

Report to Cabinet

Subject: Quarterly Budget Monitoring and Virement Report – Quarter 3
December 2021

Date: 27 January 2022

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 three 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 31 December 2021.

The Council's General Fund outturn is projected to be underspent by £56,500. In order to ensure Cabinet is maintained within its maximum, it is proposed that Cabinet approve a transfer of £56,500 to 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 December 2021 expenditure less income totalled	8,984,635
In the remaining 3 months of year we expect net expenditure to be	2,613,165
Total net revenue spend for the year is currently expected to be	11,597,800
Total Projected Revenue (Under) / Overspend 2021/22	(56,500)
Proposed Transfer to Earmarked Reserves For Approval	56,500
Total net revenue spend for the year is expected to be	11,654,300

The quarterly budget monitoring reports 2021/22 presented to Cabinet on 5 August 2021 and 4 November 2021 indicated overspends in first and second quarters of £22,700 and £58,800 to be met from the Leisure Strategy reserve and Efficiency and Innovation Reserve respectively. It is now expected that there will be an underspend of £56,500 in third quarter that will be returned to the Efficiency & Innovation Reserve to remain within the Cabinet Maximum 2021/22 Budget.

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

The major variances detailed in Appendix 1 include:

Expenditure:

- Employee savings of (£114,100) within Leisure Centres as a result of Covid-19 restrictions reducing the requirement to fill vacant posts in short term offset by additional operational costs of £43,700
- Deferral of planned PASC efficiency of £34,200 to 2022/23
- Additional temporary staffing costs of £30,000 to address backlog of work in Planning

Income:

- Net increase in Leisure Centre income of (£189,000) as a result of the number of Swim School Memberships and other users being higher than anticipated
- Reduced Licencing income of £54,400 expected following taxi driver renewals being lower than pre-pandemic levels
- Reduced Trade Waste income of £29,200
- Reduced bin sales to new development sites of £29,500
- Reduced income of £26,000 in Long Stay Permits and Pay & Display car parking income assumed to be attributable to Covid-19 pandemic

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 three.

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 continue to be felt, particularly in respect of the number of cases of the Omicron variant and the requirement to self-isolate when required. 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 £107,400 giving a total estimated budget impact of £189,300 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 2	55,400
Reported at Q3	0
Total Expenditure at Quarter 3	55,400
Income:	
Covid related income losses reported at Quarter 2	26,500
Taxi & Hackney Carriage license renewals	54,400
Car Parking - Pay & Display and Long Stay permits	26,000
Community Centres reduced parties and events	13,500
Reduction in Bowls club lease income	13,500
Total Income at Quarter 3	133,900
Total Net Covid-19 Related Pressures at Quarter 3	189,300

There is uncertainty on how long cases will continue at recent levels and the need for self-isolation. The costs in the table above are based on a reasonable forecast for the first 9 months of 2021/22. If the pandemic continues throughout the rest of the year there is likely to be a further impact on budgets and this will be set out in the Budget Outturn and Budget Carry Forwards 2021/22 report to be presented to Cabinet early in 2022/23.

Income Compensation Scheme Grant (no change from quarter 2)

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 was submitted in quarter 2. 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 3 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	Q2 Revised Estimate 2021/22	Q3 Variance	Q3 Revised Estimate 2021/22
	£	£	£	£
Expenditure Pressures	644,900	55,400	0	55,400
Income Losses	3,260,900	1,082,500	107,400	1,189,900
Improvements In Leisure Income		(75,000)	0	(75,000)
Total Budget Pressure	3,905,800	1,062,900	107,400	1,170,300
Government Grant Funding:				
Emergency Funding	(1,570,000)	(534,700)	0	(534,700)
Income Compensation	(1,588,800)	(201,500)	(0)	(201,500)
Job Retention (Furlough)	(362,600)	(50,700)	(0)	(50,700)
Total Grants	(3,521,400)	(786,900)	(0)	(786,900)
Net Total Budget Impact	384,400	276,000	107,400	383,400

Covid Related Impact General Fund Financing Budget – Collection Fund (No Change from Quarter 2)

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 £743,200 as set out in the table below:

Movements on Efficiencies 2021/22	
	£
Approved Efficiency Programme 2021/22	(905,800)
Quarter 1 Deferrals	0
Quarter 2 Deferrals	31,300
Revised Programme 2021/22	(874,500)
Deferred Efficiencies to 2022/23 at Quarter 3	
PASC Management	34,200
Localities service premises rent	6,500
Sponsorship & Marketing	20,000
Bins sales to development sites	29,500
Financial Services	17,400
Sponsorship of flower beds	5,000
Customer Services	18,700
Quarter 3 Movements	131,300
Revised 2021/22 Efficiency Programme	(743,200)

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 3 amendments to the current capital programme of (£590,700) 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)
Approved amendments to the programme in Quarter 2	(187,000)
Schemes Approved in Quarter 3	
Arnot Hill Park Fountain Replacement	22,500
Current approved budget for 2021/22	10,133,900
Proposed Amendments to the Programme at Quarter 3	

