
To: Finance, Resources and Customer Services Policy Board

On: 11 November 2020

Report by: Director of Finance and Resources

Heading: Revenue and Capital Budget Monitoring – Council Overview as at 18 September 2020

1. Summary of Financial Position

- 1.1. The projected Revenue outturn at 31 March 2021 for all services is an overspend position of £10.302m, which represents 2.3% against the revised budget for the year.
- 1.2. The projected Capital outturn at 31 March 2021 for all services is an Underspend position of £0.100m, which represents 0.1% against the revised budget for the year.
- 1.3. This is split between General Fund Services and the Housing Revenue Account (HRA) in the table below, with further analysis is provided in the Appendices.
- 1.4. For the financial year 2020/21, the projected outturn position is split into Core (or business as usual) and COVID-19 related variances to help readers understand the impact of the pandemic on service finances.
- 1.5. Included in the Projected Outturn relating to COVID-19, but not detailed in the service figures in the appendices is a potential under-recovery in Council Tax income of £4.0m arising from the economic impact of the pandemic. This figure represents 4-5% of budgeted council tax income in the year. It is anticipated as the full economic impact of the pandemic becomes clear, particularly in relation to increased levels of unemployment driving significant increases in Council Tax reduction levels, delayed new house build completions as well as lower cash collection levels that council tax income will reduce. This projected under-recovery above is by no means certain but

represents a credible scenario which may crystallise. This forecast will continue to be kept under close review and will be updated as the year progresses, and greater clarity emerges on the developing impact on Council Tax income.

Table 1: Revenue						
Division	Revised Annual Budget £000	Projected Outturn Core £000	Projected Outturn COVID-19 £000	Total Projected Outturn £000	Budget Variance (Adv)/Fav £000	Budget Variance %
General Fund Services	449,481	448,681	11,514	460,195	(10,714)	2.4%
Housing Revenue Account	0	(388)	(24)	(412)	412	0.0%

Table 2: Capital						
Division	Revised Annual Budget £000	Projected Outturn Core £000	Projected Outturn COVID-19 £000	Total Projected Outturn £000	Budget Variance (Adv)/Fav £000	Budget Variance %
General Fund Services	58,530	58,430	0	58,430	100	0.1%
Housing Revenue Account	19,918	19,918	0	19,918	0	0.0%

2. Recommendations

Members are requested to:

- 2.1. Note the projected Revenue outturn position detailed in Table 1 above, considering that the forecast position is based on best estimates and confirmed government support at this point in time; forecasts are likely to be subject to considerable fluctuation as the full service implications and associated costs of the pandemic become clear; and
- 2.2. Note the projected Capital outturn position detailed in Table 2 above.

3. Revenue Monitoring

- 3.1. The Revenue Budget Monitoring report at Appendix 1 identifies a projected annual overspend of £6.302m (1.4% of total budget) for all Services. Details for all services can also be found here, along with an explanation of significant projected variances.
- 3.2. The projected outturn is based on information currently available and assumptions made by service budget holders. Any changes to these projections will be detailed in future reports to this Board. It is further

anticipated that a report to Council in September will outline in further detail the financial position at that point, along with proposed actions the Council will require to undertake to address the unprecedented financial challenges it faces in the current and future years.

- 3.3. The main reasons for the projected outturn position are indicated in the appendix showing both the subjective analysis (what the budget is spent on) and the objective analysis (which division is spending the budget).
- 3.4. The most significant areas to bring to member's attention relate to the projected impact of the COVID19 on both Renfrewshire Leisure and the HSCP.
 - At present RL remain heavily impacted by the response to the COVID crisis with facilities only recently re-opening (in some cases only partially reopening) under the Scottish Government's phase three arrangements and as a consequence have experienced a significant loss of income. More recent Scottish Government restrictions on indoor activities also impacts on costs and income levels. It is anticipated that over the course of the remainder of 2020/21 RL will experience only a partial financial recovery due to the ongoing operational restrictions impacting on the revenue recovery as well as additional operational costs. It is forecast that over the course of 2020/21 the Council could required to provide RL with up to an additional £4.3m of financial support and this is reflected within the reported figures. RL continues to try and mitigate this position through securing additional national government support where eligible.
 - Within adult services managed by Renfrewshire HSCP, the service has been required to take unprecedented measures in response to the coronavirus pandemic, including substantial levels of support to external care providers in order to ensure their ongoing financial sustainability. As at period 6, the service estimates that costs incurred specifically in relation to COVID-19 may reach £5.6m by the end of the financial year. The Scottish Government has provided in principle confirmation that all reasonable additional costs associated with the crisis will be fully funded.. On this basis, additional cost relating to the COVID response is not therefore included within this report on the expectation of these costs being funded directly by the Scottish Government.

4. Capital Monitoring

- 4.1. The General Services Capital Investment Programme 2020/21 to 2024/25 was approved by the Council on 9th March 2020. For General Fund Services the approved capital spend for 2020/21 is £58.530m.

- 4.2. The Capital Monitoring report at Appendix 2 indicates a projected underspend against the approved capital programme for General Fund Services for the year of £0.100m. This arises in the Education and Children's Services area, owing to delays in construction due to the COVID-19 pandemic.
- 4.3. The HRA Capital Investment Programme 2020/21 to 2024/25 was approved by the Council on 9th March 2020. For the HRA the approved capital spend for 2020/21 is £19.918m.
- 4.4. The Capital Monitoring report at Appendix 3 indicates a breakeven position in the approved capital programme for the HRA for the year.
- 4.5. Further detail, including reasons for significant variances, can be found at Appendix 3.

5. Capital Overview

- 5.1. The Council must determine and keep under review the maximum amount which it can afford to allocate to capital expenditure. In addition, the Council must also keep under review its Capital Financing Requirement (CFR) i.e. the level of resources that are used to fund capital expenditure over the longer term (rather than at point of spend). It is also the duty of the Council to have regard to the Prudential Code in setting its capital expenditure limit and its capital expenditure requirement.
- 5.2. The limit on capital expenditure which the Council has set for 2020/21 is shown in the table overleaf. The limit is based on the resources available to fund the capital programmes, split between Housing and Non-Housing Services, but excludes PSHG as this is not considered to be capital spend.

	Approved Plan £m	Forecast Expenditure £m
Non-Housing	95.186	58.430
Housing	30.215	19.918
Total	125.401	78.348

- 5.3. The CFR which the Council has set for 2020/21 is shown in the table below, and is split between Housing and Non-Housing Services. In addition, the projected out-turn at 31st March 2021 is also shown. Any significant increase in the capital expenditure limit which is not funded at point of spend will result in an increase in the CFR.

	Approved CFR to 31 March 2021 £m	Projected CFR to 31 March 2021 £m
Non-Housing	309	275
Housing	126	118
Total	435	393

The reduction in the projected CFR for both Non-Housing and Housing is mainly as a result of reduced capital expenditure in 2020/21 compared to the approved plan due to restrictions on activity placed on capital work during the COVID-19 pandemic.

6. Housing Services Programme

- 6.1. The programme approved by Council on 9th March 2020 totalled £30.215m. The programme currently stands at £19.918m, a reduction of £10.297m resulting from the net effect of budget brought forward from 2019/20 of £2.950m and projects re-profiled from 2020/21 to 2021/22 of £13.247m. The projects re-profiled into 2021/22 mainly relate to external improvements to existing properties and new build projects delayed by the COVID-19 pandemic.
- 6.2. Capital expenditure to 18th September 2020 totals £2.078m and represents 10% of the available resources and compares with 41% for the equivalent time in 2019/20 as a result of the limited activity able to happen in the first quarter of 2020/21.
- 6.3. Capital income totalling £0.292m has been received to 18th September 2020. This represents 7% of the total anticipated income and compares with 6% for the equivalent period in 2019/20.
- 6.4. The projected outturn position, after the budget changes, is for the Housing Services Programme to break even. However, inflationary impacts of delay to work and estimates of costs complying with new guidelines, such as social distancing sites, are still ongoing and may result in this being revised at a future date.

