £5.5m relates to a net reduction in port dues because of reduced traffic passing through the Port and £0.2m is a result of higher costs relating to PPE, cleaning and additional staffing costs to enable cover for those staff self-isolating and shielding.

Delaying routine dredging until 2021/22, deferral of non-essential routine maintenance & IT spend and delaying staff appointments has resulted in a reduction in the cost of non COVID-19 activity of £0.5m.

7.9 Planning & City Development – Overspend £372,100 or nil Before COVID-19 Related Variances

The cost of Planning & City Development is forecast to be £372,100 higher than budgeted due to COVID-19 related lost income at Enterprise Centres (£0.1m), Planning Application Fees (£0.2m) and Market Trader Licence income (£48,000).

7.10 Communities & Central Services – Overspend £5,127,100 or £516,100 Overspend Before COVID-19 Related Variances

The cost of Communities & Central Services is forecast to be £5,127,100 higher than budgeted.

Additional costs expected to arise as a result of the pandemic total £4.6m; primarily due to costs relating to the central hub for the sourcing and distribution of PPE (£1.3m), Purchase of IT hardware and the rapid deployment of new software to enable remote working (£0.6m), costs associated with the setting up of temporary mortuary facilities (£0.4m), additional costs associated with the delivery of large infrastructure capital projects as a consequence of delays caused by remote working and additional workloads (£0.3m), suspension of the recovery of Council Tax arrears through the courts resulting in forgone court costs totalling £1.0m, an expected reduction in subsidy relating to the recovery of Housing Benefit Overpayments (£0.4m) and reduced income across the Portfolio totalling £0.3m, of which £0.2m relates to income arising from wedding ceremonies conducted by the Registrar.

Forecast overspending relating to non COVID-19 activity of £0.5m is primarily as a result of; the introduction of Universal Credit for new clients from September 2018 which has resulted in a fall in the level of rent allowances and rent rebates upon which the Council receives subsidy. As a consequence the level of net subsidy received by the Council relating to Housing Benefit overpayments (excluding the effect of COVID-19) has been £0.3m; overspending within IT services of £0.5m due to unexpected increases in a number of contracts, temporary staffing engaged at higher rates and an underlying deficit as consequence of the non achievement of savings expected to occur in previous years. These overspendings are offset by reduced staffing costs arising from vacant post across the Portfolio of £0.4m.

7.11 Traffic and Transportation – Overspend £3,367,300 or £378,700 Underspend Before COVID-19 Related Variances

The cost of Traffic and Transportation is forecast to be £3,367,300 higher than budgeted.

Additional net expenditure expected to arise as a result of the pandemic totals £3.7m, of which £3.3m is as a consequence of lower income relating to Parking; Park & Ride

£0.1m; Hard interchange Departure Charges £0.2m and costs associated with road closures to aid social distancing totalling £0.1m.

These costs are offset by forecast underspending relating on non COVID-19 activity of £0.4m, primarily as a result of lower energy costs following the street lighting LED project (£0.2m) and lower staffing costs within the PFI Team as consequence of the PFI Contracts Manager, Performance Manager and Data Analyst posts being vacant in 2020/21 (£0.2m)

7.12 Treasury Management – Underspend £1,639,700

This budget funds all of the costs of servicing the City Council's long term debt portfolio that has been undertaken to fund capital expenditure. It is also the budget that receives all of the income in respect of the investment of the City Council's surplus cash flows. As a consequence, it is potentially a very volatile budget particularly in the current economic climate and is extremely susceptible to both changes in interest rates as well as changes in the Council's total cash inflows and outflows.

7.13 Other Miscellaneous – Overspend £620,000

Due to higher cleaning costs and a reduction in income because of the COVID-19 Pandemic, Portico is forecasting an increased loss totalling £620,000.

8. Transfers From/To Portfolio Specific Reserves

8.1 In November 2013 Full Council approved the following changes to the Council's Budget Guidelines and Financial Rules:

- Each Portfolio to retain 100% of any year-end underspending and to be held in an earmarked reserve for the relevant Portfolio
- The Portfolio Holder be responsible for approving any releases from their reserve in consultation with the Section 151 Officer
- That any retained underspend (held in an earmarked reserve) be used in the first instance to cover the following for the relevant portfolio:
 - i. Any overspendings at the year-end
 - ii. Any one-off Budget Pressures experienced by a Portfolio
 - iii. Any on-going Budget Pressures experienced by a Portfolio whilst actions are formulated to permanently mitigate or manage the implications of such on-going budget pressures
 - iv. Any items of a contingent nature that would historically have been funded from the Council's corporate contingency provision
 - v. Spend to Save schemes, unless they are of a scale that is unaffordable by the earmarked reserve (albeit that the earmarked reserve may be used to make a contribution)
- Once there is confidence that the instances i) to v) above can be satisfied, the earmarked reserve may be used for any other development or initiative

- 8.2 However, as a consequence of the COVID-19 Pandemic Cabinet have agreed that the individual Portfolio Reserves will operate as a single Cabinet Reserve in 2020/21.
- 8.3 At the time this report was prepared the Country had just entered a period of new national restrictions and the overall financial position remains particularly uncertain at this time.

The forecast balance on the Cabinet Reserve is set out below:

	Balance Brought Forward £	Approved Transfers £	Commitments / Funding Extensions £	Balance Carried Forward £
Cabinet Reserve	3,962,000	(1,688,600)	(1,913,100)	360,300

9. Conclusion - Overall Financial Summary

- 9.1 The forecast takes account of all known variations at this stage, but only takes account of any remedial action to the extent that there is reasonable certainty that it will be achieved.
- 9.2 As at the end of September 2020 the Council is forecasting an overall General Fund overspending range of between £1,268,100 and £7,706,100.
- 9.3 The proposals within this report seek to determine a revised Deficit Recovery Strategy to make additional funding available amounting to £11.9m which is anticipated to cover the pessimistic forecast of the COVID-19 impact at £11.8m. Any funding from the Strategy that remains after meeting the impact of COVID-19 will be returned to the Councils Contingency and/or MTRS Reserve and be available for the Budget 2021/22. In particular, it could be used to meet any short term legacy implications of COVID-19 that may continue.
- 9.4 Should the non COVID forecast contained in this report remain, the year-end position would be an underspend of £4.1m.
- 9.5 At the time this report was prepared the Country had just entered a period of new national restrictions. Due to the wide ranging and rapidly changing implications arising from the COVID-19 Pandemic, the overall financial impact of COVID-19 over the remainder of 2020/21 and into the medium term remains very uncertain and maintaining the level of headroom within the strategy outlined above is vital to ensure that the financial resilience of the Council is not compromised and the council continues to remain financially resilient into the medium term.

10. City Solicitor's Comments

- 10.1 The City Solicitor is satisfied that it is within the Council's powers to approve the recommendations as set out.

11. Equalities Impact Assessment

11.1 This report does not require an Equalities Impact Assessment as there are no proposed changes to PCC's services, policies, or procedures included within the recommendations.

.....

Chris Ward
Director of Finance & Resources

Background List of Documents –

Section 100D of the Local Government Act 1972

The following documents disclose facts or matters which have been relied upon to a material extent by the author in preparing this report –

Title of Document	Location
Budget & Council Tax 2020/21 & Medium Term Budget Forecast 2021/22 to 2023/24	Office of Deputy Director of Finance
Electronic Budget Monitoring Files	Financial Services Local Area Network

The recommendations set out above were:

Approved / Approved as amended / Deferred / Rejected by the Cabinet on 1st December, 2020

Signed: