

CABINET – 21 JULY 2020

FINANCIAL MONITORING REPORT

Report by Director of Finance

Recommendation

The Cabinet is **RECOMMENDED** to:

- (a) note the contents of this report
- (b) to ask officers to identify plans to address the potential overspend in 2020/21 arising from COVID-19 and report back to the next meeting with recommendations for action.

Executive Summary

1. The first quarter of the Business Management Report which incorporates the financial position for the Council is due to be reported to Cabinet in September. Given the exceptional circumstances and the significant financial impact of Covid-19, this report sets out the forecast financial position based on the position at 31 May 2020.
2. Based on the position at 31 May 2020, an in year overspend of £24.0m is forecast. This position comprises a breakeven forecast for services on business as usual activities and a forecast overspend of £24.0m relating to additional costs and loss of income in response to Covid-19, taking into account grant funding received to date.
3. The forecast of costs and lost income relating to Covid-19 reflects actuals in April and May and the forecast impact of recovery over the remainder of the financial year. The forecast is consistent with the latest update provided to MHCLG on 19 June 2020.

Summary	Latest Budget £'m	Forecast Outturn £'m	Forecast Variation £'m	BAU Variation £'m	COVID-19 Variation £'m
Directorate Total	472.964	514.493	41.529	0.800	40.729
Corporate Financing	2.741	12.141	9.400	-0.800	10.200
Additional Funding	0.000	-26.926	-26.926	0.000	-26.926
Total	475.705	499.708	24.003	0.000	24.003

Introduction

4. This report is the first financial monitoring report of the 2020/21 financial year. It builds on the 'Estimated Impact of Covid-19 April 2020 to June 2020' report which formed annex D of the Business Management Report to Cabinet in May and is based on actual expenditure incurred and income lost in April and May 2020.
5. In arriving at the in year forecasts the following assumptions have been applied:
 - Phased restart of economy from June to August based on Government decisions to mid June (e.g. re-opening of high streets, registration of births)
 - An assumed full restart of the economy and education sector from September (e.g. re-opening of all businesses and full return to schools)
 - Assumption that full economic rebound does not happen before end of financial year
 - Assumption that support to some providers will continue to the end of October in line with the new Procurement Policy Notice (PPN 04/20)
6. Applying these assumptions generates a forecast pressure of £50.9m for 2020/21. This is a combination of additional costs and loss of income arising from the impact of the Covid-19 pandemic on Council services. This is partially met by Covid-19 LA support grant funding available in 2020/21 of £26.9m. This reduces the in year pressure to £24.0m.
7. Very real concerns have been expressed across the sector that the funding provided so far is nowhere near enough to enable local authorities to sustain their response to the pandemic. And whilst the Government has "made a commitment to support all authorities with the additional cost pressures from the extra work" and acknowledged the need to support councils for the 'irrecoverable losses in income', we await to hear when further funding will be provided, and whether this will be sufficient to meet our needs.
8. An update from the Government on further funding commitments was announced by the Secretary of State for Housing, Communities and Local Government Robert Jenrick on 2 July. Details of the funding are not yet available. It is not expected that the additional funding will be sufficient to meet the forecast gap of £24.0m in totality. Therefore, it is recommended that officers identify options to address the financial position in 2020/21 and report back to the Cabinet at its next meeting in August.
9. There is a net overspend of £0.8m forecast for Directorate budgets for business as usual activity (BAU). Variations are classified as BAU where they do not directly relate to the Council's response to Covid-19 or the impact of recovery plans. This is offset by the application of £0.3m from the contingency budget held in Strategic Measures and a forecast overachievement of interest income on internally managed investment returns of £0.5m. At this stage it is assumed that the remaining contingency budget of £4.5m will be used in full for BAU activity.

Directorate	2020/21			BAU Variation £'m	COVID-19 Variation £'m
	Latest Budget £'m	Forecast Outturn £'m	Forecast Variation £'m		
Children's Services	130.674	145.208	14.534	3.000	11.534
Adults Services	194.047	206.947	12.900	-1.900	14.800
Public Health*	0.000	0.000	0.000	0.000	0.000
Communities	89.006	95.276	6.270	0.000	6.270
Customers and Organisational Development	26.588	31.913	5.325	0.000	5.325
Commercial Development, Assets and Investment	32.649	35.149	2.500	-0.300	2.800
Directorate Total	472.964	514.493	41.529	0.800	40.729
Strategic Measures	-1.850	1.550	3.400	-0.800	4.200
Contribution to Reserves for Collection Fund losses	0.000	6.000	6.000	0.000	6.000
Additional funding	0.000	-26.926	-26.926	0.000	-26.926
Planned Contribution to balances	4.591	4.591	0.000	0.000	0.000
Total	475.705	499.708	24.003	0.000	24.003

*Net zero budget after ringfenced Public Health grant £31.239m

- There are further risks to the forecasts for service delivery such as the possibility of a second period of lockdown, either nationally or locally, to respond to a second peak in Covid-19 cases. This scenario is difficult to model as this would impact different services to different degrees with some services forecasting higher costs in the recovery phase than the response phase.