7. Non-Housing Services Programme

- 7.1. The programme approved by Council on 9th March 2020 totalled £95.186m. The current programme totals £58.530m, a decrease of £36.656m resulting from the net effect of budget increases of £3.936m, mainly from increases to Town Centre Capital Fund and Strathclyde Passenger Transport grant. Net budget brought forward to 2019/20 from 2020/21 of £0.814m and projects re-profiled from 2020/21 to 2021/22 of £39.778m. The projects re-profiled into

2021/22 centre around City Deal and the Paisley Town Centre and Infrastructure Projects due to delays caused by COVID-19 restrictions.

- 7.2. Capital expenditure to 18th September 2020 totals £13.683m and represents 23% of the available resources and compares with 28% for the equivalent time in 2019/20.
- 7.3. Capital income totalling £15.849m has been received to 18th September 2020. This represents 53% of the total anticipated income and compares with 59% for the equivalent period in 2019/20.
- 7.4. The projected out-turn position, after the budget changes, is for an underspend of £0.100m within Education and Children related to the SEMP projects. However, as in 6.4, the full impact of the COVID-19 on capital costs has not been determined with increased costs through inflation and compliance expected to increase the risk of overspends within the capital programme.

8. Private Sector Housing Grant Programme

- 8.1. The overall budget provision for this programme is included within the revenue budget. However, in order to monitor the performance of the individual programmes, it is included within the capital budget monitoring procedures.
- 8.2. The Council approved expenditure up to £2.050m for 2020/21. The programme currently stands at £1.113m, a decrease of £0.937m as result of projects re-profiled into 2020/21 due to the expected cash flow timing of grant payments to private owners.
- 8.3. The programme is expected to spend by 31 March 2021, and expenditure will be contained within the overall resources.

Implications of this report

- 1. **Financial** – The projected budget outturn position for General Fund Services Revenue budget is an overspend of £10.714m and for the HRA Revenue budget is an underspend of £0.412m. Income and expenditure will continue to be monitored closely for the rest of the financial year and, where necessary, steps will be taken to mitigate any overspend.

The projected outturn position for General Fund Services Capital budget is an underspend of £0.100m and for the HRA Capital budget is breakeven. The Capital programme will continue to be monitored closely for the rest of the financial year and, where necessary, steps will be taken to mitigate any overspend.

Any changes to current projections in either Revenue or Capital budgets will be reported to the board as early as possible, along with an explanation for the movement.

2. HR and Organisational Development

None directly arising from this report.

3. Community/Council Planning

None directly arising from this report.

4. Legal

None directly arising from this report.

5. Property/Assets

None directly arising from this report.

6. Information Technology

None directly arising from this report.

7. Equality and Human Rights

The recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report because for example it is for noting only. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.

8. Health and Safety

None directly arising from this report.

9. Procurement

None directly arising from this report.

10. Risk

The potential risk that the Council will overspend its approved budgets for the year will be managed at a Council-wide level by the Chief Executive and Directors.

11. Privacy Impact

None directly arising from this report.

12. Cosla Policy Position

N/a.

13. Climate Risk

None directly arising from this report.

List of Background Papers

Revenue Budget and Council Tax Policy Board report. Council 9th March 2020

Non-housing Capital Investment Programme, Prudential Framework and Treasury Management Strategy, and Capital Strategy 2020/21 – 2024/25. Council, 9th March 2020.

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RENFREWSHIRE COUNCIL
REVENUE BUDGET MONITORING STATEMENT 2020/21
1st April 2020 to 18th September 2020

POLICY BOARD : FINANCE, RESOURCES & CUSTOMER SERVICES - OVERVIEW

Policy Board	Revised Annual Budget at Period 3	New Budget Adjustments	Revised Annual Budget	Projected Outturn Core Business	Projected Outturn COVID-19	Total Projected Outturn	Budget Variance (Adverse) or Favourable		Previous Projected Outturn Variance	Movement
	£000	£000	£000	£000	£000	£000	£000	%	£000	£000
Communities, Housing and Planning Services	14,598	(1,524)	13,074	12,956	654	13,610	(536)	(4.1%)	(300)	(236)
Education and Children's Services	216,627	(15)	216,611	216,073	2,387	218,459	(1,848)	(0.9%)	(2,046)	198
Infrastructure, Land and Environment	31,186	(48)	31,138	30,190	3,849	34,039	(2,901)	(9.3%)	(3,511)	611
Finance, Resources and Customer Services	92,804	1,883	94,687	92,928	945	93,873	814	0.9%	1,544	(730)
Adult Services	72,259	0	72,259	70,501	0	70,501	1,758	2.4%	1,589	169
Chief Executive's Service	20,606	691	21,297	21,619	3,680	25,299	(4,002)	(18.8%)	(4,056)	54
Communities, Housing & Planning Services (Paisley Legacy)	415	0	415	415	0	415	0	0.0%	0	0
GENERAL SERVICES NET EXPENDITURE	448,495	986	449,481	444,681	11,515	456,195	(6,714)	(1.5%)	(6,780)	66
Housing Revenue Account (HRA)	0	0	0	(388)	(24)	(412)	412	0.0%	(2,166)	2,578
NET EXPENDITURE	448,495	986	449,481	444,293	11,491	455,783	(6,302)	(1.4%)	(8,946)	2,644

