
Meeting of the Cabinet – 24th June 2021

Joint Report of the Chief Executive and Director of Finance and Legal

Revenue Outturn 2020/21

Purpose

1. To report the provisional revenue outturn position for 2020/21 and provide an update to 2021/22 forecasts.

Recommendations

2. That Cabinet:
 - Notes the draft General Fund and Housing Revenue Account (HRA) outturns for 2020/21
 - Notes the effect of the General Fund outturn on General Balances at 31st March 2021.
 - Notes the position on General Fund earmarked reserves at 31st March 2021.
 - Recommends that Council approves an additional £50,000 budget allocation for 2021/22 to develop a cultural programme to support the Commonwealth Games (paragraph 18).

Background

3. The Council's final accounts for the year ended 31st March 2021 have been completed, subject to audit.
4. The final audited accounts will be presented to Audit and Standards Committee in September. If there are any changes to the draft outturn set out in this report, these will be reported to Cabinet in October.

General Fund Revenue Outturn 2020/21

5. Since originally setting the 2020/21 budget in March 2020, the Council's operations and finances have been significantly impacted by the Covid-19 pandemic. In response the Government has directed significant additional funding to councils. Further detail is provided in Appendix A.
6. The provisional General Fund position after transfers from / to earmarked reserves is as follows.

Directorate	Latest Budget £m	Outturn £m	Variance £m
Chief Executive	0.8	0.6	(0.2)
Adult Social Care	96.8	99.4	2.6
Children's Services	72.5	81.6	9.1
Health and Wellbeing	2.9	1.1	(1.8)
Finance and Legal	3.8	3.3	(0.5)
Digital, Commercial and Customer Services	0.8	4.3	3.5
Housing and Communities	4.2	4.3	0.1
Public Realm	47.4	48.9	1.5
Regeneration and Enterprise	11.1	15.3	4.2
Corporate, Treasury and Levies	9.7	8.9	(0.8)
Total Service Costs	250.0	267.7	17.7
Total Resources	(250.0)	(280.9)	(30.9)
Use of Balances	0.0	(13.2)	(13.2)

7. Further detail is provided in Appendix B. The impact of the outturn shown above leaves the General Fund Balance at 31st March 2021 as follows.

	Budget £m	Outturn £m
Forecast balance 31 st March 2020	15.2	15.2
2019/20 outturn (as reported to July Cabinet)		+0.5
Balance at 31st March 2020	15.2	15.7
Actual 20/21 outturn		+13.2
Balance at 31st March 2021		28.9

8. This represents a favourable movement of £4.4m since reporting to March Council. The significant changes are as follows:
 - the cost of implementing changes to MUL in 2020/21 was £1.0m,
 - creation of additional earmarked reserves of £1.3m Children's Services, £0.8m Adult Social Care, £0.3m Regeneration and Enterprise and £0.1m other,
 - charging activity in response to the pandemic to specific Covid grants (£2.9m),

- reduced costs of providing Adult Social Care services (£2.5m)
 - revised cost of PPE (£0.8m)
 - better than forecast trading by the school catering service (£0.7m)
9. Unringfenced earmarked reserves at the year end are £67.6m, compared with £66.1m forecast at March Council. Further detail is provided within Appendix C which also includes details of ringfenced (Public Health and Schools) reserves.
10. As at 31st March 2020 unringfenced revenue reserves as a proportion of net revenue spend were 17%. As at 31st March 2021 Dudley's unringfenced reserves¹ were 24% of net expenditure. The most recent comparative information available for other councils shows that average unringfenced reserves were 44% of net expenditure as at 31st March 2019.

Collection Fund

11. The Collection Fund is maintained so as to account for variations in the collection of Council Tax and Business Rates and to apportion any surpluses or deficits to the Police, the Fire Authority and the Council. Accounting for these income streams is currently particularly difficult in light of the uncertain economic impact of Covid19.
12. The Council's share of Collection Fund deficits at 31st March 2021 is as follows.

	Forecast £m	Outturn £m	Variance £m
Council Tax	2.6	3.1	0.5
Business Rates	50.2	48.1	(2.1)
Total	52.8	51.2	(1.6)

13. However, after taking into account additional Section 31 grant of £0.6m payable in lieu of specific Business Rates reliefs and Local Tax income Guarantee grant being £2m lower than forecast the overall favourable variance is (£0.2m).
14. There is ongoing uncertainty about the impact of Covid-19 on the collection of Council Tax and Business Rates in 2021/22. Further monitoring and analysis will take place during the financial year specifically focusing on:
- Number of Council Tax Reduction claimants
 - Empty premises across the Borough, and
 - Debt recovery

¹ In order not to distort comparisons, this excludes reserves in respect of Section 31 funding of increased Business Rates Retail relief and Local Tax Income Guarantee grant.

15. Under accounting rules, the variance at outturn and any ongoing surplus or deficits arising from in year monitoring of the Collection Fund will be taken into account when setting the budget for 2022/23. This represents a significant risk to the Council's Medium-Term Financial Strategy.

2021/22 General Fund Revenue Budget

16. There is ongoing economic uncertainty of the impact of Covid 19. However, the 2021/22 budget set in March assumes that any income losses or additional expenditure will be funded by government grants and includes a contingency of £8.8m.
17. The budget set in March 2021 allows for an increase in line with the Chancellor's announced public sector "pay freeze" with increases only for staff earning less than £24,000 per annum of £250. However Central Government does not control Local Government pay directly. The outcome of negotiations between the employer and unions is still uncertain. We will keep the position under review and report back to later meetings of Cabinet in relation to this and other budget risks and uncertainties.
18. The Commonwealth Games being held in Birmingham in 2022 provides an opportunity for Dudley to create a forward thinking cultural programme which can be developed with input from a variety of partners and stakeholders. It is proposed to appoint an external consultant made up to a maximum cost of £50,000, to assist council officers and partners in development of proposals to complement the games. Any future requirement for council expenditure to support the Games will be brought back to Cabinet and Council through the 2022/23 budget setting process.

Housing Revenue Account (HRA)

19. The actual outturn shows a HRA in year surplus of £0.9m, a positive variance of £1.2m since last reported to Council. Further detail is shown within Appendix D. Main reasons for the change include:
- Additional income £1.7m mainly from dwelling rents and grant income
 - Reduced take up of Discretionary Housing Payments £0.4m
 - Slippage on Repairs and Maintenance works £0.4m
 - Other favourable variances £1.7m including vacancies
 - Partly offset by additional revenue contribution to capital £3m
20. The impact on HRA balances is shown below.

	Budget £m	Outturn £m
Forecast balance 31 st March 2020	1.1	1.1
2019/20 outturn (as reported to July 2020 Cabinet)		+3.3

Balance at 31st March 2020	1.1	4.4
Budgeted use of balances	-0.3	
Forecast 20/21 outturn		+0.9
Balance at 31st March 2021	0.8	5.3

21. In addition to HRA revenue reserves, Public Sector Housing capital reserves carried forward at 31.3.21 amounted to £19.6m compared with £18.5m at 31.3.20.

Finance

22. This report is financial in nature and information is contained within the body of the report.

Law

23. The Council's budget setting process is governed by the Local Government Finance Acts, 1988, 1992, and 2012, and the Local Government Act 2003.

Risk Management

24. The Council's budget is identified as a Corporate Risk and currently rated as Significant.

Equality Impact

25. The recommendations in this report comply with the Council's policy on Equality and Diversity.

Human Resources / Organisational Development

26. There are no Human Resource or Organisational Development issues arising directly from this report.

Commercial / Procurement

27. The financial impact of Covid-19 includes disruption to traded services and commercial income.

Council Priorities

28. Dudley operates a One Council ethos to build an effective and dynamic organisation aligned to its three core priorities to grow the economy and create jobs; create a cleaner and greener place and support stronger and safer communities.

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List of Background Papers

Council Tax Setting report to Council on 1st March 2021
Draft Statement of Accounts for the year ended 31st March 2020

Appendix A

Government Funding in response to Covid-19 (Up to 31st March 2021)

Name	£m	Comment
General Covid-19 grant	25.9	4 tranches of funding
Compensation for loss of Sales, Fees and Charges	5.8	Latest estimate
Local Tax Income Guarantee	2.2	Estimated based on losses on Collection Fund (Council Tax and Business Rates)
Total unringfenced	33.9	
Section 31	45.5	Compensates for additional Business Rates relief
SBGF / RHLGF / Discretionary Bus. grants	58.4	Initial allocation to fund grants to businesses. (Lockdown 1)
Local Restrictions Support Grant	20.1	Various schemes
Additional Restrictions Grant (ARG) + top up	9.3	£20 per head discretionary fund to support businesses. Top up announced Jan 2021
Wet led pubs support payments	0.2	£1,000 payment to pubs relying on mainly drink sales
Infection control - Care Homes	5.6	Rounds 1 and 2
ASC Rapid Testing Fund	0.6	80% to Care homes & CQC care providers, 20% discretionary
Staffing in care homes	0.8	Indicative allocation out of national £120m
Support hospital discharges	2.1	Claimed from CCG
Hardship Fund	3.0	To fund additional Council Tax relief
Test and Trace Support Payment	0.6	£500 lump sum for those on low incomes when requested to isolate and discretionary scheme (Sept & Jan 2021)
Emergency Assistance Grant	0.4	Food & Essentials
Winter Grant Scheme	0.8	£170m nationally. Ringfenced, with at least 80% earmarked for food and bills.
Holiday activities and food programme	0.1	
Test, Track and Trace	1.9	Ringfenced
Test and Trace discretionary element	0.4	

Name	£m	Comment
Compliance and Enforcement	0.2	Ringfenced to support compliance and enforcement. Covid Business Advisors
Contain Outbreak Management Fund (COMF)	8.1	
Clinically Extremely vulnerable	0.4	
Lateral Flow Testing	0.6	
Education - Catch up premium	1.1	Academic year grant DSG
School Emergency Support	0.3	Passed to schools on a claim basis
Next Steps Accommodation Programme	0.1	Conversion to shared accommodation (Victoria St)
Emergency Active Travel	0.3	£50k Revenue, £235k Capital.
Reopening High St fund	0.3	Eligible expenditure to be claimed
New Burdens- administration funding	0.5	Implementation of hardship funding / business grants / CTR / Test and Trace
Mental Health support for schools	0.1	
National Testing programme	0.1	
Home to School & College transport	0.5	Funding from DfE via WMCA
Total ringfenced	162.4	

General Fund Revenue Service Spend Summary 2020/21

Directorate	Budget £m	Outturn £m	Variance £m	Of which Covid £m	Of which Other £m	Comment
Chief Executive	0.8	0.6	(0.2)	(0.1)	(0.1)	Covid: Senior Management charged to grants (£0.1m) Other: HR (£0.4m) vacancies, offset by consultancy and recruitment costs £0.3m
Adult Social Care	96.8	99.4	2.6	2.1	0.5	Covid: £2.5m support payment to providers, pressure on Dudley Disability Service £2.1m from packages and staffing. Offset by; staffing (£1.1m), Mental Health (£0.7m), Commissioned contracts (£0.3m), Clinically Vulnerable grant (£0.2m), Tiled House (£0.1m), Other savings (£0.1m). Other: £1.0m Successor offset by funding switch Disabled Facilities (£0.5m).
Children's Services	72.5	81.6	9.1	2.6	6.5	Covid: Schools trading accounts £1.2m, Social Care placement extensions £1.0m, education trading activities £0.4m. Other: Placements £4.7m, net pressure on Transport £0.3m, creation of £1.3m of reserves, other £0.2m

Directorate	Budget £m	Outturn £m	Variance £m	Of which Covid £m	Of which Other £m	Comment
Health and Wellbeing	2.9	1.1	(1.8)	(1.6)	(0.2)	Covid: (£1.6m) of staff costs charged to various grants Other: (£0.2m) savings on substance misuse contract and reserves not needed
Finance and Legal Services	3.8	3.3	(0.5)	(0.2)	(0.3)	Covid: loss of Summons income £0.7m, use of Covid grants (£0.9m) Other: Savings on Elections (£0.4m), Revenues & Benefits (£0.2m), Member expenses (0.1m), other favourable variances (£0.1m), offset by; Legal staffing £0.2m, Housing Benefit £0.2m, Audit Fees £0.1m.
Digital, Commercial and Customer Services	0.8	4.3	3.5	2.7	0.8	Covid: £1.3m PPE, net events income, Signs, posters, media £0.4m, ICT £0.9m, Regional Mortuary £0.6m, Registrars income £0.2m, offset by use of covid grants (£0.7m). Other: legal fees £0.3m, PIMS £0.2m, £0.2m ICT telephony contract and handsets, £0.1m other.
Housing and Community	4.2	4.3	0.1	0.2	(0.1)	Covid: Homelessness £0.2m Other: Vacancies (£0.1m)