Directorate Forecasts

Children's Services +£14.534m

- There is a forecast net overspend reported on BAU of £3.0m. Within this, Corporate Parenting is forecast to overspend by £3.3m. The overspend is due to the ongoing costs of growth experienced in 2019/20.
- The impact of Covid-19 on Children's Social Care is very difficult to model. It is broadly accepted that there will be a surge in referrals as schools return but the impact will depend on the size of the demand, the market reaction, and the timing of the surge. It is likely that the main impact in year will be on assessments and staffing. While some cases are accelerated quickly, in the majority of cases there is a lead time of 12 to 18 months before costly and long term interventions are put in place meaning that some of the financial impact will not be seen until next financial year but could have a budgetary impact for 10 to 15 years. Taking account of the factors outlined above, the in year forecast of additional cost has been assessed as £8.0m.
- The current forecast does not include cost pressures relating to Home to School Transport for additional journeys as it is currently assumed that school journeys will return to pre-Covid patterns. However, there is a risk that on-going social distancing measures in the Autumn term could result in reduced capacity on buses and /or staggered start times which would have a significant impact on the budget, potentially doubling the spend at a cost of £7.0m per term.

14. The High Needs Dedicated Schools Grant (DSG) budget is forecast to overspend by £11.0m. This overspend will be transferred to the High Needs DSG reserve at year end. The variance relates to existing young people and an expected growth in demand for Education Health and Care Plans and support for the current year based on the currently announced High Needs DSG funding. This is in addition to the existing deficit brought forward for High Needs DSG of £11.2m.
15. A forecast overspend of £2.0m is included for Early Years provision to reflect additional payments to providers. This is included within the Covid-19 forecast although it is possible that this will be met from the Early Years DSG budget and will not be a pressure on the General Fund.

Adult Services +12.9m

16. The Adult Services forecast includes a BAU forecast underspend of £1.8m relating to pooled budgets with the Clinical Commissioning Group. The underspend relates to lower levels of activity which may not be sustained as the financial year progresses.
17. The Council has provided additional payments to providers to help them manage additional costs including the purchase of Personal Protective Equipment (PPE). A 10% uplift has been agreed to be paid to providers in April, May and June. The forecast includes the retention of a sustainability fund to support providers after a withdrawal of the uplift. Further costs are included in the forecast for the additional cost of paying home support providers based on planned hours rather than actual hours of care delivered. In total, the forecast of additional costs is £9.5m.
18. The forecast also includes a pressure of £1.2m for the non-delivery of savings relating to review of packages and placements which has been delayed as a result of the Covid-19 pandemic.

Public Health =£0.0

19. A breakeven position is reported for Public Health.

Communities +£6.2m

20. The business as usual activity within the Communities directorate is forecast to breakeven.
21. There is a forecast overspend of £6.2m relating to the impact of Covid-19. Of this forecast, £3.5m relates to loss of income from parking, permits and other network charges. It is assumed that losses experienced in April and May will continue through to August and then return to 75% for the remainder of the year.
22. Other pressures within the directorate include loss of income from the 'spare seat scheme' in the Autumn Term, and loss of income to the Integrated Transport Unit.)

23. The forecast includes additional costs of £0.1m to open the Household Waste Recycling Centres, including additional signage, and a change in waste disposals resulting in additional costs of £0.3m.
24. A forecast overspend of £0.3m is included for additional staff costs to ensure sufficient firefighter coverage is retained.

Customers and Organisational Development +£5.3m

25. The business as usual activity within the Customers & Organisational Development directorate is forecast to breakeven.
26. A forecast £0.1m overspend on Customer Service Centre reflects the costs of temporarily increasing the operating hours in response to Covid-19 pandemic. A small loss on income in relation to 'Blue Badge' services is also included.
27. The forecast for the Coroners Service includes £3.5m for the costs of establishing an additional temporary place of rest facility.
28. A forecast £0.3m overspend in the Library Service reflects loss of income due to the closure of libraries in response to Covid-19. Additional costs have also been incurred to enhance the online lending offerings.
29. A forecast £0.5m overspend in the Music Service reflects the loss of income due to the cessation of music lessons in response to Covid-19.
30. £0.8m overspend in the Registration Service reflects the loss of income due to cessation of all ceremonies and other Registration services in response to Covid-19.

Commercial Development, Assets and Investments +£2.9m

31. The business as usual activity within the Commercial Development, Assets and Investments directorate is forecast to breakeven.
32. The Covid-19 forecast includes £2.0m for the purchase of PPE (increased from £1.3m in the figure reported in May). This forecast is subject to change depending on the volume of PPE required by providers and for the Council's own staff in the recovery phase.
33. The forecast also includes £0.7m loss of income relating to the provision of school meals. In reaching this figure it is assumed that there will be a tapered recovery during the Autumn term.

Corporate Financing

34. The Strategic Measures forecast includes assumptions about delayed delivery of service redesign savings which are held corporately. This slippage is expected to create an in-year pressure of £3.8m
35. There is a pressure of £0.8m relating to lower than budgeted returns from externally managed funds. However, this is partly offset by a forecast overachievement of £0.5m from internally managed investments.
36. The Contingency budget of £4.8m is assumed to be fully committed at year end, including £0.3m to offset the net directorate overspend.
37. The forecast includes real cash losses in 2020/21 to the Collection Fund, estimated at £6.0m across the City and District Councils. The collection fund losses arise primarily from an increase in claims for the Council Tax Reduction Scheme (CTRS). The statutory accounting treatment for Council Tax means that losses will impact the Council in 2021/22 through the Collection Fund which could move from a surplus position to a deficit position. However, as these losses are occurring in 2020/21 it is appropriate to plan to manage the impact in the current year.
38. The Council has received additional unringfenced grant funding of £27.2m. Of this £0.3m was utilised in 2019/20. The remaining £26.9m is available in 2020/21 to help meet the costs associated with Covid-19.

Further Funding Announcements

39. Since the last report considered by Cabinet in May, the following funding announcements have been made:
 - a. On 15 May, the Department for Health and Social Care announced a £600 million Infection Control Fund to tackle the spread of COVID-19 in care homes. The funding is provided to help care homes cover the costs of implementing measures to reduce transmission. It is required to be passed onto all care homes, not just those with whom the local authority purchases beds from. In Oxfordshire, there are 123 care homes registered to provide support for adults and older people, providing care for approximately 5,400 people. Oxfordshire County Council purchases approximately one third of these beds, the remainder are purchased primarily by people who fund their own care. The Council will receive £7.3m, 75% of the total funding must be passed to providers based on the number of beds and the remaining 25% is determined locally.
 - b. On 22 May, the Department for Health and Social Care announced £300 million for local authorities to support new test and trace service. Each local authority will be given funding to develop tailored outbreak control plans, working with local NHS and other stakeholders. These plans will focus on identifying and containing potential outbreaks in places such as workplaces, housing complexes, care homes and schools. In two tier areas, this grant is conditional on upper tier authorities working closely

with their lower tier partners and ensuring those partners are given opportunities to deliver the outcomes this grant is meant to support where delivery by those partners would be the most efficient and cost-effective means of delivery. The Council's share of this funding is £2.8m.

- c. On 23 May, the Transport Secretary Grant Shapps announced £283m new funding to protect and increase transport services, level up infrastructure and regenerate local economies after Covid 19. Allocations from the first tranche of funding were announced on 27 May. Oxfordshire's allocation is £0.6m This funding is for immediate measures to help with the easing of lockdown and to address the short-term need to get people back to work, school, shopping and leisure by sustainable means and at a safe social distance. It does, however, come with clear and strict criteria: the measures must be started within 4 weeks and completed within 8 weeks; and, if not compliant, the funding will be clawed back.
- d. A further update was announced on 2 July. This included a further £500m of funding to local authorities plus a scheme to reimburse councils for a proportion of losses of fees and charges. Details of these allocations are not yet available.

Procurement Policy Note - Supplier relief

- 40. The Cabinet Office has published a new 'Procurement Policy Note (PPN) – Recovery and Transition from COVID-19' (PPN 04/20) which is valid from 1 July until 31 October 2020. The guidance builds on what councils are already doing (supported by PPN 02/20 effective from April to 30 June 2020) to support local suppliers, so that they can continue to deliver the critical services communities need.
- 41. The note advises that councils should now start to plan with suppliers how to exit any contractual supplier relief they may have in place and move to a new, sustainable, operating model. Councils should start to review their contracts and determine whether it is still appropriate to provide the contractual supplier relief measures set out in PPN 02/20, whilst also considering those who may not have relief, but require it going forward

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