Policy Board	Key Reasons for Significant Projected Variance
Communities, Housing and Planning Services	The projected year-end overspend of £0.536m is principally due to additional costs of COVID-19. These additional costs relate to staff overtime to keep critical services within Homeless functions in operation. Supplies and services are also projected to overspend re additional bed and breakfast/ short stay facilities required to house Homeless people and meet service demands and responsibilities. It should be noted that, whilst we are still projecting planning and building standards fees being in line, there is a risk that these services will under-recover over the financial year due to reduced customer applications. Public Protection is projecting a year end overspend of £22k and this is after making provision of £222k to fund all COVID-19 related under-recoveries in income. The overspend due to COVID-19 is being offset by underspends in employee costs due to vacancies.
Education and Children's Services	The projected year-end overspend is £1.848m; this is due to Primary School overspends in staffing, partly due to retention of temporary teachers and provision of childcare hubs during lockdown period and additional property costs; and Secondary School overspend in staffing, partly due to retention of temporary teachers and additional property costs. Projected overspends within Children and Families lie mainly in Residential Schools due to placements being greater than budgeted and higher Residential Accommodation staffing costs. This has been offset with an underspend in the 1140 Early Years expansion programme, due to delays in recruiting staff as a result of COVID-19. It is anticipated this overspend will be managed within the flexibilities permitted in the use of specific grant funding provided by the Scottish Government.
Infrastructure, Land and Environment	The projected year-end overspend is £2.901m. Parking charges were suspended from March 2020, and reintroduced during August. The forecast position has therefore improved slightly due to this, albeit at a much lower level than previous years. Reduced commercial waste customers, due to business closures, reduced special uplifts, and sale of bins, results in a projected loss of income of £0.240m, a slight improvement since period 3. Increased employee costs of shielding, absence and adherence to social distancing measures are partially offset by a reduction in employee costs for core service delivery. In order to adhere to social distancing measures, additional vehicle support is required for each collection vehicle, resulting in additional transport costs of approximately £0.205m for the year. There has also been a significant increase in household waste for both residual and recycling tonnages, resulting in forecast increase in cost of disposal. At present there is no indication that early increase in household waste tonnages is decreasing and it is now estimated it will continue at present levels for the remainder of the financial year. In addition there is an expected loss of income from both scrap metal and textile contracts. This is partially offset by a reduction in the tonnages processed through the HWRC's. SPT has indicated that it is facing significant commercial income shortfalls, which may require support from member councils to address.

Policy Board	Key Reasons for Significant Projected Variance
Finance, Resources and Customer Services	The projected year-end underspend of £0.714m results from £6.7m of additional COVID-19 funding from the Scottish Government that has not been allocated to other services. Increased employee costs are due to the delivery of the food insecurity packages across Renfrewshire. Due to restrictions on construction work there is a loss of productivity and therefore lower income within property services. Measures are being put in place to try and minimise the effect of this for the remainder of the year. The overspend relating to COVID-19 arises from loss of income within Licensing and Registration services; the projection for this has increased since Period 3 and an increase in IT equipment for home working. The COVID-19 projection also includes an overspend of £0.500m in Free School Meals and an under-recovery in savings of £0.850m due to the pause in R4R arising from the pandemic. An under-recovery in investment income of £0.500m is also anticipated. The pressure due to the pandemic includes a loss of income from school meals and costs of food insecurity packages delivered to residents across Renfrewshire.
Adult Services	The projected year-end overspend of £1.758m is predominantly due to Physical Disability and Learning Disability pressures on the Adult placement budget, reflecting the impact of increasing demand and SDS. This has been partially offset by underspends in employee costs due to vacancies and under-occupancy in care homes due to COVID-19. This forecast position is exclusive of the very significant costs of the COVID-19 response, estimated at £5.6m, which is assumed will be fully funded by the Scottish Government.
Chief Executives	The projected year-end overspend of £4.002m is mainly due to supporting Renfrewshire Leisure with a revised level of requisition as a result of the net impact of income loss and increased costs incurred as a result of the closure of facilities during the lockdown period. Also this reflects the costs of studies commissioned to assist in determining the impact on the Renfrewshire economy of COVID-19 together with the cost of irrecoverable grant due to staff redeployment and the expected drawdown from earmarked reserves to fund the projected revenue costs associated with the Cultural Infrastructure Programme. This was partially offset with a net reduction in costs from the cancellation of the Renfrewshire Council events programme for 2020 and the net effect of a reduction in employee costs due to staff turnover and staff on parenting leave, which will assist in funding an element of the costs incurred in responding to the COVID-19 pandemic.
Housing Revenue Account (HRA)	The HRA is projecting a year end underspend of £0.412m and this is after making provision to fund all COVID-19 related costs and loss of income. The projected underspend is mainly due to a combination of vacant posts within the service and an underspend in contractors payments as a result of the COVID-19 related restrictions placed on contractors limiting their capacity to undertake planned maintenance / voids during the first 6 months of the year.

RENFREWSHIRE COUNCIL
REVENUE BUDGET MONITORING STATEMENT 2020/21
1st April 2020 to 18th September 2020





POLICY BOARD : FINANCE, RESOURCES & CUSTOMER SERVICES - OVERVIEW

Subjective Summary	Revised Annual Budget at Period 3	New Budget Adjustments	Revised Annual Budget	Projected Outturn Core Business	Projected Outturn COVID-19	Total Projected Outturn	Budget Variance (Adverse) or Favourable		Previous Projected Outturn Variance	Movement
	£000	£000	£000	£000	£000	£000	£000	%	£000	£000
Employees	309,188	301	309,489	304,780	3,289	308,069	1,420	0.5%	367	1,054
Premises Related	37,114	(577)	36,537	37,202	(637)	36,566	(29)	(0.1%)	(1,845)	1,817
Transport Related	13,185	(877)	12,308	12,700	186	12,886	(578)	(4.7%)	(300)	(278)
Supplies and Services	93,227	(3,867)	89,360	89,521	1,513	91,034	(1,674)	(1.9%)	(529)	(1,144)
Third Party Payments	78,186	3,744	81,930	76,380	1,564	77,944	3,986	4.9%	(182)	4,168
Transfer Payments	89,530	(1,653)	87,877	83,748	230	83,978	3,899	4.4%	(136)	4,035
Support Services	7,250	(369)	6,881	7,035	0	7,035	(154)	(2.2%)	102	(257)
Depreciation and Impairment Losses	35,012	(17)	34,995	34,994	0	34,994	1	0.0%	0	1
GROSS EXPENDITURE	662,694	(3,317)	659,377	646,361	6,145	652,506	6,871	1.0%	(2,525)	9,395
Income	(214,199)	4,303	(209,896)	(202,068)	5,345	(196,723)	(13,173)	(6.3%)	(6,422)	(6,751)
NET EXPENDITURE	448,495	986	449,481	444,293	11,491	455,783	(6,302)	(1.4%)	(8,946)	2,644

RENFREWSHIRE COUNCIL
CAPITAL INVESTMENT STRATEGY - NON-HOUSING SERVICES
1st April to 18th September 2020
POLICY BOARD: FINANCE, RESOURCES & CUSTOMER SERVICES

