

Report to Cabinet

Subject: Quarterly Budget Monitoring and Virement Report – Quarter 1 June 2021

Date: 5 August 2021

Author: Senior Leadership Team

Wards Affected

Borough-wide

Purpose

- To update Cabinet on the forecast outturn for Revenue and Capital Budgets for 2021/22. The budgets include all approved carried forward amounts from the 2020/21 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) To approve the General Fund Budget virements set out in Appendix 1;**
- 2) To note the use of reserves and funds during quarter one as detailed in Appendix 2;**
- 3) To approve the changes to the capital programme included in paragraph 2.4.**

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 2021. The Council's General Fund outturn is projected to be in line with the approved budget of £11,654,300.

General Fund Revenue Budget 2021/22 – Change Analysis

	£
Net Council Budget for 2021-22 approved by Council on 5 March 2021 and Cabinet's Maximum Budget is:	11,654,300
Up to the end of June 2021 expenditure less income totalled	2,639,926
In the remaining 9 months of year we expect net expenditure to be	11,806,274
Total net revenue spend for the year is currently expected to be	14,446,200
Proposed Transfer From Earmarked Reserves For Approval	(2,791,900)
Net (Under)/ Overspend 2021/22	0

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:

- Additional Agency expenditure in Waste Services & Street Care of £49,200 due to the cover of staff absent from Covid-19 related sickness and self-isolation;

- Vacancy savings in Leisure Centres of (£40,300) due to extended Covid-19 restrictions;

Income:

- Additional Government Grant income (£133,700) for Covid-19 related Containment & Enforcement, this has been offset with an equivalent expenditure budget for delivery in 2021/22;
- Additional income of (£42,000) from the Furlough of Leisure and Community centre staff due to continued Covid-19 related restrictions;
- Additional income at Richard Herrod Centre due to an extension of the licence for the NHS vaccination centre (£26,000);
- Additional Housing Benefits related New Burdens Grants of (£57,200) offset with an equal contribution to reserves;
- Lower Income Compensation Grant from the Government expected of £115,900 due to Furlough payments, staff savings and lower income losses than initially anticipated during the first quarter in Leisure Centres;
- Removal of income relating to Phase 2 of the Selective Licencing scheme £66,500 which has been deferred for a later implementation date due to Covid-19, offset with reduced contribution from reserves;
- Lower Car Park Pay and Display income expected of £16,300 due to continued Covid -19 related restrictions.

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 ongoing Covid-9 related restrictions in 2021/22 is not expected to be as significant as that experienced in 2020/21. However, with cases rising at a national level during the first quarter of 2021/22 there has been an increase in the number of people required to self-isolate. The Council services most affected are front line services.

The tables below detail the estimated additional expenditure pressures of £55,400 and the estimated income losses for the full year of £16,300 giving a total estimated budget impact of £71,700 in 2021/22. These pressures are presented net of any related savings or additional income that have been identified.

2021/22 Covid-19 Related Expenditure and Income Losses	
Expenditure:	£
Waste Management additional drivers and loaders	45,000
Street Care additional staff	4,200
Additional Cleaning of the Civic Centre	6,200
Total Expenditure	55,400
Income:	
Car Park Pay & Display income	16,300
Total Covid-19 Related Pressures	£71,700

There is uncertainty on how long cases will continue to rise and the need for self-isolation, the costs in the table above are based on a reasonable forecast for the first 6 month of 2021/22, if the Pandemic continues to spread throughout the year there is likely to be further impact on budgets.

Income Compensation Scheme Grant

In 2020/21 the government announced the introduction of an income guarantee scheme, recognising the impact the pandemic has had on income from sales, fees and charges. This Government further announced its intention to extend this scheme to cover losses incurred in the first three months of 2021/22. The income guarantee scheme operates on a principles-based approach and includes 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.

Eligible income losses for 2021/22 are only expected for losses in Leisure, Community Centres and Car Parking income.

The three months claim for 2021/22 has not yet been compiled but based on current information we estimate the grant from the income guarantee scheme to be c **£152,000**, which is £116,000 lower than the amounts already included in 2021/22 budgets of £268,000. This difference is due to lower losses than expected in the first three months and additional Furlough payments and savings on unfilled vacancies due to extended closures and continued restrictions in Leisure Centres.

The reduction in the Income Compensation Grant stated above of £116,000 can be partially offset with other revenue savings across portfolios however in order to maintain the revenue budget at its maximum approved level Appendix 1 includes a contribution from the Leisure Strategy Reserve of £22,700 to offset the remaining balance.

The Council have also claimed in 2021/22 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 **£42,000**.

Total Covid Related Impact on Net Council Budget

The Quarter 1 position of the total net budget impact of the Covid-19 Pandemic compared to that previously reported at Outturn is as follows:

Budget Implications Covid-19	Actual 2020/21 For Information	Original Estimate 2021/22	Quarter 1 Variance	Revised Estimate 2021/22
	£	£	£	£
Expenditure Pressures	644,900	0	55,400	55,400
Income Losses	3,260,900	1,056,000	16,300	1,072,300
Improvements In Leisure Income			(75,000)	(75,000)
Total Budget Pressure	3,905,800	1,056,000	(3,300)	1,052,700
Government Grant Funding:				
Emergency Funding	(1,570,000)	(534,700)	0	(534,700)
Income Compensation	(1,588,800)	(268,000)	116,000	(152,000)
Job Retention (Furlough)	(362,600)	0	(42,000)	(42,000)
Total Grants	(3,521,400)	(802,700)	74,000	(728,700)
Net Total Budget Impact	384,400	253,300	70,700	324,000

Covid Related Impact General Fund Financing Budget – Collection Fund

The original estimates for the 2021/22 Medium Term Plan General Fund Financing budgets includes the estimated impact of the Collection Fund 2020/21 related deficit (which exceptionally must be charged to the General Fund Balance over 3 years 2021/22 to 2023/24 to mitigate the adverse impact of Covid on collection rates) offset by the Government Local Tax Income Guarantee (TIG) Grant, totalling a net cost of £184,000.

However, as detailed in the 2020/21 budget outturn report to Cabinet in July, TIG of £318,900 has been recognised earlier in 2020/21, and subsequent to finalising that report an administrative error was identified by MCHLG in the claim process for TIG which further reduces the total amount of TIG due by £46,000 to be accounted for in 2021/22.

The table below details the final position for the 2020/21 related Collection Fund deficit and TIG which will be recognised over 2020/21 to 2023/24,

demonstrating a net budget impact over that period of **£311,100**.

Financing Budgets Implications Covid-19	Actual 2020/21 For Information	Original Estimate 2021/22- 2023/24	Impact of 2020/21 Deficit Variance	Revised Estimate 2021/22- 2023/24
	£	£	£	£
Council Tax	0	58,000	15,000	73,000
Business Rates		844,000	(333,000)	511,000
2020/21 Collection Fund Def.		902,000	(318,000)	584,000
Council Tax	(65,100)	(61,000)	61,000	0
Business Rates	(253,800)	(657,000)	703,000	46,000
Local Tax Income Guarantee Grant	(318,900)	(718,000)	764,000	46,000
Total Budget Impact	(318,900)	184,000	446,000	630,000

There remains an amount of uncertainty around the continued impact of the Covid-19 pandemic on both expenditure and income in 2021/22 due to:

- the ongoing potential for a resurgence of the virus in the community and the impact of staff self-isolating;
- uncertainty surrounding the capacity of, recovery 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 or the use of earmarked reserves.

2.3 **Efficiency programme – Progress Update**

Since 2014/15 the Council has approved five separate budget reduction programmes totalling £6.5m net of risk provision, including the new programme of £584,000 approved during the 2021/22 budget process.

Of the total programme, £1,415,200 remains to be delivered over 2021/22 to 2024/25.

In terms of 2021/22, the programme due for delivery is £1,055,400, which includes project deferrals identified in quarter 4 of 2020/21. There are no amendments to the efficiency programme at Quarter 1.

Delivery of the 2021/22 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 2021/22, analysed by Portfolio, and this is summarised in the table below. Cabinet is recommended to approve these changes.

Quarter 1 amendments to the current capital programme of (£2,886,100) are presented in the table below.

Capital Budget 2021/22 - Change Analysis	
	£
Original 2021/22 budget approved by Council on 4 March 2021	10,868,300
Council Approved Carry Forwards from 2020/21	1,787,400
Schemes Approved by the Leader in Quarter 1	
Arnold Market - Additional Budget	464,000
Green Homes Grant Funded Scheme	64,800
Current approved budget for 2021/22	13,184,500
Proposed Amendments to the Programme at Quarter 1	
Additional to existing Schemes:	
Disabled Facilities Grant by additional Grant	110,200
Schemes Proposed for Deferral:	
Calverton Enterprise Units	(1,370,000)
Hazleford Way Industrial Units	(350,000)
Burton Road Affordable Housing	(740,300)
Station Road Affordable Housing	(495,000)
Vehicle Replacement Programme	(41,000)
Total Proposed Amendments	(2,886,100)
Revised Capital Programme 2021/22	10,298,400
Actual Expenditure to Quarter 1 2021/22	1,030,300
Estimated Expenditure Quarter 2 - 4 2021/22	9,268,100
Projected Outturn	10,298,400

Total schemes proposed for deferral are £2,996,300; details of major schemes are as follows:

- Calverton Enterprise Units (£1,370,000) – Grant funding has not yet been secured in order to progress this scheme, delays are due to the economic uncertainty caused by the Covid-19 Pandemic. The business

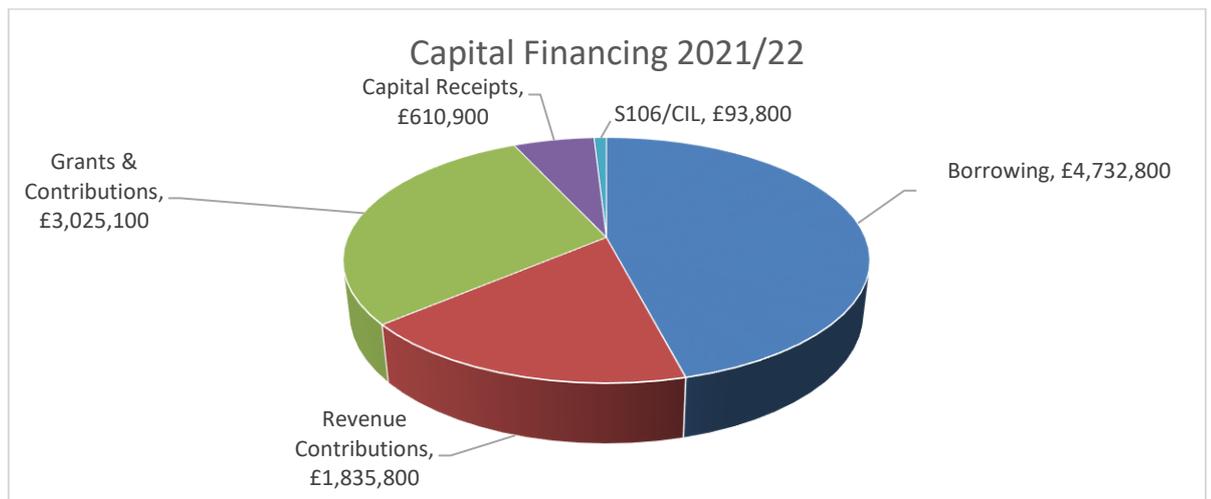
case will be reviewed and if the scheme is still financially viable a bid will be submitted to the LEP for the next available round of funding.

- Hazleford Way Industrial Units (£350,000) – The scheme has been further deferred to 2022/23 in order to assess the viability of leasing the units in the wake of the Covid-19 Pandemic.
- Burton Road Affordable Housing (£740,300) & Station Road (£495,000) – There has been a slight delay in the scheme due to the appointment of an Architect, pre-construction works are currently underway with on-site construction due to commence early in 2022/23.
- Vehicle Replacement Programme (£41,000) - Deferral of replacing a vehicle due to its current condition being better than expected resulting in an extension to its useful life of an additional year.

Capital schemes are monitored on a quarterly basis and meetings are currently held between finance officers and service/project officers.

2.5 **Capital Programme Financing**

The projected method of financing the current capital programme requirement of £10,298,400 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 2021/22 projects that £610,900 will be generated and used to finance the capital programme in 2021/22. 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 2021/22 – Budgetary Control Report

Appendix 2 - Use of Reserves and Revenue Fund Budgets

Appendix 3 - Capital Programme 2021/22 – 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: 28th July 2021

Approved by: Monitoring Officer

Date: 28th July 2021