Additions to programme	
AMF - ALC Lift Repairs	25,400
The Arnold Market Place	45,000
Total additions to programme	70,400
Reductions to programme	
Vehicle Replacement Programme	(58,000)
Onchan Drive MUGA	(16,200)
Total reductions to programme	(74,200)
Deferrals to 2022/23	
Vehicle Replacement Programme	(6,900)
Leisure Management System	(75,000)
Arnot Hill House Fire Safety Works	(70,000)
Civic Centre Fire Alarm	(100,000)
Civic Centre Window Replacement	(200,000)
Hazelford Way	(60,000)
Civic Centre Lift Refurbishment	(75,000)
Total deferrals to 2022/23	(586,900)
Total Proposed Amendments at Quarter 3	(590,700)
Revised Capital Programme 2021/22	9,543,200
Actual Expenditure to Quarter 3 2021/22	4,064,098
Estimated Expenditure Quarter 4 2021/22	5,479,102
Projected Outturn	9,543,200

Further details regarding the proposed amendments to the 2021/22 Capital Programme at Quarter 3 are as follows:

Additions

- Arnold Leisure Centre (ALC) Lift Repairs £25,400 – There is presently a budget of £43,100 in the capital programme for this scheme. The final cost is expected to be £68,500. The additional cost would be funded from the Leisure maintenance budget.
- Arnold Market Place £45,000 – Additional project costs for fees of £10,000 and a requirement for additional substation costs outside the main contract of £35,000 have been identified. It is proposed that the costs of £10,000 are met from the Economic Development Reserve utilising savings from vacancies from 2021/22 and the substation costs are funded from Business Rates Pool reserve.

Reductions

- Vehicle Replacement Programme (£58,000) – Vehicle replacement costs are anticipated to be lower than envisaged. This reduces the borrowing required to finance the vehicle replacement programme in 2021/22 by £58,000.
- Onchan Drive MUGA (£16,200) – There is a budget of £74,500 in the capital programme for this scheme with the cost to be funded by a grant

for the same sum from the FCC Communities Foundation. The tenders for the work can in lower than expected and the scheme has been completed at a cost of £58,300. The grant to meet the final cost has been received.

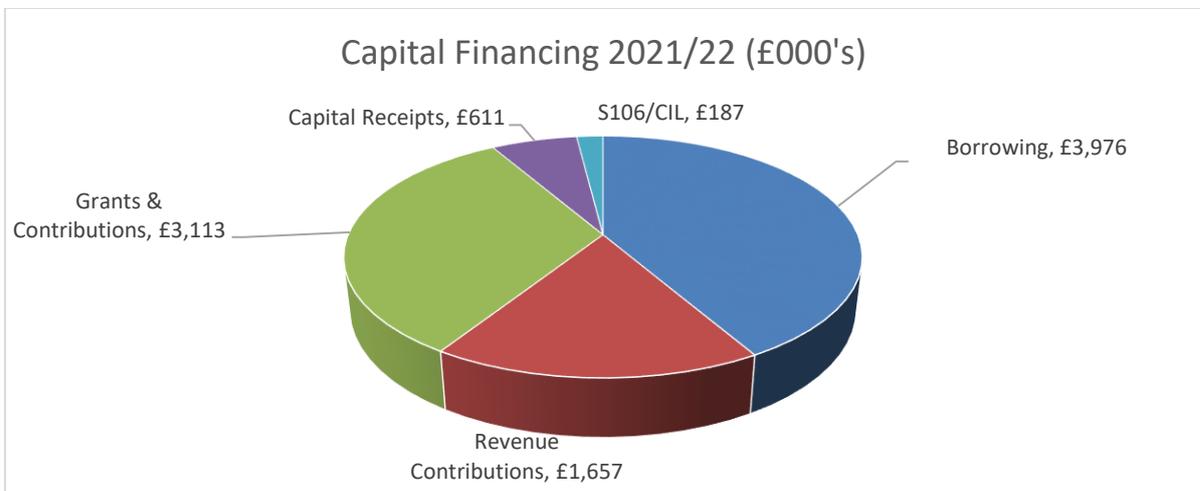
Deferrals to 2022/23

- Vehicle Replacement Programme (£6,900) – The 2021/22 programme includes £27,000 for a replacement vehicle that is not now expected to arrive on site until after 1 April 2022. However, the 2022/23 programme includes £20,100 for a replacement vehicle for which an order was placed well in advance to ensure prompt delivery but arrived much earlier than expected in December 2021.
- Leisure Management System (£75,000) – A procurement exercise was undertaken for a replacement leisure management system but this did not secure a supplier. A new procurement exercise has now commenced but the system is not now likely to be implemented until 2022/23.
- Others (£445,000) – These schemes have not yet been completed due to capacity issues arising from the need to respond to the Covid-19 pandemic and they therefore will not now commence until 2022/23 at the earliest:
 - Arnot Hill House Fire Safety Works (£70,000)
 - Civic Centre Fire Alarm (£100,000)
 - Civic Centre Lift Refurbishment (£75,000)
 - Civic Centre window replacement (£200,000)

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 £9,543,200 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 3 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:

Approved by: Monitoring Officer

Date: