

Item: 4

Policy and Resources Committee: 3 December 2020.

Revenue Budget Outturn Projections.

Joint Report by Chief Executive and Head of Finance.

1. Purpose of Report

To present a projected outturn position for General Fund and Non General Fund Services based on an extrapolation of the budget monitoring position as at 30 September 2020.

2. Recommendations

The Committee is invited to note:

2.1.

The summary revenue budget outturn projections statement for the period 1 April 2020 to 31 March 2021, attached as Annex 1 to this report, indicating the following:

- A total General Fund overspend of £3,916,000.
- A deficit in Sources of Funding of £471,000.
- A net Non-General Fund surplus of £18,828,000.

2.2.

The explanations given in respect of the significant budget variances, attached as Annex 2 to this report.

2.3.

The table in section 8.2 of this report illustrating how the projected outturn deficit funding for General Fund services might be managed to produce a balanced budget.

3. Background

3.1.

The COVID-19 emergency, that is still affecting the country, has inflicted unprecedented pressure on society and the economy with significant financial challenges that are continuing to change and emerge. The pandemic caused a major impact on delivery of Council services over the lockdown period, with the Council actively supporting local businesses and citizens during this time. The impact on the Council's finances has been extremely mixed with some services that normally generate fees and charges suffering catastrophic losses of income; others having

experienced increased costs of safe operation during a pandemic; whilst a few service areas have achieved savings through reduced expenditure.

3.2.

As well as directly dealing with the impact of the virus and protecting communities, the Council has now reopened many public services across the county, in line with the Scottish Government's Route Map.

3.3.

The Council set its revenue budget for financial year 2020/21 on 3 March 2020 with the detailed revenue budgets presented to the Council on 11 June 2020. The detailed budget forms the basis of the individual revenue expenditure monitoring reports for the financial year.

4. Budget Outturn Projections

4.1.

Budget outturn projections have been developed in consultation with Council Services. These have been derived from the budget monitoring figures as at 30 September 2020 with that position projected forward to the financial year end.

4.2.

The Services were asked to review the draft projections and update or amend where knowledge of the service area suggested that the outturn would differ from the projections. The service updates that were fed back have been incorporated into the financial summary at Annex 1 to this report with the following projected outturn:

- A total General Fund overspend of £3,916,000.
- A deficit in Sources of Funding of £471,000.
- A net Non-General Fund surplus of £18,828,000.

4.3.

There are explanations of the most significant budget variances set out in Annex 2, whilst section 8 below illustrates that, provided there is not a worsening of pandemic restrictions with an adverse impact on service delivery, the Council is relatively well placed to manage the anticipated adverse outturn budget position.

5. Additional Funding Allocations

5.1.

Whilst the Council has experienced lost income and increased costs of service delivery, there have also been several new additional funding streams provided by the Scottish Government. The more significant elements of this funding have been Barnett consequentials that have been passported through to Local Government in Scotland following support provided for similar schemes to Local Government in England.

5.1.1.

Included in the additional COVID-19 re-determinations and grant funding allocations have been the following funding streams:

Government Announcement	Council Allocation
UK Consequentials of £50m	£350,000
UK Consequentials of £155m	£1,085,000
Education Recovery of £20m	£135,000
Discretionary Housing Payment funding of £5m	£8,152
Scottish Welfare Fund £22m (also £23m held in reserve)	£49,000
Council Tax Reduction £25m (also £25m held in reserve)	£100,000
Additional teachers and support staff	£211,177: £140,785 in 2020/21 £70,392 in 2021/22
Mental Health and Emotional Wellbeing Services 5 to 24-year olds (Covid-19 related) allocation	£52,500
Community Mental Health & Wellbeing Supports and Services (5 to 24-year olds)	£17,500
Digital Devices for Children and Young People (revenue and capital)	Revenue – £20,941 Capital – £121,688

5.2.

