

Report to Cabinet

Subject: Quarterly Budget Monitoring and Virement Report – Quarter 1 June 2020

Date: 6 August 2020

Author: Senior Leadership Team

Wards Affected

Borough-wide

Purpose

- To update Cabinet on the forecast outturn for Revenue and Capital Budgets for 2020/21. The budgets include all approved carried forward amounts from the 2019/20 financial year.
- To request approval from Cabinet for the changes to the budget as set out in this report.

Key Decision

This is a key decision.

Recommendation(s)

Members are recommended to:

- 1) approve the General Fund Budget virements set out in Appendix 1;**
- 2) note the use of reserves and funds during quarter one as detailed in Appendix 2.**

1. Background

- 1.1 The Council has made a commitment to closely align budget and performance management. This is in line with accepted good practice.
- 1.2 To deliver this commitment, systems to monitor performance against revenue and capital budgets, improvement activity and performance indicators have all been brought together and are now embedded in the way the Council works. Whilst the budget and performance information is presented in 2 separate reports, they are reported to Cabinet together and will appear on the same agenda.

2. Proposal

2.1 General Fund Revenue Budget Summary

The following table summarises the overall financial position of the General Fund Revenue Budget and the expected total spend for the year. This information has been compiled using the best information made available to Financial Services by the relevant spending officers as at 30 June 2020. The Council's General Fund outturn is projected to be overspent by £420,600 and this is primarily due the budgetary implications arising from the Covid-19 pandemic as detailed in paragraph 2.2.

Due to the significant uncertainties surrounding the ongoing and full impact of the Covid-19 pandemic, and to ensure Cabinet's budget is maintained within its maximum, it is proposed that Cabinet approve a transfer of £420,600 from earmarked reserves, including: the Leisure Strategy Reserve £237,000; the Efficiency and Innovation Reserve £100,000; and the Transformation Reserve £83,600. These reserves have been reviewed and are confirmed as available for application as proposed. The impact of Covid-19 will continue to be closely monitored throughout the year and further adjustments may be recommended in order to maintain a balanced budget and appropriate allocation of resources. A review of the Council's Medium Term Financial plan considering the impact of the Covid-19 pandemic on the resources available for the continued delivery of the Gedling Plan will be presented to Cabinet in the near future.

General Fund Revenue Budget 2020/21 – Change Analysis

	£
Net Council Budget for 2020-21 approved by Council on 5 March 2020 and Cabinet's Maximum Budget is:	11,602,700
Up to the end of June 2020 expenditure less income totalled	1,892,200
In the remaining 9 months of year we expect net expenditure to be	10,131,000
Total net revenue spend for the year is currently expected to be	12,023,300
Total Projected Revenue (Under) / Overspend 2020/21	420,600
Proposed Transfer From Earmarked Reserves For Approval	(420,600)
Total net revenue spend for the year is expected to be	11,602,700

Appendix 1 outlines how the General Fund Revenue budget is divided between the Portfolios of the Council and includes a detailed variance analysis identifying the current proposed changes for quarter one against the approved budget for each Portfolio area. Cabinet is recommended to approve these changes.

The major variances detailed in Appendix 1 include:

Expenditure:

- Net additional expenditure due to the Covid-19 Pandemic of £429,300 as detailed in paragraph 2.2. This includes the deferral of efficiencies totalling £169,300, the full list of which is included in the update on the delivery of the efficiency programme in paragraph 2.3;
- Deferrals of the 2020/21 efficiency programme of £87,200 which is not related to the Covid-19 pandemic, as listed in the efficiency table in section 2.3;
- Application of the Budget Reduction Risk Provision of (£100,000) to partially offset the impact of the deferred efficiency programme;
- Pay award - £102,000 which represents 0.75% of the improved pay award offered by the National Employers of 2.75% (of which 2% is already included in approved budgets);
- Savings on Minimum Revenue Provision due to the deferral of Capital schemes (£41,500).

Income:

- Lower demand for the Tree Team Services taking the service into a deficit position of £15,000 for 2020/21;
- Lower demand for the Pet Cremation Services taking the service into a deficit position of £12,000 for 2020/21.

Details of the budget virements authorising the usage of Earmarked Reserves and Revenue Budget Funds as approved by the Chief Financial Officer and relevant Corporate Director in accordance with Financial Regulations are set out in **Appendix 2**. No virements were approved by Portfolio Holders for amounts of £50,000 or less during quarter one.

2.2 Budget Implications arising from the Covid-19 Pandemic

2.2.1 The financial impact of the Covid-19 pandemic is significant, as highlighted in the report to Cabinet on 18 June detailing the Council's response work. The tables below detail the estimated additional expenditure pressures of £444,500 and the estimated income losses for the full year of £2,825,600. Giving a total estimated budget impact of £3,270,100 in 2020/21. These pressures are presented net of any related savings or additional income that

have been identified.

2020/21 Covid-19 related expenditure	
	£
Temporary Accommodation, Repossession Prevention and other homelessness (net of income)	98,600
Leisure protective equipment, screens and cleaning	23,000
Waste Management additional drivers	18,000
Street Care additional staff	5,000
Parks additional staff	18,000
Parks additional supplies	4,800
Cemeteries agency staff (net of income)	6,300
IT additional equipment for homeworking	72,000
Corporate overtime for staff	7,000
Corporate equipment for response work	30,000
Customer Services screens for reception	8,000
Supplier Relief foregone savings*	60,000
Expenditure Pressures relating to deferred efficiencies: Details set out in efficiency table (see note 2.3)	93,800
Total Covid-19 Impact on Expenditure	444,500

*Savings forgone not a direct impact on budget variances

2020/21 Covid-19 related Income losses			
	Q1	Forecast	Total
	£	Q2 to Q4	£
	£	£	£
Community Centres closure	20,000	10,000	30,000
Leisure Centres closure and reduced opening (net of staff savings)	686,400	1,066,500	1,752,900
Community Relations 3 month rent holiday	18,200	0	18,200
Licensing income	29,000	15,000	44,000
Trade Waste due to closure of businesses	71,200	36,000	107,200
Bulky waste collection suspended	8,500	3,000	11,500
Lower Garden Waste income	46,100	0	46,100
Car Parks free parking, fewer permits and lower enforcement	84,000	119,000	203,000
Parks pitch cancellations, facility closures	7,000	2,000	9,000
Planning Fees reduction due to suspension of work on development sites	140,000	10,000	150,000
Arnold market restricted trading	9,000	6,000	15,000
Property 3 month rental holiday	101,200	0.00	101,200
Reduced Street Care income	5,000	2,000	7,000

Suspension of HB overpayment recoveries	100,000		100,000
External Training delivery	3,000		3,000
Reduction in Legal income	4,000		4,000
Reduced summons income due to suspension of recovery action	0.00	115,000	115,000
PASC External Works reduced	19,000	14,000	33,000
Income losses on Deferred Efficiencies: details set out in efficiency table (see note 2.3)	57,500	18,000	75,500
Total Covid-19 Impact on Income	1,409,100	1,420,500	2,825,600

In addition to the 2020/21 income losses, an increased deficit on the Council's Collection Fund is expected due to irrecoverable council tax and business rates. Gedling's share of the increased deficit is currently forecast at £280,000 but due to the technical accounting treatment of the Collection Fund deficit, this does not need to be funded until next year, 2021/22. The government has now announced that it will extend the period over which these 2020/21 shortfalls in local taxation are accounted for, from 1 to 3 years. This is intended to ease immediate pressures when budget setting for 2021/22. The details of this will be set out in regulations later this year.

2.2.2 Central Government Emergency Funding

During the course of the pandemic the Government has announced the following rounds of emergency grant funding to support local authorities in responding to the pandemic and cover expenditure pressures and income shortfalls:

	£
Round 1 - announced March 2020	54,200
Round 2 – announced April 2020	1,178,400
Round 3 – announced July 2020	170,400
Total	1,403,000

In addition to the grant awards detailed above, the government has also announced the introduction of an income guarantee scheme, recognising the impact the pandemic has had on income from sales, fees and charges. This scheme will provide compensation for unforeseen losses that are irrecoverable during 2020/21 only. The income guarantee scheme will operate on a principles-based approach and will include a 5% deductible rate based on the 2020/21 approved budget, with the government providing compensation for

75p in every pound of relevant loss thereafter. The scheme is restricted to compensating irrecoverable net losses, specifically from those customer and client receipts which are charged in return for a service, where demand has been reduced due to Covid, but excludes commercial revenues, including property rents.

The final details of the income scheme and the application process have not yet been received, but based on technical note for the proposed methodology, as applied to the projected income losses detailed in the table above, the estimated grant from the income guarantee scheme is **£1,400k**.

The MCHLG have confirmed that any grant awards from the income guarantee scheme will be in addition to the **£1,403k** grant detailed in the table above, for which there is no scope for clawback in the grant conditions, and so can be used for all other pressures.

The Council have also made a claim for funding under the Government's Job Retention Scheme, to cover for the cost of furloughing casual staff at the Leisure Centres and Community Centres, estimated at **£32k**.

Therefore, the current estimate of the total net budget impact of the Covid-19 pandemic is:

Budget Implications Covid-19	£
Expenditure Pressures 2020/21	444,500
Income Losses 2020/21	2,825,600
Total 2020/21	3,270,100
Collection Fund Losses 2021/22 impact	280,000
Total Covid Related Budget Pressures	3,550,100
Total Grant Funding 2020/21	(2,835,000)
Net Total Budget Impact	715,100

The net impact, which is now included in the 2020/21 quarter one budget monitoring at Appendix 1, is a net deficit of £429,300 (this excludes: the 2021/22 estimated collection fund losses; the supplier relief forgone savings detailed in the table of expenditure pressures above; and the £54,200 round 1 grant which is already included in the approved budget).

There remains a significant amount of uncertainty around the full impact of the Covid-19 pandemic on both expenditure and income due to:

- the ongoing potential for a resurgence of the virus in the community until a vaccine is available, which may require further response activity;
- as yet unknown budget pressures that may arise upon implementation of the Council's approved Reset Strategy (approved by Cabinet on 18 June);
- uncertainties surrounding the capacity of, and the future demand for, our chargeable services which will impact on the actual income received from sales, fees and charges. The key risk issue is leisure centre income which has been fully reviewed in light of the required re-occupation restrictions and potential demand but this will be further informed by actual attendance rates;
- the impact of the economic downturn on the demand for our services for those most directly affected e.g. by predicted job losses.

The impact of Covid will continue to be closely monitored throughout the year in order to mitigate the projected deficit, either by identifying in-year savings, the use of earmarked reserves, or if necessary, a request to Council to increase the 2020/21 budget funded by an increase in the use of General Fund Balances.

The impact of Covid-19 is expected to have an ongoing impact beyond 2020/21 and a review of the Medium Term Financial Plan will be presented to a future meeting of Cabinet.

2.3 **Efficiency programme – Progress Update**

Since 2014/15 the Council has approved four separate budget reduction programmes totalling £6.5m net of risk provision. Previous progress has been positive and budget reductions achieved have been in line with the profiled estimate. Of the total programme, £1.906m remains to be delivered over 2020/21 to 2022/23.

In terms of 2020/21, the programme due for delivery in 2020/21 is £908,000, which includes project deferrals identified in quarter 4 of 2019/20. Quarterly monitoring indicates the following:

	£
Approved Efficiency Programme 2020/21	908,000
Quarter 1 Amendments	
<u>General Deferred Efficiencies to 2021/22</u>	
Democratic Services – sale of governance services	1,600
Garden Waste income	12,100
Parks Tree Team income	19,000
Pet Cremation Service income	34,100
Building Control income	10,000
Gedling Country Park Café income	10,000
Total	86,800
<u>Deferred efficiencies due to Covid-19</u>	
Licencing – suspension of fees	8,000
Waste - sale of bins to new developments	6,000
Parks - Management restructure, 9 months	25,700
Parks - Removal of non-contractual overtime	5,100
Parks - Tree Teams income	15,500
Pet Cremation Service income	15,000
Commercial property rental	17,000
Corporate - Service Reviews (unallocated)	25,000
Digital projects - (Unallocated)	20,000
Customer Services staffing restructure	18,000
Communications advertising income	5,000
Selling Legal Services	4,000
Gedling Country Park Café	5,000
Total	169,300
Total Deferrals	256,100
Application of Budget Reduction Risk Provision	(100,000)
Total Quarter 1 Amendments	156,500
Revised 2020/21 Efficiency Programme	751,500
Net Variance at Quarter 1	156,500

The £256,100 quarter 1 budget impact of these projects is included in Appendix 1 and are partially offset by the allocation of the Budget Risk Provision of £100,000. £169,300 is due to Covid and have been included in the Covid impact table above for completeness. The budget impact is only accounted for once Appendix 1.

Delivery of the 2020/21 programme will continue to be monitored and an update provided in future reports.

2.4 Capital Programme

Appendix 3 details the current projected position on the Capital Programme and its financing for 2020/21, analysed by Portfolio, and this is summarised in the table below. Cabinet is recommended to approve these changes