		Current Year 2020-21						Full Programme - All years			
	Prior Years Expenditure to 31/03/2020*	Approved Budget 2020-21	Budget Adjustments in 2020-21	Revised Budget 2020-21	Projected Outturn 2020-21	Budget Variance (Adverse) or Favourable		Total Approved Budget to 31-Mar-25 £000	Projected Outturn to 31-Mar-25 £000	Budget Variance (Adverse) or Favourable	
	£000	£000	£000	£000	£000						
EDUCATION & CHILDREN'S SERVICES											
Education & Children's Services	63,958	13,727	(2,829)	10,898	10,798	100	1%	134,217	134,043	174	0%
TOTAL	63,958	13,727	(2,829)	10,898	10,798	100	1%	134,217	134,043	174	0%
COMMUNITIES, HOUSING & PLANNING											
Housing(HRA)	25,333	30,215	(10,297)	19,918	19,918	0	0%	121,205	121,205	0	0%
Housing(PSHG)	0	2,050	(937)	1,113	1,113	0	0%	2,263	2,263	0	0%
Development & Housing	0	65	0	65	65	0	0%	135	135	0	0%
TOTAL	25,333	32,330	(11,234)	21,096	21,096	0	0%	123,603	123,603	0	0%
INFRASTRUCTURE, LAND & ENVIRONMENT											
Environment & Infrastructure	12,838	12,452	2,294	14,746	14,746	0	0%	52,025	52,025	0	0%
TOTAL	12,838	12,452	2,294	14,746	14,746	0	0%	52,025	52,025	0	0%
FINANCE, RESOURCES & CUSTOMER SERVICES											
Corporate Projects	702	9,382	(2,771)	6,611	6,611	0	0%	17,014	17,014	0	0%
TOTAL	702	9,382	(2,771)	6,611	6,611	0	0%	17,014	17,014	0	0%
LEADERSHIP											
Leisure Services	55,849	1,095	0	1,095	1,095	0	0%	59,837	59,837	0	0%
Chief Executives	51,386	58,465	(33,350)	25,115	25,115	0	0%	326,679	326,679	0	0%
TOTAL	107,235	59,560	(33,350)	26,210	26,210	0	0%	386,516	386,516	0	0%
TOTAL ALL BOARDS	210,066	127,451	(47,890)	79,561	79,461	100	0%	713,375	713,201	174	0%
MADE UP OF :-											
Non-Housing Programme	184,733	95,186	(36,656)	58,530	58,430	100	0%	589,907	589,733	174	0%
Housing Programme(HRA)	25,333	30,215	(10,297)	19,918	19,918	0	0%	121,205	121,205	0	0%
Housing Programme(PSHG)	0	2,050	(937)	1,113	1,113	0	0%	2,263	2,263	0	0%
PROGRAMME TOTAL	210,066	127,451	(47,890)	79,561	79,461	100	0.1%	713,375	713,201	174	0%

RENFREWSHIRE COUNCIL
2020/21 CAPITAL BUDGETS MONITORING SUMMARY REPORT TO 18 SEPTEMBER 2020

		2020/21							
		Housing Services		Non Housing Services		PSHG Programme		Total	
A. RESOURCES AVAILABLE TO FUND CAPITAL PROGRAMME		£'000		£'000		£'000		£'000	
1.	Prudential Borrowing	15,519		25,651				41,170	
2a	General Capital Grant			11,545		500		12,045	
2b.	Specific Capital Grant	4,399		9,323				13,722	
3.	Usable Capital Receipts	0		8,959				8,959	
4.	Contribution From Current Revenue (CFCR)	0		3,052		613		3,665	
5	Total Resource Availability	19,918		58,530		1,113		79,561	
B. CAPITAL PROGRAMME									
6.	Resources Available	19,918		58,530		1,113		79,561	
7.	Current Programme	19,918	100%	58,530	100%	1,113	100%	79,561	100%
C. ACTUAL EXPENDITURE VS PROJECTED									
8.	Resource Availability	19,918		58,530		1,113		79,561	
9.	Cash Spent at 18 September 2020	2,078	10% 	13,683	23% 	174	16%	15,935	20%
10.	Cash to be Spent by 31 March 2021	17,840		44,847		939		63,626	
D. ACTUAL RECEIPTS VS PROJECTED									
11.	Current Programme (total receipts expected)	4,399		29,827		500		34,726	
12.	Actual Cash Received at 18 September 2020	292	7% 	15,849	53% 	251	50%	16,392	47%
13.	Receipts to be received by 31 March 2021	4,107		13,978		249		18,334	

