CABINET

16 June 2020

Title: Revenue and Capital Outturn for the Financial Year 2019/20	
Report of the Cabinet Member for Finance, Performance and Core Services	
Open Report	**For Decision**
Wards Affected: None	**Key Decision:** Yes
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Accountable Director: Philip Gregory, Director of Finance	

Summary

This report provides an update on the outturn position for 2019-20 across the main Council funding streams and budgets. These figures will be subject to audit.

The General Fund budget for 2019/20 was £148.820m. The final revenue expenditure outturn position was £157.931m and the final Corporate income position was £154.741m. This is an outturn deficit of £3.189m. The report proposes a net transfer to reserves of £1.741m which is mainly the carry forward of grants, income for specific purposes and monies held on behalf of partnership organisations. The net budget variance after planned transfers to and from reserves is an overspend against the budget of £4.930m This includes overspends of around £16.374m across a range of departments offset by an underspend in Central Expenses of £5.328m and £6.117m income surplus. This is an improvement of £1.813m since the last budget monitoring report (P10). Within this there was an improvement of £3.8m across Care and Support offset by increases in Public Realm, Community Solutions, IT and Core/Central Services.

The overspend will be funded by drawing down from the Budget Support Reserve which was established partly for this purpose. The remaining balance on the reserve will be £6.349m. The balance on the General Fund does not change and remains £17.03m.

The Draft Outturn for the Housing Revenue Account (HRA) is an overspend of £1.625m. This is the net result of a large overspend on Repairs (£4.2m) and housing management costs (£2.5m) partly offset by an underspend on Bad Debt Provision of £2.3m and a reduction in the revenue funding of the capital programme. The HRA reserve is now reduced to £9.674m.

The Capital Programme budget for 2019/20 was £401.93m and is made up of a number of distinct elements. The largest element is the investment strategy where the outturn was £119m compared to a budget of £235m. The large majority of this expenditure relates to a multi-year council-led new build programme, so the outturn figure reflects movements between financial years as the delivery profile of the programme evolves. The outturn for the general fund capital programme was £56m compared to a budget of £82m, in particular due to some significant park improvement projects taking longer than anticipated to secure planning consent. The outturn for the HRA capital programme was

£41m compared to a budget of £74m, a significant proportion of which reflects that some major works were reprofiled into 2020/21 to ensure that proper leases holder consultation was completed. The overall programme outturn was £220.692m.

Total expenditure on Transformation was £4.2m of which £0.5m was genuine capital expenditure and has been charged to the capital programme. Capital receipts have been used to fund the remainder under the Flexible Use Dispensation so no call on the Budget Support Reserve is expected this year for Transformation. The programme will continue in future years so the budget will be carried forward for this purpose.

The final outturn on the Dedicated Schools Grant (DSG) was an overspend of £1.476m as a result of the pressures in the High Needs Block. This will be funded from the DSG reserve taking it to £1.726m.

Recommendation(s)

The Cabinet is recommended to:

(i) Note the revenue outturn for the Council's General Fund for 2019/20 as set out in section 2 and Appendix A and the details of the individual service variances as set out in section 3 of the report;

(ii) Note the outturn for the Housing Revenue Account for 2019/20 as set out in section 4 of the report;

(iii) Note the outturn on the 2019/20 Capital Programme as set out in section 5 and Appendices B and C of the report;

(iv) Approve the carry forward of capital programme slippage from 2019/20 totalling £155.067m, giving a revised total programme for 2020/21 of £470.988m as detailed in Appendix C to the report;

(v) Approve the transfers to and from reserves as set out as set out in section 6 and Appendix D of the report;

(vi) Note the consequent position for the Council's reserves as set out in Appendix E of the report; and

(vii) Note the outturn on the Dedicated Schools Budget for 2019/20 as set out in section 7 of the report.

Reason(s)

The Council is required to set an annual budget and report on its expenditure against that budget. This allows the Cabinet, other members and residents to understand its financial position and to hold officers to account for spending decisions. It also will inform financial planning for the current and future financial years.

1. Introduction and Background

1.1 The financial year 2019/20 for the Council ended on 31st March 2020. This report includes the outturn position on for all the Council's main funds: the General Fund, the Housing Revenue Account (HRA), the Dedicated Schools budget (DSG/DSB) and the capital programme. This is the final position that will be used as the basis of the draft statement of accounts. It will be audited and so it is possible that there may be subsequent adjustments required by the Council's external auditors.

1.2 The Council's subsidiary companies work to a slightly different accounts and audit timetable and their year-end positions have yet to be finalised. They are not therefore covered in this report. The Statement of Accounts when published will include consolidated group accounts. Any final returns that flow back to the council as a dividend will be included as corporate income in the subsequent financial year. The 2019/20 outturn includes a dividend payment of £2.2m made by Barking and Dagenham Trading Partnership (BDTP).

2. The Overall General Fund Revenue Position

2.1 The overall net expenditure in 2019-20 was £157.930m against a net budget of £148.820m and total corporate income was £154.741m. The additional income is made up of £2.028m additional government grants including section 31 grants awarded in year, a £1.793m surplus on the Collection Fund and a dividend of £2.295m from BDTP (this dividend was previously included in the net services expenditure budget but the correct accounting treatment is to show as corporate income). This results in a net position of £3.189m.

2.2 It is proposed to draw down £3.659m from various reserves in order to fund specific expenditure within 2019/20 and to transfer £5.400m to reserves for specific purposes in the 2020/21 financial year. This is a net transfer of £1.741m.

2.3 The overall position after these transfers is a net overspend of £4.930m. Throughout this report the position after transfers to and from reserves will be compared to the budget as this is the best reflection of the Council's financial planning position.

2.4 The overspend is made up of an overspend of £17.505m across a number of service budgets especially Care and Support (£10.241m) and underspends in Enforcement and Commissioning making a net position on services of £16.374m This was offset by a large underspend of £5.328m in Central Expenses and by the additional corporate income.

2.5 The budget monitoring throughout the year consistently forecast a significant overspend with the last reported estimate at the end of month ten being £6.743m. The final outturn position therefore is better than previously forecast by £1.813m. There was a particularly large improvement in Adults Care and Support although this was offset by worsening positions in other areas.

2.6 The table below shows a summary of the position and there is a more detailed breakdown in Appendix A to this report. More information about the performance of individual services is given below.

2.7 The response to the CoVid 19 pandemic began around two weeks before the financial year end and there was relatively little impact on the Council's finances in March. All government funding relating to the situation will fall into the 2020/21 financial year. The main impacts in March was a loss of around £0.3m fees and charges income (mostly in Enforcement and Leisure although earlier good performance meant that Enforcement still underspent overall) and around £0.2m increased service costs (in Care and Support/Community Solutions). In addition the planned upgrade of the Customer Service Centre ICT system was brought forward. These impacts are included in the overall outturn.

TABLE ONE – GENERAL FUND REVENUE OUTTURN

DEPARTMENT	FINAL BUDGET (£000)	FINAL OUTTURN (£000)	RESERVES TRANSFERS (£000)	VARIANCE (£000)
PEOPLE COMMISSIONING	7,016	5,805	652	(559)
CORE	6,442	8,426	336	2,320
CENTRAL EXPENSES	36,345	32,271	(1,254)	(5,328)
EDUCATION, YOUTH & CHILDCARE	4,059	3,490	961	391
LAW, HR, ENFORCEMENT	(1,236)	(1,817)	8	(572)
POLICY & PARTICIPATION	2,899	2,708	718	527
CARE & SUPPORT	72,339	82,551	30	10,242
INCLUSIVE GROWTH	1,052	2,074	(175)	847
COMMUNITY SOLUTIONS	9,748	9,989	697	939
MY PLACE	5,732	6,446	(37)	677
CONTRACTED SERVICES	4,424	5,987	0	1,563
TOTAL GENERAL FUND BUDGET	**148,820**	**157,931**	**1,936**	**11,047**
CORPORATE FUNDING	**(148,820)**	**(154,741)**	**(195)**	**(6,117)**
NET GENERAL FUND POSITION	**0**	**3,189**	**1,741**	**4,930**

3. Service Variances

Care and Support

3.1 Social Care and Support is an area of high budgetary pressure for all Councils with these responsibilities. There is increasing need for support as a result of demographic changes including an increase in the numbers of people living with severe disabilities, chronic health conditions and other complex needs. In an area such as Barking and Dagenham deprivation also contributes to high levels of need especially for children and young people. In addition, the costs of providing care continue to increase as a result of wage uplifts and inflation.

3.2 However there has been a great deal of service work in recent years to contain and mitigate these budgetary pressures. In particular there has been a great deal of work to streamline the business processes including the strengthening of the brokerage role and a new integrated finance module within the Care and Support IT system. This has allowed greater understanding and grip of the budgets. Within the Adults division this review has also ensured that there is a much more robust income collection system which together with the updated charging policy has resulted in a significant increase in the income received.

3.3 The Adults Care and Support budget had a relatively small overspend of £0.19m at year end – a marked improvement from the previous year where there was a large overspend and from the in-year forecast. The overspend was within care packages for Adults with Mental Health needs.

3.4 However there was an overspend of £5m in Disabilities reflecting increased numbers and complexity of needs for both Adults and Children. The overspend was largely in the care purchasing budgets - £3.3m for Adults with Learning Disabilities, £0.9m for Children with Disabilities and £0.7m for Transport. In all cases this is the result of high levels of demand and has been consistently forecast throughout the year.

3.5 The overspend within Children's Care and Support was just under £5m. There is a long-standing pressure on the staffing budgets from high levels of agency staff. This has been reducing slowly through the year but there is still a pressure which is likely to continue into the next financial year. There is also an overspend on the placements budget which has been present through the year. Additional funding has been provided in the MTFS to meet this but while levels of need remain high this will continue to be an area of pressure.

3.6 There is an underspend on Care and Support Commissioning of £0.558m as a result of management action to contain spend and a high level of staffing vacancies pending a restructure within this area.

Public Health

3.7 The final position on the Public Health grant was an underspend of £0.120m which will be transferred to the ringfenced Public Health reserve. This was largely the result of an underspend on the Sexual Health budget. This is a demand led service that is an area of risk for all Councils but the new commissioning approach has been successful in containing costs resulting in an underspend.

Education Youth and Childcare

3.8 The overspend against Education is against a number of non-controllable central items including insurance, historic pension liabilities and PFI charges. These budgets need to be reviewed. The position on the controllable service costs is an underspend of £0.2m. This service area receives a range of grants and other income and has made a number of requests for carry forward listed in the appendix.

Community Solutions

3.9 The final position in Community Solutions is an overspend of £0.939m – all within Intervention Services. A staffing overspend was identified within this budget during the year which the service has worked to contain but could not resolve within the timescale. There were ambitious savings across the service including within Homelessness. The final position across all accommodation types was broadly on balance with overspends at the hostels offset by underspends in NRPF and HRA decants which indicates that the portfolio has been well managed overall but the budgets may need realignment.

My Place and Public Realm

3.10 The final position for My Place was an overspend of £0.677m – within this there was an overspend of £1.2m in Public Realm offset by underspends elsewhere especially within landlord services and property management – largely as a result of staffing vacancies.

3.11 The pressures within Public Realm are also long standing but the forecast has worsened since month 10 with staffing costs increasing in the last months and a shortfall of £0.198m in income. The overspend is largely across staffing in waste collection and street cleansing. Some additional funding has been provided in the 2020/21 budget to reflect the increase in activity from housing growth. The service has also acquired several new vehicles in this year which is expected to reduce transport costs.

Law Governance and Enforcement

3.12 There was an underspend across Enforcement after transfers to/from reserves of £0.335m including underspends in Street Enforcement, CCTV, Parking and Private Sector Housing from a mixture of over achievement of income and some vacancies. This is after full achievement of the in-year income targets for Parking and PRPL.

3.13 Legal Services overspent this year as a result of the need for additional staffing to meet the Council's needs. Funding has been provided in the 2020/21 budget so this will not recur. The overspend will be covered from the Legal reserve. There were also underspends in Democratic Services and HR.

Policy and Participation – Culture and Heritage

3.14 There is an overspend of £0.607m across Culture and Heritage. This includes the non-achievement of £0.3m income from the Central Parks Masterplan which has been delayed into 2020/21. In addition, there are overspends in the Heritage sites.

Contracted Services

3.15 There is an overspend of £1.7m across the services currently managed by Elevate. This includes the Customer Service centre where there are not yet achieved savings targets (£0.7m) and ICT where there may be underfunded costs as the budget has not been increased for inflation or increased service demand for a number of years. This will need review. In addition there has been a large fall in the levels of court costs and HB overpayments recovered – largely as a result to changes in the welfare system and increases in the number of financial hardship cases which is not within the service control.

Core, Central Expenses and Inclusive Growth

3.16 There was a large overspend on insurance budgets across the Council including an overspend on the central premises insurance held within Core. The budget for this will need to be reviewed as it has not been increased for inflation for several years.

3.17 There is a large apparent overspend in Innovation and Funding of £1.665m within Core. This has arisen because the budgeting for the IAS and company dividends do not match the way they have been accounted for. It is offset by underspends within Central Expenses and additional corporate income. There is a similar issue in Inclusive Growth where there is an apparent overspend of £0.847m where costs have not been recharged to other areas. This will be realigned for the next financial year. Overall however the Investment Strategy did meet its revenue target for this year. More detail on this is available in the Treasury Management report elsewhere on the agenda.

3.18 Within Central Expenses there is an overall underspend of £5.357m. This includes £1.6m underspend on MRP and interest charges, £2m offset for savings not achieved, £1.0m redundancy provision, £1.5m Adecco recharge/gainshare, £0.4m RCCO budget not required. These underspends were however offset by increases in bad debt provision for Temporary Accommodation (£1.4m – because we have changed our methodology to a more robust basis) and General Income (£1.04m because the amount of aged debt has increased this year.) This indicates the value of the debt management project which if successful should reduce the need for such large provisions next year.

4. Housing Revenue Account

4.1 The final position on the Housing Revenue Account (HRA) is a revenue overspend of £5.478m which has been mitigated by reducing the revenue funding of capital as shown below.

HRA Class	**Budget £000**	**Actual £000**	**Variance £000**
Income			
Dwelling Rents	-83,339	-84,678	-1,339
Non-Dwelling Rents	-750	-736	14
Charges for services & facilities	-20,426	-24,442	-4,016
Interest Received	-350	-45	305
Total Income	**-104,865**	**-109,901**	**-5,036**
Expenditure			
Repairs & Maintenance	20,035	24,317	4,282
Supervision & Management	38,858	41,403	2,545
Rent, Rates, Taxes & Other Charges	361	1,108	747
Bad Debt Contribution	3,309	871	-2,438
CDC	685	685	0
Depreciation	13,034	15,860	2,826
Interest Payable	9,692	12,244	2,552
Total Expenditure	**85,974**	**96,488**	**10,514**
Net Cost of Services	**-18,891**	**-13,245**	**5,478**
MRR/RCCO Capital Funding	18,891	13,610	-5,281
Leasehold Reserve Fund	0	1,428	1,428
Transfer from HRA Balances	0	-1,793	-1,625
Transfer from HRA Balances	**0**	**0**	**0**

4.2 Overall there was £5.036m overachievement of income, of which £1.4m was leaseholder contributions that will be taken to the reserve. There was also an improvement in dwelling rents and affordable housing rents (£1m).

4.3 There is an overspend of £4.2m on Repairs and Maintenance. The budgets in this area have not been increased for inflation for a number of years and so there may be some level of inherent pressure. In addition the main repairs contractor BDMS (which was formerly part of the council but is now a separate company) introduced a new billing system from August 2019. Issues in implementing the new system reduced the flexibility the council had to manage some of this overspend more effectively in year. Processes are being developed to ensure more timely allocation of costs in the future’

4.4 Supervision & Management costs exceeded budget by £2.5m. There was also a review of outstanding council tax bills from prior years which was recharged to the HRA from My Place and cost £1.0m. These bills include void properties and also properties that have been decanted in preparation for an estate renewal programme. A further £0.4m was incurred in electricity costs above budget. These were offset by a successful review of water & sewerage billing in prior years where demolished properties had been charged to the Council; this generated a refund from the water authority of £0.7m.