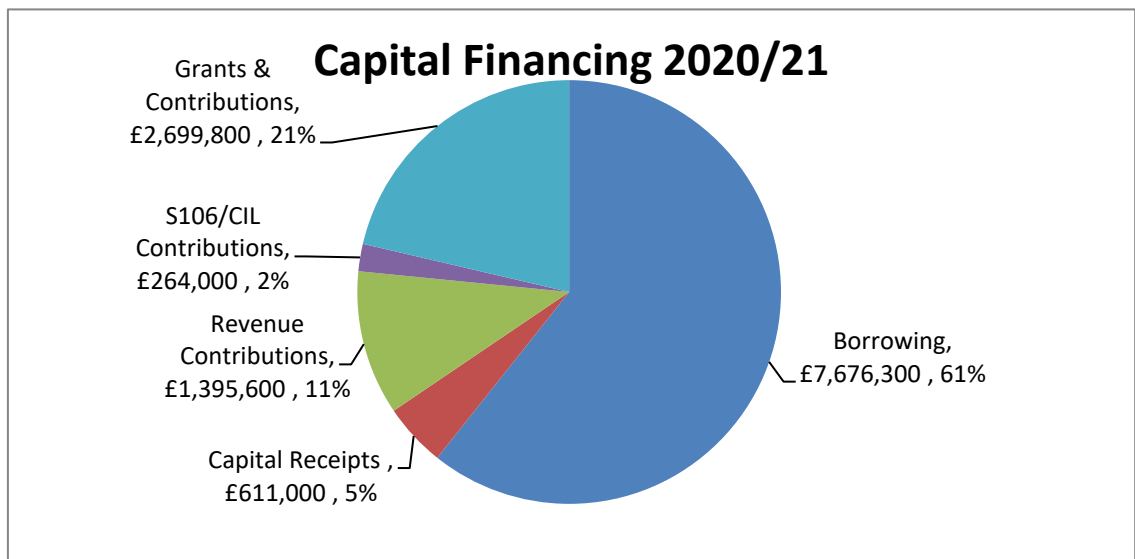
There are no proposed amendments to the capital programme for Cabinet to consider in Quarter 1.

Capital Budget 2020/21 - Change Analysis	
	£
Original 2020/21 budget approved by Council on 4 March 2020	11,225,600
Approved Carry Forwards from 2019/20	1,507,100
Current approved budget for 2020/21	12,732,700
Project Amended by Cabinet on 2 July 2020	
Carlton Square Development	(125,000)
Approved Amendments to the Programme @ Quarter 1.	
Additional Schemes:	
Flooding alleviation and drainage works in Arnold car parks funded by Earmarked Reserves	39,000
Total Approved Amendments	(86,000)
Revised Capital Programme 2020/21	12,646,700
Actual Expenditure to Quarter 1 2020/21	221,682
Estimated Expenditure Quarter 2 - 4 2020/21	12,425,018
Projected Outturn	12,646,700
Projected Capital Programme Variance 2020/21	0

Capital schemes are monitored on a quarterly basis, meetings are currently held between finance officers and service/project officers. In 2020/21 we are planning to reintroduce bi-monthly capital management meetings which will be chaired by the S151 officer and attended by Service Managers, Project Officers and a Finance Business Partner.

2.5 Capital Programme Financing

The projected method of financing the current capital programme requirement of £12,646,700 is detailed in Appendix 3 and summarised in the chart below.



2.6 Capital Receipts Monitoring

When the Council sells General Fund assets it is permitted to use this income to fund capital expenditure. The initial capital receipts estimate for 2020/21 projects that £611,000 will be generated and used to finance the capital programme in 2020/21. There is no change to the capital receipts estimate projected at quarter 1 monitoring.

3. Alternative Options

Option – Not to amend the original Council approved budgets during the year to reflect the latest projected outturn position.

Advantages:

- The final outturn position of the Council can be easily compared to its original intentions when the budget was set and areas of budget risk identified.

Disadvantages:

- Budgets not aligned to current budget pressures resulting in increased likelihood of budget overspend and emerging Council priorities not being addressed;
- Restrict the effectiveness of medium term planning process and preparation of the forward budget if pressures and areas of efficiency are not readily identifiable during budget preparation;
- Budget not reflective of latest performance information.

Reason for rejection – the option is not likely to result in the best outcomes in financial management or support delivery of priorities.

4 Financial Implications

- 4.1 The nature of the report is such that it has significant resource implications across the Council. The report itself demonstrates how resources are being managed.

5 Legal Implications

- 5.1 None arising directly from this report.

6 Equalities Implications

- 6.1 None arising directly from this report.

7 Carbon Reduction/Environmental Sustainability Implications

- 7.1 None arising directly from this report.

8 Appendices

Appendix 1 - General Fund Revenue Budget 2020/21 – Budgetary Control Report

Appendix 2 - Use of Reserves and Revenue Fund Budgets

Appendix 3 - Capital Programme 2020/21 – Budgetary Control Report

9 Background Papers

Detailed Quarterly Budgetary Control Exception Reports

10 Reasons for Recommendations

- 10.1 To align the budgets to the current pressures and priorities and ensure the delivery of Council objectives is supported.

Statutory Officer Approval

Approved by: Chief Financial Officer

Date: 29 July 2020

Approved by: Monitoring Officer

Date: 29 July 2020