Directorate	Budget £m	Outturn £m	Variance £m	Of which Covid £m	Of which Other £m	Comment
Public Realm	47.4	48.9	1.5	2.2	(0.7)	Covid: Car Parks £0.6m, Waste £1.0m, other income £0.6m Other: Mobilisation savings (£0.9m), slippage on revenue works due to delivering capital works (£0.2m), offset by winter pressure £0.2m, advanced financing of capital £0.1m other £0.1m
Regeneration and Enterprise	11.1	15.3	4.2	4.3	(0.1)	Covid: Catering £1.4m, Market, Halls & Museums (inc Himley) £0.5m, Leisure Centres £2.7m, Planning £0.1m. Offset by use of covid grants (£0.4m) Other: Unfunded project costs £0.4m, increase reserves £0.4m, Property £0.2m, Bereavement Services £0.2m. Offset by savings on Enterprise Zone (£0.3m), Adult and Community Learning (£0.4m), Leisure centres (£0.6m)
Corporate & Treasury	9.7	8.9	(0.8)	1.5	(2.3)	Covid: Commercial losses £1.5m Other: Favourable - borrowing (£1.0m), release of (£2.0m) contingency, over recovery on pensions (£0.4m), release of Brexit reserve (£0.2m), other (£0.2m). Offset by adverse variances - additional pay award £1.0m; increase to Impairment allowance £0.3m; pooling of EZ income £0.2m.

Directorate	Budget £m	Outturn £m	Variance £m	Of which Covid £m	Of which Other £m	Comment
Total Service Costs	250.0	267.7	17.7	13.7	4.0	
Total Funding	(250.0)	(280.9)	(30.9)	(30.9)	0.0	Covid: £25.1m unringfenced Covid grant; estimated £5.8m compensation for sales, fees and charges losses.
Use of Balances	0.0	(13.2)	(13.2)	(17.2)	4.0	

Appendix C

General Fund Earmarked Reserves

Reserve	Balance 31.3.20	Balance 31.3.21
Unringfenced earmarked reserves		
Business Rates - Section 31 grant	698	45,081
Insurance Fund	5,224	5,659
COMF Fund	0	3,750
Paragon	2,186	2,369
Local Tax Inc Guarantee	0	2,183
Schools Community, Extended Use and Other Reserves	1,726	1,801
OFSTED Improvement	0	1,070
Dudley Grid for Learning	1,397	871
Successor - Adults	0	785
Impact Project	900	679
Homelessness Grant	188	321
BCF underspend	0	280
Test & Trace (Discretionary Element)	0	279
Community Forums	180	270
CIL - Neighbourhood Element	119	233
Coseley Site Management	0	230
MIPIIM 2022	0	201
Successor - Childrens	0	200
Towns Fund	173	165
Compliance & Enforcement (Covid)	0	104
Cyber Resilience Grant	0	100
Stalled & Derelict site development	0	100
Major projects special support	0	100
Covid 19	9,417	0
Social Care ICT	496	0
SiBCF	776	0
Schools in Difficulty	228	0
Other Covid 10 specific reserves	0	207
Other reserves	1,048	542
Total Unringfenced Earmarked Reserves	24,756	67,580

Reserve	Balance 31.3.20	Balance 31.3.21
Public Health	2,568	4,768
Schools delegated	9,128	10,584
Other DSG ²	(5,539)	0
Total Ringfenced General Fund	6,157	15,532
Total General Fund Earmarked Reserves	30,913	82,932

² Accounting rule change, the negative Central DSG balance will show as an adjustment account rather than a negative General Fund Reserve

Appendix D

Housing Revenue Account 2020/21 Outturn

	Latest Budget £m	Outturn £m	Variance £m
Income			
Dwelling rents	-86.183	-86.170	0.013
Non-dwelling rents	-0.826	-0.943	-0.117
Charges for services and facilities	-0.237	-0.219	0.018
Contributions towards expenditure	-0.923	-2.649	-1.726
Interest on balances	-0.059	0.000	0.059
Total income	-88.228	-89.981	-1.753
Expenditure			
Management	19.538	18.908	-0.630
Responsive and cyclical repairs	23.742	23.353	-0.389
Transfer to Major Repairs Reserve	24.638	24.086	-0.552
Interest payable	17.178	17.318	0.140
Revenue contribution to capital exp.	0.500	3.500	3.000
Other expenditure	2.893	1.880	-1.013
Total expenditure	88.489	89.045	0.556
Surplus / Deficit in year	0.261	-0.936	-1.197

Main reasons for the variances shown above include:

- Income from dwelling rents improved by the end of the year, following an increase in arrears during the pandemic
- Additional income was received relating to grant funding and other non-rental income
- The full budget to top up Discretionary Housing Payments was not required
- Savings on Repairs and Maintenance as a result of slippage of works owing to the pandemic
- Other favourable variances included vacancies
- As a result of the improved position, we were able to add to the revenue contribution to capital, supporting future investment in our properties