4.5 The HRA has maintained a prudent budget for the contribution towards bad debts of £3.3m. This was originally in anticipation that the rollout to Universal Credit may put increased pressure on collection rates. There is evidence that UC does increase arrears but the pace of the rollout and the 1% reduction in rent means that the overall level of debt has risen but not to the extent of the worst case planned for. The contribution towards bad debts required this year was £0.9m which means the surplus £2.4m budget provision can be returned to HRA balances.

4.6 Depreciation costs have exceeded budget by £2.8m based on a robust review of HRA assets. This and the increased interest charges have been offset by a reduction in the contribution to the capital programme resulting in an overall outturn deficit of £1.625m. This will be drawn down from the HRA reserve.

4.7 The reduced level of revenue contribution will require a higher level of borrowing to support the programme. However, this allows the HRA to maintain a prudent level of reserves.

5. Capital Programme

5.1 The Capital Programme comprises a number of distinct elements. The largest element is the investment strategy where the outturn was £119m compared to a budget of £235m. The large majority of this expenditure relates to a multi-year council-led new build programme, so the outturn figure reflect movements between financial years as the delivery profile of the programme evolves. We continue to develop a strong delivery capacity in this area, with recent GLA figures showing that Barking and Dagenham accounted for 20% of all the affordable homes started by councils across the whole of London in the 2019/20 financial year. The outturn for the general fund capital programme was £56m compared to a budget of £82m, in particular due to some significant parks improvement projects taking longer than anticipated to secure planning consent. The outturn for the HRA capital programme was £41m compared to a budget of £74m, a significant proportion of which reflects that some major works were reprofiled into 2020/21 to ensure that proper leases holder consultation was completed. More information is provided in the text below and in Appendices B and C.

Investments:

5.2 Budget adjustments made were made as schemes were agreed at the various Gateway stages, which included an initial pre-development budget agreed at Gateway 2 and a development budget at Gateway 4. Additional budget was added for purchases of commercial schemes, such as Welbeck Wharf, Restore and the Piano works.

5.3 As schemes have moved through the Be First governance processes more slowly than expected this financial year only 51% of the budget allocation has been spent. A number of key schemes did reach gateway 4 towards the end of the last financial year, including two significant phases of the Gascoigne estate regeneration. This means that over the course of the next year a number of schemes will get on site and therefore capital spending on this element of the investment programme is expected to accelerate in 20/21.

General Fund:

5.4 **Adults Care & Support:** The service has spent approximately 90% of the annual budget allocation in 2019/20, with most of the underspend in Direct Payments Adaptations. This scheme was suspended for most of the year as it was no longer meeting the services' needs.

5.5 **Community Infrastructure Levy Schemes**: The service has spent approximately 68% of the annual budget allocation in 2019/20. A number of new schemes have come on stream including, Boxed-up Crime, Kingsley Hall, and the East End Women's Museum.

5.6 **Community Solutions**: The service has spent approximately 11% of the annual budget allocation in 2019/20, with spend still to commence on the Barking Learning Centre Works.

5.7 **Core**: The service has spent approximately 32% of the annual budget allocation in 2019/20. The majority of the underspend is on the Elevate ICT investment, where this work will continue into 2020/21.

5.8 **Ward Budgets.** A new capital allocation was created in 2019/20 for projects proposed by ward members. This budget was set at £340k or £20k per ward. In practice expenditure was not coded directly against this budget but has been included elsewhere (depending on the nature of the spend.) The total spend on such projects was £105k and there has been a budget adjustment for this amount. The underspend allocation of £235k will be carried forward to the next financial year.

5.9 **Culture, Heritage & Recreation**: The service has spent approximately 12% of the annual budget allocation in 2019/20. The majority of the slippage is in relation to the Parsloes Park football scheme and the Central Park masterplan, both of which have been delayed due to planning issues. Spend is expected in future years once these issues have been resolved.

5.10 **Education, Youth and Childcare**: The service has spent approximately 80% of the annual budget allocation in 2019/20. The underspend includes a significant project at Greatfields Secondary where works have been delayed while final sign off is negotiated with the DfE. This is partly offset by some schools where spend has been accelerated. The Education programme is self-financed by DfE grant.

5.11 **Enforcement:** The service has spent approximately 38% of the annual budget allocation in 2019/20. Spend on CPZ and enforcement equipment will now be 2020/21 although there is a risk of further delay as a result of the CoVid lockdown.

5.12 **My Place:** The service has spent approximately 87% of the annual budget allocation in 2019/20. Slippage includes Barking Station improvements and bridges and structures.

5.13 **Inclusive Growth:** The service has spent approximately 93% of the annual budget allocation in 2019/20.

5.14 **Section 106 Schemes:** The service has spent approximately 46% of the annual budget allocation in 2019/20.

5.15 **Public Realm:** The service has spent approximately 81% of the annual budget allocation in 2019/20. Most of the budget for fleet replacement has been spent but £1.131m of net slippage is requested into 2020/21.

<u>HRA</u>

5.16 The HRA programme is self-financed by the HRA using a mixture of Government grants, capital receipts and HRA revenue funding. Therefore, they do not pose a pressure on the General Fund, in terms of servicing the cost of borrowing. The 2019/20 Budget adjustment made related to 2018/19 underspends carried forward into 2019/20 and related to spend commitments (£5.1m). The service has spent 55% of the annual budget in 2019/20. This delay was anticipated during the year and a reprofiling has already been built into the 2020/21 programme.

The HRA 2019/20 outturn position (delivered by both My Place & Be First) is detailed below:

	2019/20 Budget	**2019/20 Outturn**	**Variance**	**Slippage**	**2020/21 Approved Budget**	**Total Budget +slippage**
	£'000	£'000	£'000	£'000	£'000	£'000
Stock Investment (My Place)	42,737	21,321	(21,416)	21,416	17,042	38,458
Estate Renewal (Be First)	11,500	15,357	3,857	(3,857)	8,000	4,143
New Build Schemes (Be First)	20,000	4,458	(15,542)	0	2,500	2,500
TOTAL	74,237	41,136	(33,101)	17,559	27,542	45,101

5.17 While the £21m variance on the Stock Investment Programme is significant, this has been reported to Members on a regular basis. The 2019/20 slippage plus the

2020/21 new approved budget represented a realistic budget for actual spend in this financial year, however this is now being reviewed in light of Covid-19 and monitored through the Capital and Assets Board.

5.18 The £3.857m variance on Estate renewal is as a result in an acceleration of the regeneration schemes, mainly in Gascoigne East and West. Overall, this overspend is balanced out by the significant underspends in the other two HRA capital budgets.

5.19 The variance for the HRA new build budget is because this budget was set in anticipation of a larger HRA new build programme than transpired. As the default is now that new homes are funded through the General Fund, only one HRA 'legacy' scheme was funded through the HRA in 2019/20. There are no future HRA new build schemes with any formal governance approvals. It is proposed that the HRA funds a future pipeline of specialist housing; the majority of this spend will be in future financial years, however a small allocation has been made for 2020/21 to allow for capital spend related to this emerging programme.

Transformation

5.20 Transformation schemes have spent approximately 39% of the budget allocation in 2019/20. This includes capital spend on Community Solutions, Children's Services improvement, and the New Ways of Working programme. The outturn for transformation was spend of £4.248m which will be funded from capital receipts in line with the flexible use dispensation. The remaining budget will be carried forward into 2020/21 and subsequent years and will be used to support the Transformation programmes approved by Cabinet.

Capital Programme Proposals

5.21 As reflected in Appendix C, the overall Capital Programme for 2019/20 was underspent against profile by £181.238m. It is proposed that £155,067m of that underspend which relates to timing differences on expenditure is rolled forward into 2020/21. This funding will be in addition to the approved 2020/21 budget of £315.921m, giving a revised total approved budget for 2020/21 of £470.988m.

