

Report to Cabinet

Subject: Quarterly Budget Monitoring and Virement Report – Quarter 2
September 2021

Date: 4 November 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 two 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 September 2021. The Council's General Fund outturn is projected to be overspent by £58,800 and this is primarily due to overspending in Environment.

In order to ensure Cabinet is maintained within its maximum, it is proposed that cabinet approve a transfer of £58,800 from the Efficiency & Innovation reserve. This reserve has been reviewed and confirmation received that this sum is available.

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 September 2021 expenditure less income totalled	6,575,243
In the remaining 6 months of year we expect net expenditure to be	5,137,857
Total net revenue spend for the year is currently expected to be	11,713,100
Total Projected Revenue (Under) / Overspend 2021/22	58,800
Proposed Transfer From Earmarked Reserves For Approval	(58,800)
Total net revenue spend for the year is expected to be	11,654,300

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 two against the approved budget for each Portfolio area. Cabinet is recommended to approve these changes.

The quarterly budget monitoring report 2021/22 presented to Cabinet on 5th August indicated an overspend in first quarter of £22,700 to be met from Leisure Strategy reserve and is still anticipated that this is required to remain within the Cabinet Maximum 2021/22 Budget.

The major variances detailed in Appendix 1 include:

Expenditure:

- Additional Agency expenditure in Waste Services, Street Care and Fleet Management of £70,500 due to the cover of staff absent from sickness, in addition to £45,000 already approved at end of Quarter 1.
- Additional costs of recycling bins £55,000.
- Reduction of £35,900 in 2021/22 Minimum Revenue Provision (MRP) following lower than anticipated borrowing to finance 2020/21 capital expenditure.
- Expected vacancy saving of £36,000 from Corporate Director (Environment, Communities & Leisure) from December 2021 to March 2022.

Income:

- Additional income of £49,500 expected from the completion of the April to June 2021 Covid-19 Income Compensation Scheme.
- Reduced income of £24,600 expected from sale of scrap due to existing items retained whilst supply chain pressures exist.
- Additional £30,000 income for Cemeteries due to a greater than expected number of burials
- Reduced income of £22,000 on commercial tree team due to staff vacancies

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 two.

2.2 Budget Implications arising from the Covid-19 Pandemic

2.2.1 The financial impact of ongoing Covid-19 related restrictions in 2021/22 is not expected to be as significant as that experienced in 2020/21. However, with cases continuing at a national level during the second quarter of 2021/22 there may still be a requirement to self-isolate. The Council services most affected are front line services.

The tables below detail the estimated additional expenditure pressures and estimated additional income losses for the full year of £10,200 giving a total estimated budget impact of £81,900 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:	£
Covid related expenditure reported at Quarter 1	55,400
Reported at Quarter 2	0
Total Expenditure at Quarter 2	55,400
Income:	
Covid related income losses reported at Quarter 1	16,300
Democratic services room hire	10,200
Total Income at Quarter 2	26,500
Total Net Covid-19 Related Pressures at Quarter 2	81,900

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 months of 2021/22. If the Pandemic continues to spread throughout the year there is likely to be a further impact on budgets and this will be reviewed in detail in quarter 3.

Income Compensation Scheme Grant

In 2020/21 the Government announced the introduction of an income guarantee scheme in recognition of the impact the pandemic has had on income from sales, fees and charges. The 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 were incurred in Leisure, Community Centres and off street parking, Regulatory Services, Building Control and Trade Waste. A claim form for £201,500 for the period April 2021-June 2021 has been submitted. This was £49,500 more than the £152,000 projected at quarter 1, due to the availability of more up to date information.

The Council has 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 **£50,700**.

Total Covid Related Impact on Net Council Budget

The Quarter 2 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	Q1 Revised Estimate 2021/22	Q2 Variance	Q2 Revised Estimate 2021/22
	£	£	£	£
Expenditure Pressures	644,900	55,400	0	55,400
Income Losses	3,260,900	1,072,300	10,200	1,082,500
Improvements In Leisure Income		(75,000)	0	(75,000)
Total Budget Pressure	3,905,800	1,052,700	10,200	1,062,900
Government Grant Funding:				
Emergency Funding	(1,570,000)	(534,700)	0	(534,700)
Income Compensation	(1,588,800)	(152,000)	(49,500)	(201,500)
Job Retention (Furlough)	(362,600)	(42,000)	(8,700)	(50,700)
Total Grants	(3,521,400)	(728,700)	(58,200)	(786,900)
Net Total Budget Impact	384,400	324,000	(48,000)	276,000

Covid Related Impact General Fund Financing Budget – Collection Fund (No Change from Quarter 1)

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 their claim process for TIG which further reduces the total amount of TIG due to Gedling Borough Council by £46,000 and which is 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, £1,265,900 remains to be delivered over 2021/22 to 2024/25. In terms of 2021/22, the programme due for delivery is now £874,500 as set out in the table below:

Movements on Efficiencies 2021/22	
	£
Approved Efficiency Programme 2021/22	(905,800)
Quarter 1 Deferrals	0
Deferred Efficiencies to 2022/23 at Quarter 2	
Sponsorship and Marketing	17,300
Commercial Tree Team	4,000
Environment Services Administration	10,000
Total	31,300
Quarter 2 movements	31,300
Revised 2021/22 Efficiency Programme	(874,500)

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 2 amendments to the current capital programme of (£237,000) 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
Approved amendments to the programme in Quarter 1	(2,357,300)
Schemes Approved in Quarter 2	
The Green Lung Project (CIL funding approved)	50,000
Current approved budget for 2021/22	10,348,400
Proposed Amendments to the Programme at Quarter 2	
Vehicle Replacement Programme Deferral	(225,000)
Vehicle Replacement Programme Removal	(12,000)
Total Proposed Amendments	(237,000)
Revised Capital Programme 2021/22	10,111,400
Actual Expenditure to Quarter 2 2021/22	2,185,300
Estimated Expenditure Quarters 3 - 4 2021/22	7,926,100
Projected Outturn	10,111,400

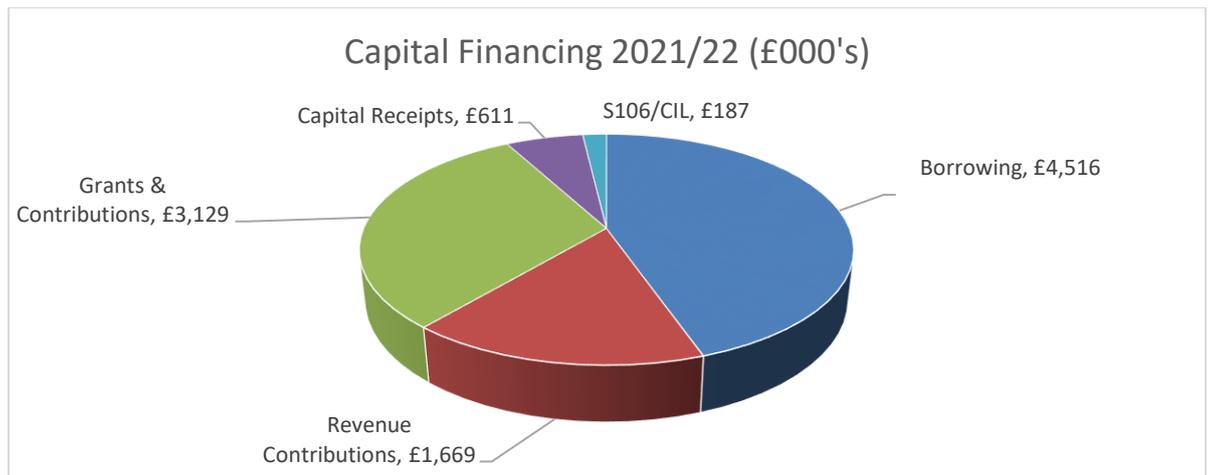
Total schemes proposed for deferral and removal total £237,000. The details as follows:

- Vehicle Replacement Programme Deferral (£225,000) – A number of vehicles currently in the replacement programme for 2021/22 will not arrive until 2022/23 due to extended lead times on delivery. Orders have been placed for the vehicles and they are now expected to be delivered early in 2022/23.
- Vehicle Replacement Programme Removal (£12,000) - A vehicle currently used in Revenue Services to assist with property inspections was due to be replaced in 2021/22. Other arrangements in support of this activity are to be implemented and the vehicle is no longer required.

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 £10,111,400 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 2 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: 26 October 2021

Approved by: Monitoring Officer
Date: 26 October 2021