The funding derived from United Kingdom Government Barnett consequentials of £1,435,000 is funding with no strings attached and the Council is therefore free to apply this where it chooses. £150,000 has been allocated to a Community Resilience Fund with £1,285,000 therefore available to apply to budget overspends. The other additional funding streams are effectively ring fenced.

5.3.

The projected overspend on Social Care of £1,625,000 noted at Annex 1 is worthy of mention as this has already taken account of additional funding of £616,000 that has been announced by the Scottish Government in relation to the Local Mobilisation Plan submissions and has been paid to NHS Orkney for onward transmission to the Council. The projected gross overspend on Social Care is therefore £2,241,000. A further tranche of funding is also anticipated but the amount has not yet been confirmed.

6. Income Reductions

The Council has submitted details of the loss of income suffered to September 2020 and the expected full year outturn position. The Scottish Government and COSLA are continuing to discuss the methodology around distribution of funding for loss of income due to COVID-19. The initial quantum of funding has been set at £90 million, however the specific council allocation method is yet to be confirmed and it is certain that the £90 million will be significantly oversubscribed. A share of the £90 million has not been factored into the projected outturn position as the Council's allocation is not currently known.

7. Corporate Governance

This report relates to the Council complying with its financial processes and procedures and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

8. Financial Implications

8.1.

The exceptional impact of the COVID-19 pandemic has resulted in additional expenditure and reduced income across many service areas which will continue to be monitored during the remainder of the financial year 2020/21.

8.2.

The following table illustrates that, with a contribution from General Fund non earmarked balances at the financial year-end, and application of the balance of redetermination funding arising from Barnett Consequentials, it is currently anticipated that the 2020/21 overspend can be managed.

Funding of General Fund Estimated Outturn Deficit

	£000's
General Fund Non-Earmarked Balance as at 1 April 2019	4,787
General Fund Surplus 2019/20 Set-Aside for COVID19 Costs 2020/21	3,997
General Fund Non-Earmarked Balance as at 1 April 2020	<u>8,784</u>

	£000's
Estimated General Fund Deficit 2020/21	4,387
Share of Scottish Government Consequential Grant £155m	-1,085
Share of Scottish Government Hardship Grant £50m	-350
Hardship Grant £50m - £150k for Council Community Resilience Fund	150
General Fund Non-Earmarked Balance	-3,102
	0
	0

8.3.

There is a risk that increased levels of expenditure and low levels of income continue until the end of the financial year thereby increasing the outturn deficit position. There is however some optimism around an improving situation and there is an unquantified share of the lost income fund and possibility of additional social care funding that will reduce the outturn deficit.

9. Legal Aspects

Regular financial monitoring and reporting help the Council meet its statutory obligation to secure best value.

10. Contact Officers

John W Mundell, Interim Chief Executive, extension 2101, Email john.mundell@orkney.gov.uk

Gareth Waterson, Head of Finance, extension 2103, Email gareth.waterson@orkney.gov.uk

11. Annexes

Annex 1: Financial summary.

Annex 2: Explanations of significant budget variances.