5.22 Given the uncertainty in relation to COVID 19, it is recommended that lifetime budgets (2020/21 onward) for all schemes are re-profiled to provide a revised 2020/21 and 2021/22 budget as well as a lifetime 5-10-year capital programme.

6. Reserves

6.1 The Council uses its reserves for a number of purposes including smoothing year on year fluctuations in spending (for example investment in ICT) and earmarking pots of money for specific future uses especially grant funding or monies held as part of a partnership such as the East London Housing Partnership. (Current accounting rules mean that most kinds of grant funding must be recognised in the year they are received and so if we wish to carry them forward this must be done via an earmarked reserve.)

6.2 In 2019/20 the drawdown of £3.659m from reserves supported the in-year budget. £1.254m is a drawdown from the Investment reserve to smooth the timing of returns from Be First, £0.161m is the final drawdown from the previous PRPL scheme reserve and the rest is made up of various grants and other budget carry forwards from 2018/19.

6.3 It is proposed to transfer £5.399m of grants and other funding forward into 2020/21 or future years for specific projects. A full list is given as an appendix. Cabinet are asked to approve these transfers to and from reserves.

6.4 These proposed transfers in this report were considered and endorsed by the Chief Financial Officer.

7. Dedicated Schools Budget

7.1 The final outturn position for the Dedicated Schools Budget is an overspend of £1.620m, which mainly relates to High Needs Block which has been under increasing pressures from the high level of demand and complexity of needs for some students. The Schools Forum has a working group which has worked well with council officers to put in place a management action plan to mitigate those pressures down from a worst case forecast of £4m to a final overspend of £1.474m.

7.2 There was a net overspend on the Early Years block of £302k made up of an underspend on 2years of £884k and an overspend on 3&4 years of £1.187m. The forecast assumes that the overspend on 3&4yr olds will not be refunded by the DfE as there has been no May census and at the time of writing the DfE have not indicated their proposed approach. This is therefore a worst case scenario and may improve once the final Early Years adjustments are made.

	Funding Forecast £'000	Block Transfers	Revised Funding Forecast	Exp'ture Forecast March 2020	Deficit (surplus) at as March £'000
Schools Block – ISB	168,020	(1,039)	166,981	166,646	-335
Early Years Block	22,230		22,230	22,532	302
High Needs Block	28,714	1,039	29,753	31,260	1,507
Central Block	2,575		2,575	2,575	0
Total	**221,539**		**221,539**	**223,013**	**1,474**
B/f DSG balances					(3,202)
Unallocated DSG reserves (surplus)					(1,728)

7.3 LBBD maintained schools also form part of the Council's overall financial position. In 2019/20 there were twenty schools that achieved an in year surplus totalling £2.528m and twenty two schools that experienced an in year deficit totalling £2.490m. The overall impact was an increase in the Local Maintained Schools Reserve of £0.038m to £10.793m. Within this there are seven schools in overall deficit. The Local Authority is working with the Governors and Headteachers of all these schools to agree a recovery plan.

8 Financial Implications

Implications completed by: Katherine Heffernan, Group Manager, Service Finance

8.1 The financial issues are detailed in the report.

9. Legal Implications

Implications completed by: Dr. Paul Feild, Senior Governance Lawyer

9.1 Section 28 of the Local Government Act 2003 imposes a statutory duty on the Council to monitor its budget during the financial year and its expenditure and income against the budget calculations. The Council sets out its treasury strategy for borrowing and an Annual Investment Strategy which sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

9.2 The Council is legally obliged to 'have regard to' the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities when carrying out its functions under the Act. Furthermore, the Prudential Code emphasises that authorities can set their own prudential indictors beyond that specified in the Code where it will assist their own management processes.

9.3 This report serves an important role in providing an updated narrative on the Council financial position as the 2019-2020 financial year has closed.

Public Background Papers Used in the Preparation of the Report: None

List of appendices:

Appendix A: General Fund Revenue Outturn
Appendix B: 2019/20 Capital Programme
Appendix C: Capital Outturn
Appendix D: Reserves Transfers for Approval
Appendix E: The Council's reserves as at end of March 2020