

<b>Committee:</b>	<b>Executive</b>			
<b>Date of Meeting:</b>	08 March 2021			
<b>Subject:</b>	Revenue and Capital Budget Monitoring Report Quarter 3 2020/21			
<b>Report Author:</b>	Service Director, Finance Revenues & Benefits			
<b>Contact Officer:</b>	Tim Lee, Principal Accountant			
<b>Implications:</b>	Legal	<input type="checkbox"/>	Community Safety	<input type="checkbox"/>
	Equalities	<input type="checkbox"/>	Environment	<input type="checkbox"/>
	Financial	<input checked="" type="checkbox"/>	Consultations	<input type="checkbox"/>
	Staffing	<input type="checkbox"/>	Other	<input type="checkbox"/>
<b>Wards Affected:</b>	All			

### Purpose

1. To report the latest forecast outturn position across the Council's finances, compared to budget.

### Recommendations

2. The Executive is recommended to:
  - i) note that the Quarter 3 monitoring forecast for the General Fund predicts a small net overspend compared to the revised emergency budget, after use of the grant funding and income compensation received to meet the impacts from the coronavirus.
  - ii) note the changes in the coronavirus grant funding up to Quarter 3 and the regulation changes introduced by the government, which has significantly reduced the expected use of reserves this year.
  - iii) note the capital budget changes detailed in paragraphs 24 to 28 of this report, including a cumulative reduction and re-phasing of projects totalling £113 million.

### Background

3. Emergency Budget - the revised budget approved in July put in place the initial resources needed to support the community and keep the Council's finances viable as a result of the costs and income losses arising from the virus, together with a best estimate of the grant funding support to be received toward this. The summarised changes made at the Budget are set out below:

increased costs to support and protect the community	£9.6m
income losses from fees and charges for services	£4.9m
complete loss of the Airport Dividend	£16.0m
reduced income from Council Tax and Business Rates	£8.0m
<b>Total Estimated Costs/Losses</b>	<b>£38.5m</b>

Met by:

Emergency Grant Funding from Government for Covid-19	-17.6m
Increased Savings Programme (net of contingency)	-8.2m
Use of Reserves – to meet the deficit and support savings delivery	-12.7m
	<hr/> <b>£38.5m</b> <hr/>

4. Coronavirus and Emergency Grant Funding Update - The control measures to suppress infection rates from the virus and the support needed by the community and businesses through the current crisis has continued to be the Council's highest priority over the past year. The specific measures needed for this have continued to change in response to the local position in Luton, within the Government's overall national strategy. Developments during the year include:
- restrictions on businesses and the extended periods of lockdown.
  - the introduction of the tiered regional infection categories, major infection control measures, test and trace and rapid testing
  - further targeted support for the vulnerable, additional public safety measures and significant support to businesses.
  - regulation changes for managing the impacts of lower collection rates on Council Tax and Business Rates income.

This has substantially changed the service delivery landscape over the year and the funding provided to support this has also changed, leading to a number of resourcing changes at this latest forecast compared to the position originally estimated at the Emergency Budget.

Luton's updated grant support to-date is summarised at paragraphs 9 to 12.

5. Loss of Income from London Luton Airport (LLAL) – The emergency grant funding shown above does not cover the £16m of Dividend income lost for 2020/21.

The Dividend income plays a vital role in supporting the provision of services in the town and the Council has been making a separate appeal to the Government, to provide extra support to Luton to help manage this loss.

As a result of the representations made, the Government has now confirmed that Luton is part of a package of special support made available to selected councils who face exceptional losses resulting from coronavirus. The capitalisation direction now available to the Council is extremely welcome and will provide additional flexibility to help manage the loss of revenue from LLAL. Analysis of the latest position is provided at paragraph 13.

6. Budget Savings Programme and Funding – The delivery of the savings programmes put in place at 2019/20 and 2020/21 are both phased over 2 financial years, giving a combined savings target for the current year of £20.5m.

This an extremely challenging target alongside the priority work needed to combat the virus. The latest monitoring shows that the delivery of the savings programme has been affected by the lockdowns, the intervening restrictions and the need to realign staffing resources to priority virus control measures. The current position is detailed at paragraph 17.

7. Core Service Budget - the Council was also already managing significant demand led cost pressures on its core budget prior to the emergence of the virus, including overspends on the statutory services for relieving homelessness and providing children's care. As reported at Quarter 1 and Quarter 2, this is continuing to affect this year's forecast outturn position, alongside the budget impacts of the coronavirus. Paragraph 9 provides an update on the main pressures within the core budget

The combined impact of this year's combined pressures on this year's potential outturn position is complex and is likely to continue to change, until the vaccination programme becomes established across the population and the effects of the virus are substantially reduced. This will continue to be closely tracked over the coming months to assess any further change.

A further £6.4m of emergency funding support has been confirmed for coronavirus control measures and service costs during Quarter 1 of 2021/22.

## Report

### REVENUE BUDGET MONITORING QUARTER 3

The Quarter 3 forecast for the General Fund indicates a net overspend of £0.071m for General Fund services against the revised emergency budget approved in July. This is after utilising the £19.6m of emergency grant for priority coronavirus measures and £4.3m of compensation received for income losses. This is a reduction of £1.708m million compared to the overspend reported at Quarter 2.

The current forecast variations to budget for each Department are shown in the table below, including a split of the impacts remaining 2019/20 budget pressures on this year's forecast:

*Key: + overspend or increase / - underspend or reduction*

Department	Q3 Impact from 19/20 Savings £'000	Q3 2020/21 Vars. £'000	Grant Funding for Savings Shortfall £'000	Net Variation £'000
Chief Executive's		239	0	239
Children, Families & Educ.	1,865	-178	-1,037	650
Customer & Commercial	1,883	2,800	-2,333	2,350
Place & Infrastructure	177	2,084	-1,684	577
Public Health & Wellbeing	250	-1,139	-794	-1,683
<b>Service Position</b>	<b>4,175</b>	<b>3,806</b>	<b>-5,848</b>	<b>2,134</b>
Central Accounts		-2,025		-2,025
Public Health Reserve		-38		-38
<b>Total General Fund</b>	<b>4,175</b>	<b>1,743</b>	<b>-5,848</b>	<b>71</b>

\* The progress of this year's full savings programme has been disrupted by the priority work needed on the coronavirus and by restrictions occurring during lockdown. This shortfall can be met from the emergency grant funding received and this has enabled a reduction in the use of reserves that were included in the emergency budget to provide contingent risk cover for this.

Whilst this forecast represents the latest estimated position, the situation may change given the exceptional ongoing measures needed to control the virus.

If needed, £0.95 million of the general contingency budget remains available as cover against any further cost pressures arising over Quarter 4.

### **Core Service Costs at Quarter 3**

8. The Council has been managing a number of significant demand led pressures across several core services including statutory support to relieve homelessness and children's social care.

The updated position for this at the Quarter 3 monitoring is shown in the table below. This includes the impact from savings shortfalls in the services shown, net of grant funding cover. The current position on the 2 main service pressures also includes some additional one-off budgets provided this year from within the overall emergency budget resources.

#### **Main Service Pressures**

Service	Overspends		Notes
	Q3 Forecast	2019/20 Outturn	
Homelessness - Temporary Accommodation (TA) & Prevention	£1.3m (net of £1m one-off additional budget)	£3.5m	The number and cost of properties needed to relieve homelessness has reduced this year, but remains high. Overspends on repairs, utility costs and rent deposits are largely offsetting the reduced property costs. The largest pressure is currently on rental income, including the 2011 LHA rates being used. The measures set out in the service improvement plan for recovering to a position within budget, have been delayed due to Covid-19 impacts and outstanding IT work.
Children's Social Care Placements	£1.7m (net of £0.5m one-off additional budget)	£3.2m	The number of children supported this year has reduced by around 2.5%, compared to the position at March '20 and some placement costs have also reduced following renegotiation with providers. However the forecast overspend has increased by £0.5m since Q2.
Revenues	£1.1m	£0.6m	£0.7m shortfall in fee income from recovery work (some covid impact). £0.4m overspend for revaluation fees, insolvency and software costs.
<b>Main Service Pressures Total</b>	<b>£4.1m</b> (net of £1.5m one-off additional budget)	<b>£7.3m</b>	

The £4.1 million net overspend in these areas is partly offset by compensating underspends across other service areas, giving a net overspend of £2.1m on total service costs at Quarter 3.

The largest compensating service underspend is £1.4m on adult social care, resulting from:

- £2.6m of reduced activity this year on home care, day care, transport and learning disability care
- offset by a £1.2m increase in support for mental health care

### **Coronavirus Grant Support and Cost Impacts at Quarter 3**

9. Emergency Grant Support - £19.683m of grant received for local priorities and overall cost impacts from coronavirus:

Local Priority Control Measures	£6.783m	Funding over 90 separate initiatives to: Support the vulnerable, safeguarding, carers and the care sector. Provide food, housing & lockdown learning support. Enhance community and public safety. Boost cleaning, refuse collection, infection control and rapid testing. Additional staffing + staff safety (incl. PPE). Manage excess deaths.
Disrupted Delivery of the Budget Savings Programme	£5.848m	to meet the savings shortfalls caused by diversion of resources to priority control measures and from restrictions affecting the implementation of savings
Additional loss of returns from LLAL	£7.007m	To meet part of the additional loss of returns from the Airport company, resulting from impacts on air travel (2019/20 Dividend)

10. Loss of Income - A substantial loss of fees, charges and commercial income has also been incurred this year, due to the reduced use of services and the effect of the restrictions on the work needed to deliver some income related savings. The Q3 forecast estimates this loss at £9.5m, across a range of services including parking charges, commercial property rental, adult social care and reduced income from traded services.

The government's grant compensation scheme for income losses only reimburses approximately 60% of eligible amounts, with any reduction in commercial and trading income excluded from the scheme.

The grant compensation receivable for the losses is just £4.2m, leaving a net gap of £5.3m to be met by the Council. This is approximately £2.8m higher than the initial figure estimated within the emergency budget position, due to the longer term effect of the extended restrictions and lockdowns needed during the year.

The £2.8m additional loss is included in the current net overspend position reported at Quarter 3.

11. Quarter 4 - the ongoing costs and the impacts on income will continue to be monitored over the final Quarter of this year for any further movement. An updated position will be reflected in the final monitoring exercise that will take place from the end of February.

12. Ringfenced Grants – £14.636m of funding, from 18 grants for targeted support:

COMF (Test & Trace, Additional Surge)	£6.580m	To support the national Test & Trace program. Extended at second wave lockdown with Contain Outbreak Management
---------------------------------------	---------	---

		Fund. To support proactive containment and intervention measures. This fund can be carried forward to 21/22.
ASC (ICF1&2, Workforce Capacity, Rapid Testing)	£3.799m	4 funds for distribution to the ASC care sector, to support ASC providers to reduce transmission in/between care homes, workforce resilience, infrastructure cost of setting up rapid testing, and boost staff levels. Plans in place to fully spend.
11 Other Funds	£3.180m	For the benefit of Luton's citizens., including:  C-19 Rough Sleeper Self-Isolate, C-19 Bus Service Support Grant, Reopening High Streets Safely Fund, Emergency Assistance Grant for Food and Essentials, Next Steps Accommodation Programme (long term), Next Steps Accommodation Programme (short-term), Additional School/College Transport, Local Authority Compliance and Enforcement, Cold Weather Payment, Clinically Extremely Vulnerable  Grant conditions vary.
Other Funds For Administration	£1.077m	Includes the two funds: Test & Trace Support Payment (aka Self Isolation) and Covid Winter Grant.  The Council distributes these 2 funds to the economically vulnerable groups. For TTSP to-date, £224k payment to 489 claimants of £500 each. On track to fully spend. Underspends are clawed back and any overspends will be further funded.  For CWG, to-date £382k payment for 12,733 vouchers of £30 each and 51 utility bill support of approx. £30 each totalling £382k payment. On track to fully spend. Underspends are clawed back, overspends will be further funded.

### **LLAL and Income from Investments**

13. The catastrophic impact of the virus on the aviation industry was evident from early in the pandemic and the loss of this year's £16m Dividend payment from LLAL was incorporated in to the revised emergency budget plans approved in July.

Significant work has been undertaken since July, to assess the further impacts on the company from the continued restrictions on both domestic and international air travel. The position has worsened and the company has now informed the Council that it won't be able to pay the £19.1m of Dividend declared for last financial year.

Although this represent a further severe loss of revenue, the impact in the current financial year can be met by the package of coronavirus support measures now available to the Council. This loss will be absorbed by a:

- £7.0m use of the emergency covid-19 grant support
- £12.1m to be capitalised, from within the £35m specific capitalisation direction recently confirmed by the government for Luton

This will provide some vital flexibility to help the Council manage the immediate loss of returns from LLAL, as the Airport and the company start to recover to a pre-coronavirus operational position.

As part of the capitalisation direction, further work is being carried out to establish the extent of support required by LLAL as part of the stabilisation and recovery plan and the resulting impact on the Council's finances.

### **Council Tax and Business Rates Income**

14. The collection of these income streams has also been substantially affected by the current economic position resulting from the restrictions and closure of businesses during the pandemic.

Increased business rate discounts and direct grants have been provided to assist businesses during this unprecedented period, but this hasn't fully mitigated the impact and the collection of business rates has reduced by around 8% compared to the equivalent position last year.

Increased hardship support has also been provided on Council tax to assist the resulting loss of earnings in the local workforce, but the collection of Council Tax has also reduced by around 7%.

This is a problem shared by all Local Authorities and the government has acted to help Councils manage the impact of the collection deficit. Revised regulations are now in place allowing the recovery of the collection deficits over a period of 3 years.

An estimated provision for these losses was made at the emergency budget in July, originally resourced from the use of reserves. The amended regulations have changed this, with no use of reserves now needed for this in the current year. The future impact from deferring the collection deficit is expected to be around £2.7 million per annum over the next 3 years and this has been provided for in the 2021/22 Budget.

### **Budget Savings Programme**

15. A further £3.5m of progress has been made this year against the 2019/20 savings gap of £7.5m. This leaves around £4.2m still to be delivered. Further progress will be made to deliver the balance which has been delayed due to the pandemic.

For the 2020/21 savings, £12.5m of the £16.9m is currently on target to be delivered this year. The current position for all the savings still in progress is shown at Appendix B, this forecasts a shortfall of around £8.3 million (gross), an increase of £0.6 million compared to position reported at Quarter 2.

As explained at paragraphs 8 and 9, the impacts of coronavirus on the delivery of this year's programme is being met by a £5.8m use of the emergency grant support available this year. This reduces the final budget impact to £2.5m for 2020/21.

The delivery of the increased savings programme established at the emergency budget was supported by partial contingency cover, resourced from the direct use of financial reserves. The grant funding replaces the use of reserves this year.

It must be noted however that this is a short-term position and the full delivery of the current savings programme remains vital to securing the longer term sustainability of the Council's finances.

### **Corporate Budgets**

16. Borrowing, Investments & Capital Financing - the review of capital requirements, borrowing levels and returns on investments has yielded cumulative gains of £2.025

million up to Quarter 3. This is helping to substantially offset the £2.1m net forecast overspend currently reported on service costs.

The gain relates to the continued use of short-term borrowing while interest rates are at a historic low, in lieu of the longer term borrowing needed to fully finance the Council's total capital investment programme. The optimum arrangements to minimise the cost of the long term borrowing are still being explored, alongside potential changes on the phasing of the commercial capital investment projects.

17. Central Contingency Budget - £2.25m of general contingency budget was set for 2020/21 as cover against unforeseen cost pressures. £0.95m of this has been used this year to fund 2 budget pressures:

- £0.27m for additional staff to support the children's services improvement programme.
- £0.68m for the staff severance payments arising from the budget savings programme (paragraph 20)

This leaves £0.95m of remaining cover against the current net forecast overspend reported for General Fund services, if needed.

18. Staff Severance Costs – the budget savings programmes for 2019/20 and 2020/21 include significant reductions in employee costs from the continued transformation of service delivery and the re-introduction of a voluntary separation scheme (VSS). The current forecast includes 34 staff linked to specific service savings and 33 staff from the VSS, with a forecast exit cost totalling £1.4m. This is £0.68m more than the budget available for these costs, requiring an allocation from the general contingency budget to cover the increased impact.

### **Use of Emergency Budget Reserves - Update at Q3**

19. The emergency budget included the use of £13.4 million of reserves to set a balanced budget and meet the estimated impacts from coronavirus.

As explained earlier in the report, the level of ongoing activity, control measures and resulting cost impacts from the virus has continued to change during the year and this has resulted in some significant changes to the resourcing of this year's overall budget position.

The use of reserves at Quarter 3 forecast has now substantially reduced to around £1.15 million, resulting from the following movements:

- -£7.98m of reduced use from the deferral of council tax and business rates collection losses (regulation changed: recovery over 3 years from 2021/22).
- -£2.43 million of reduced use from the permanent release of savings delivery contingency following full early delivery of some savings
- -£5.84m of reduced use for supporting the savings programme, now met from emergency grant funding

The short-term reduction in the use of reserves this year, places the Council in a stronger position to meet the further challenges still faced on future Budgets, including the deferred loss of income from 2020/21 and the potential longer term impacts from the virus.



## **General Fund Outlook**

20. The ongoing effects of the service related pressures mentioned in this report are already provided for in the 2021/22 Budget and do not affect the opening position for the year. Within this, the delivery of the full savings programme remains vital for ensuring that no gap arises in the budgeted position. Further focus will be given to the delivery of the savings plans over the initial months of 2021/22. Further support from the capitalisation direction remains available as cover against any further impacts arising from the LLAL stabilisation and recovery plan, when this has been re-assessed in line with the updated operating position next year.

The outlook for the Council's Budget will remain difficult, due to the complexities of the current position and the residual longer term impacts of the virus. Risks include:

- the ongoing position for virus infection rates and the take-up of vaccinations in to 2021/22
- the level of future funding available for control measures and any gap between this and the costs incurred
- the future economic and social effects on employment, welfare provision and the wider recovery support needed by the community and businesses
- the ongoing impact on the Council's investment & development programme, including the LLAL stabilisation and recovery plan and the risks associated with the aviation industry.
- the pace of recovery from the financial impacts of the virus, including the Council's income sources returning to pre-covid levels
- the level of the core funding settlement at the Government's next Spending Review and how this is affected by the unprecedented levels of public sector borrowing undertaken during the pandemic.
- recovering the losses deferred from 2020/21 within the future Budget position
- improving the delivery of the current savings programme, to prevent unachieved budget issues accumulating
- addressing the ongoing impact of the core demand led service overspends

Departmental recovery actions from the current overspends are continuing to be implemented, to reduce costs and improve future sustainability. This includes:

- i. Luton Families Change & Improvement Programme - further work is ongoing across all the work streams, including Placements & Commissioning and Fostering where there is forthcoming tendering for 16+ accommodation and agency fostering placements. Recruitment is progressing to support the Edge of Care measures and improvements to the workforce stream include conversions of agency workers to permanent staff and the social worker academy to improve staff retention and further reduce the use of agency staff.
- ii. Homelessness - a review of the operating model for the service has recently been undertaken and has identified a number of opportunities and initiatives aimed at reducing the numbers in Temporary Accommodation and reducing costs. This includes
  - improved first contact to provide alternative support where appropriate, improved case management through the purchase of IT

- reviewing the Housing Needs structure to support key tasks
- further negotiations with landlords to reduce costs, achieve value for money and further reduce the use of nightly-let accommodation
- TAPS2 Acquisition Programme
- reviewing the rent structure above 2011 LHA rates to increase the income received toward the cost of accommodation provided.

The progress of some of these improvement measures has been affected by coronavirus

iii. Revenues & Benefits – returning to full recovery and enforcement activity

### **HOUSING REVENUE ACCOUNT (HRA) – Quarter 3**

- 21.** The Housing Revenue Account budget was set with a surplus and potential contribution to balances of £1.788 million this year, pending requirements to support the 2020/21 HRA capital programme from revenue resources.

A net underspend of £1.117m is forecast at Quarter 3, an increase of £0.127m compared to the Quarter 2 forecast underspend. The cumulative position primarily results from a £0.657million reduction in repair costs due to reduced work during coronavirus, £0.265 million of staff vacancy savings and £0.205 million of additional income from leaseholders.

### **SCHOOLS REVENUE BUDGET (Memo Only) – Quarter 3**

- 22.** The Schools Budget for 2020/21 totals £155.0 million and is fully funded by the Dedicated Schools Grant (DSG).

The Quarter 3 monitoring forecasts a net underspend of around £1.279m in the central element of the budget, an increase of £0.286m compared to Quarter 2 forecast underspend. This includes:

- an underspend of £0.761 million in the high needs block mainly on providing alternative tuition, up £0.302m from Q2
- An underspend of £0.291 million in the take up of early years additional hours funding, approximately the same as at Q2

### **CAPITAL PROGRAMME MONITORING – Quarter 3**

#### **Capital Summary**

- 23.** The updated capital programme total for 2020/21 after the changes identified at the final outturn position in 2019/20 and the emergency budget reductions is £282.372 million: £262.945 million for the General Fund and £19.427 million for the Housing Revenue Account.

The Quarter 3 monitoring forecasts that this year's spend will reduce to £169.212 million: £153.588 million for General Fund and £15.624 million for the HRA. This is a cumulative net reduction of £113.160million this year. The table below summarises this change by Department, from the original Budget approved:

2020/21 Programme Summary by Department	Base Budget £m	Monitoring Forecasts			Cumulative Change £m
		Q1 £m	Q2 £m	Q3 £m	
Place & Infrastructure	44.131	43.871	27.561	19.063	-25.068
People	16.749	16.749	9.499	8.666	-8.083
Chief Executive's	3.225	3.185	3.085	1.850	-1.375
Customer & Commercial	15.534	15.534	15.534	1.439	-14.095
<b>Total General Fund (Excl. Corporate Projects)</b>	<b>79.639</b>	<b>79.339</b>	<b>55.679</b>	<b>31.018</b>	<b>-48.621</b>
Corporate Projects	183.306	87.151	141.567	122.570	-60.736
<b>Total General Fund Programme</b>	<b>262.945</b>	<b>166.490</b>	<b>197.246</b>	<b>153.588</b>	<b>-109.357</b>
Housing Revenue Account	19.427	19.427	19.427	15.624	-3.803
<b>Total LBC Capital Programme</b>	<b>282.371</b>	<b>185.917</b>	<b>216.673</b>	<b>169.212</b>	<b>-113.160</b>

24. The review of the capital programme is on-going and more detailed analysis and monitoring is taking place. The Quarter 3 figures reported show significant re-profiling of spend on the capital projects for Place and Infrastructure, Customer & Commercial and for the Corporate Projects which form a significant part of the total capital programme. This has some impact on the revenue budget from reduced borrowing costs, if the overall level of borrowing required for the year reduces compared to budget.

The phasing and monitoring of capital spend by service managers needs to be more robust throughout the year, to ensure that it more accurately reflects the outturn position on the programme.

25. The full capital programme for the 5 years to 2024/25 reflecting the forecast variances identified at Quarter 3 is shown in the table below. Further information on the variations reported up to Quarter 3 is shown in Appendix J.

Effect of Q3 Forecast on the Full 5 Year Programme	Q3 Forecast 20/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
	£'m	£'m	£'m	£'m	£'m
Place & Infrastructure	19.063	124.271	38.272	19.309	6.284
People	8.666	22.327	13.065	6.290	6.290
Chief Executive's	1.850	1.280	0.000	0.000	0.000
Customer & Commercial	1.439	15.990	1.895	1.895	1.895
<b>Total General Fund (Excl. Corporate Projects)</b>	<b>31.018</b>	<b>163.869</b>	<b>53.232</b>	<b>27.494</b>	<b>14.469</b>
Corporate Projects	122.570	63.214	14.036	0.000	0.000
<b>Total General Fund Programme</b>	<b>153.588</b>	<b>227.083</b>	<b>67.268</b>	<b>27.494</b>	<b>14.469</b>
<b>Housing Revenue Account</b>	<b>15.624</b>	27.789	28.123	23.010	14.097
<b>Total LBC Capital Programme</b>	<b>169.212</b>	<b>254.872</b>	<b>95.391</b>	<b>50.504</b>	<b>28.566</b>
<b>Change Since Revised Budget</b>	<b>-113.160</b>		<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

The figure reported for Place & Infrastructure above of £124.271 million for 2021/22 is significantly higher than the figure reported in the 2021/22 budget of £36.934 million for Inclusive Economy due to the following:

- Removal of schemes: Century Park £64 million, Vauxhall Way Improvements £6.251 million, Bramingham & Sundon Flood Alleviation Scheme £3.554 million.
- Schemes delayed to future years: New Multi Storey Car Park (MSCP) for Luton Town Centre £6.107m.
- Schemes with reduced budgets: Resurfacing £2.909 million, Inspire HQ & Library £1 million

26. The £113.160 million reduction in forecast expenditure for 2020/21 reported is summarised as:

Services:

- £140.923m of budgets re-profiled to 2021/22
- £2.423m of budget advanced from 2021/22
- £4.206m of budget released where projects are completed or no longer required
- £29.546m of additional budgets approved during the financial year

Budgets re-profiled to 2021/22 includes the following schemes:

- Corporate Projects - a decrease of £88.554m re-profiled to future years (net)
- Temporary Accommodation Purchasing Scheme as £11.363m
- Schools – and a net decrease of £9.141m due to School Expansion Basic Needs and SEND provision works delayed into next financial year.

#### Quarter 3 Capital Spend and Budgets

27. As at 31 December 2020 the capital expenditure incurred to date (excluding corporate projects) is only £29.672 million, just 63.6% of the £46.642 million total spend forecast at Quarter 3. It is recognised that there is a timing delay in terms of invoices being paid, but the discrepancy indicates the current forecast expenditure may be too high. Capital budget holders will continue to be challenged on their forecasts before the Q4 monitoring is reported.

Spend and Forecast at Quarter 3 by Department	Q3 Forecast £m	Q3 Actual £	% of Forecast Spent at Q2	Indicative Remaining Spend in Q4 £million
Place & Infrastructure	19.616	16.665	84.9%	-15.869
People	8.399	4.975	59.2%	-6.506
Chief Executive's	1.890	0.659	34.9%	-2.673
Customer & Commercial	1.811	1.098	4.76%	-14.795
<b>Total General Fund Excluding Corporate Projects</b>	<b>31.716</b>	<b>23.387</b>	<b>73.7%</b>	<b>-39.842</b>
Corporate Projects	135.558	69.181	25.39%	-105.621
<b>Total General Fund Programme</b>	<b>167.274</b>	<b>92.648</b>	<b>51.0%</b>	<b>-145.463</b>
Housing Revenue Account	14.616	7.140	48.8%	-16.834
<b>Total LBC Capital Programme</b>	<b>181.890</b>	<b>99.608</b>	<b>54.8%</b>	<b>-162.298</b>

## Net Re-profiling to Future Years Excluding Corporate Projects

The capital programme has been updated for Quarter 3 following the receipt of the latest LLAL Medium Term Financial Plan and the Foxhall Homes Business Plan. LLAL's current investment plan in the DART, DCO, Bartlett Square and CPAR forecasts spend of £135.558 million for 2020/21.

## Capital Financing Summary

28. The table below summarises the variations in capital financing for 2020/21 following the expenditure forecasts reported at Quarter 3:

<b>Summary of Resources for Financing Capital Expenditure 2020/21</b>	<b>Updated Programme Budget Q3</b>
<b>General Fund Financing</b>	
Grants & Contributions	14.412
Revenue Reserves/Budget	0.087
Capital Receipts	8.117
Dividend/Corporate Contribution	0.000
Corporate Projects Borrowing	122.570
GF Borrowing Requirement	8.402
<b>Total General Fund Programme</b>	<b>153.588</b>
<b>HRA Financing</b>	
1-4-1 Capital Receipts	0.657
Other Capital Receipts	4.534
Earmarked Revenue Reserve	0.000
Major Repairs Reserve	10.433
HRA Borrowing Requirement	0.000
<b>Total Housing Revenue Account</b>	<b>15.624</b>
<b>Total LBC Capital Programme</b>	<b>169.212</b>

## **Key Risks**

29. Revenue Budget:

- Delivering the increased savings programme included in to the 2020/21 revised emergency budget.
- Managing in-year cost pressures including those reported in volatile and demand led statutory service budgets, to deliver a balanced outturn position and demonstrating value for money in delivering services.
- Managing the continued developments and impacts from the coronavirus.
- The continued development of procurement & commissioning and progressing the plans to deliver the savings required to help address current cost pressures and future years' budget savings.

30. Capital Budget:

- Inaccurate capital profiling impacting on the accuracy of treasury management decision making, capital financing costs, borrowing costs and investment returns.
- Overspends on capital projects impacting on the availability of capital resources.
- Reduced capital receipts resulting in increased prudential borrowing. This is reviewed throughout the year.

### **Proposal/Options**

31. To note the current forecast subject to further developments, or reject the report and implement alternative budget measures.

### **Appendix**

- Appendix A - Revenue Monitoring Summary Q3
- Appendix B – Savings Monitoring Q3
- Appendix C – Volatile Budgets Q3

### **List of Background Papers - Local Government Act 1972, Section 100D**

32.

### **Implications**

Item	Details	Clearance Agreed By	Dated
<b>Legal</b>	<p>The Council is required by section 151 of the Local Government Act 1972 to make arrangements for the proper administration of its financial affairs. The Council's Service Director, Finance and Audit is required to establish financial procedures to ensure the Council's proper financial administration. These include procedures for budgetary control. It is consistent with these arrangements for Executive to receive information about the revenue and capital budgets as set out in this report.</p> <p>Section 3 of the Local Government Act 1999 requires the Council as a best value authority to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness". Monitoring of performance information is an important way in which that obligation can be fulfilled.</p>	Angela Claridge, Monitoring Officer	26/02/021

Item	Details	Clearance Agreed By	Dated
<b>Finance</b>	<p>The financial challenge faced by the Council this year is unprecedented, requiring a significantly increased programme of budget savings, use of the Council's reserves and significant coronavirus grants from central Govt. to support the budget for 2020/21. The current forecast position contains this year's impacts from the virus. But further progress in delivering the savings programme over the forthcoming financial year remains vital</p> <p>All developments including the ongoing impacts from coronavirus and the position on LLAL are continuing to be closely tracked. Both for this year's final monitoring report and as we move in to 2021/22.</p>	Dev Gopal, Director of Finance Revenues & Benefits	26/02/21
<b>Equalities</b>	There are no direct equalities implications to this report.	Maureen Drummond, Interim Equalities Manager	26/02/21
<b>Environment</b>	There are no direct environmental implications to this report.	Keith Dove, Strategic Policy Adviser	26/02/21
<b>Health</b>	<p>This report does not have any direct health implications.</p> <p>It is however recognised that exceptional actions have been necessary to ensure that measure are in place to reduce transmission of coronavirus and this has financial implications.</p>	Sally Cartwright	26.02.21
<b>Community Safety</b>			
<b>Staffing</b>			
<b>Consultations</b>			
<b>Other</b>			