Annex 1

	Sept	Sept	Over/Under		Budget Outturn Over/(Under)
General Fund	Spend	Budget	Spend	%	Estimate
Service Area	£000	£000	£000		£000
Roads	1,398.7	1,490.8	-92.1	93.8	655.0
Transportation	3,093.4	3,267.8	-174.4	94.7	581.0
Operational Environmental Services	889.1	863.9	25.2	102.9	920.0
E/Health and Trading Standards	316.5	348.1	-31.6	90.9	0.0
Development	808.0	842.8	-34.8	95.9	0.0
Planning	77.5	411.5	-334.0	18.8	-250.0
Development and Infrastructure	6,583.2	7,224.9	-641.7	91.1	1,906.0
Education	14,448.0	14,650.5	-202.5	98.6	-199.0
Leisure and Cultural Services	2,455.9	2,294.1	161.8	107.1	359.0
Other Housing	1,048.7	851.5	197.2	123.2	16.0
Education, Leisure and Housing	17,952.6	17,796.1	156.5	100.9	176.0
Social Care	11,367.7	11,080.8	286.9	102.6	1,625.0
Orkney Health and Care	11,367.7	11,080.8	286.9	102.6	1,625.0
Central Administration	4,661.1	4,957.6	-296.5	94.0	-409.0
Law, Order and Protective Services	1,776.0	1,448.7	327.3	122.6	654.0
Other Services	38.5	107.7	-69.2	35.7	-36.0
Policy and Resources	6,475.6	6,514.0	-38.4	99.4	209.0
Total Service Spending	42,379.1	42,615.8	-236.7	99.4	3,916.0
Sources of Funding					
Non-Domestic Rates	-3,575.7	-3,575.7	0.0	100.0	0.0
Council Tax	-4,871.2	-5,106.5	235.3	95.4	471.0
Revenue Support Grant	-35,386.8	-35,386.7	-0.1	100.0	0.0
Movement in Reserves	-6,443.4	-6,443.4	0.0	100.0	0.0
Total Income	-50,277.1	-50,512.3	235.2	99.5	471.0
General Fund Deficit 2020/21					4,387.0
Non-General Fund	Sept Spend £000	Sept Budget £000	Over/Under Spend		Outturn Estimate £000
Repairs and Maintenance	466.9	777.1	-310.2	60.1	0.0
Sundry Accounts	34.1	186.5	-152.4	18.3	-25.0
Asset Management Sub-Committee	501.0	963.6	-462.6	52.0	-25.0
Scapa Flow Oil Port	-1,896.8	-1,454.3	-442.5	130.4	-346.0
Miscellaneous Piers	60.8	-2,710.4	2,771.2	n/a	3,227.0
Harbour Authority Sub-Committee	-1,836.0	-4,164.7	2,328.7	44.1	2,881.0
Housing Revenue Account	91.2	-67.6	158.8	n/a	350.0
Orkney College	-2.3	52.8	-55.1	n/a	-34.0
Education, Leisure and Housing	88.9	-14.8	103.7	-600.7	316.0
Strategic Reserve Fund	-20,329.5	1,019.6	-21,349.1	-1,993.9	-22,000.0
Investment Sub-Committee	-20,329.5	1,019.6	-21,349.1	-1,993.9	-22,000.0
Non General Fund Surplus 2020/21	-21,575.6	-2,196.3	-19,379.3	982.4	-18,828.0

Significant Budget Variances

Roads	Reduction in Car Park income and Quarry sales
Transportation	Increased refit costs on an ageing fleet
Operational Environmental Services	Additional waste collection costs, additional waste disposal costs to Shetland and loss of commercial trade waste income
Planning	Increase in planning fees income
Education	Reduction in transportation of staff, staffing budgets and Pupil Equity Funding due to school closure in the COVID 19 lockdown period
Leisure and Cultural Services	Reduction in income due to COVID-19
Social Care	Additional costs of COVID-19 including staffing costs associated with opening the fourth wing at Hamnavoe House, additional agency staff required, and additional PPE costs incurred, high levels of sickness absence, there is a continued reliance on agency staffing due to recruitment issues and long term sickness absence within residential care homes and increase packages of complex care.
Central Administration	Mainly in respect of vacant posts
Law, Order and Protective Services	This is where the Emergencies cost centre sits in respect of COVID-19 additional staff and PPE costs
Council Tax	Reduction in income paid
Scapa Flow Oil Port	Increased income in respect of additional business (Tankers, Ship to Ship and anchorage dues)
Miscellaneous Piers	Cruise liner visits cancelled due to Covid 19 and hence no cruise liner income received
Housing Revenue Account	Reduction in rent income paid
Strategic Reserve Fund	Unrealised gains on the Strategic Reserve Fund portfolios