



EXECUTIVE BOARD DECISION

REPORT OF:	Executive Member for Finance and Governance
LEAD OFFICERS:	Director of Finance
DATE:	9th September 2021

PORTFOLIO/S AFFECTED:	All
WARD/S AFFECTED:	All
KEY DECISION:	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>

SUBJECT: CORPORATE REVENUE BUDGET MONITORING REPORT QUARTER 1 - 2021/22

1. EXECUTIVE SUMMARY

To report the overall revenue financial position of the Council, highlighting any significant issues and explaining variations in the first quarter of the financial year.

2. RECOMMENDATIONS

The Executive Board is asked to approve:

- the portfolio cash limit adjustments outlined in Appendix 1.
- the Earmarked reserves position shown in Appendix 2
- the variations to revenue expenditure, as listed in Section 6, giving rise to a balance of £8.818 million in the unallocated General Fund revenue reserve.

3. BACKGROUND

All portfolios are required to examine their revenue budget position on a monthly basis. Regular reports are submitted to Executive Board for review along with a final report, detailing the financial outturn position.

4. KEY ISSUES & RISKS

a) Actual revenue expenditure at 30th June 2021 in relation to controllable budgets across all portfolios was £23.001 million, which is 18.29% of the current budget. Further details relating to the financial position of each portfolio are outlined in Section 6.

b) Subject to Executive Board approval of the proposed adjustments, General Fund unallocated reserves are £8.818 million at 30th June 2021 compared to the minimum level of unallocated reserves agreed at Finance Council in March 2021 of £6.0 million.

c) Based on the information currently available, Earmarked Reserves available for discretionary use within the Council are £38.151 million at 30th June 2021 compared with a balance of £47.665 million at 31st March 2021, with a further £13.078 million of 'Other Reserves' held mainly in relation to schools.

5. POLICY IMPLICATIONS

The information contained within the report accords with the three year budget forecast within the Medium Term Financial Strategy 2021-24, as approved at Finance Council on 1st March 2021.

6. FINANCIAL IMPLICATIONS

6.1 CASH LIMITS AND REVENUE EXPENDITURE

6.1.1 Revenue Budget Overview

The 2021/22 Budget and MTFS 2021-2024 approved by Finance Council in March 2021 set a balanced budget for the year based on the assumptions made at that time. The Covid-19 pandemic continues to create a significant shock to the economy and result in unplanned expenditure and income losses for the Council, as set out in previous reports to the Executive Board and Council Forum.

Councillors should acknowledge that it is early in the financial year. Work will continue over the coming months to monitor and forecast the costs and savings associated with both the pandemic and any other emerging budget pressures. In the meantime, arrangements are in place to scrutinise all existing expenditure plans.

6.1.2 Performance Against Controllable Budgets

Appendix 1 details the portfolio controllable budgets approved by the Executive Board in March 2021 together with the details of the adjustments recommended to the Board for approval in this report. These include:

- transfers (budget virements) between portfolios
- transfers from Unallocated reserves to support budget pressures
- transfers from contingencies
- transfers from Earmarked reserves in respect of grants / contributions and other budgets approved for carry forward from 2020/21

The principle issues for each portfolio at the end of the first quarter of the year are summarised below:

Summary

Portfolio	Forecast (Under) / Over spend 2021/22
	£million
Adult Services & Prevention	0.000
Public Health & Wellbeing	1.725
Children, Young People & Education	1.467
Schools & Education (DSG)	0.000
Environmental Services	0.259
Growth & Development	0.946
Digital & Customer Services	0.154
Finance & Governance	2.052
TOTAL	6.603

Covid-19

As stated above, the Covid-19 pandemic has resulted in significant unplanned expenditure and income losses, which are being monitored and reported by portfolios. The Government's Sales, Fees and Charges support scheme finished at the end of June 2021 and all subsequent losses will need to be covered by Council resources. With regard to economic activity and the potential ongoing impact, the government's own data indicates activity is not expected to return to pre-Covid-19 levels until 2023. The impact of the pandemic led to a 10% fall in economic output over 2020 which is only expected to recover by 4% this year and 7% in 2022/23.

As with other public sector organisations, we are also dealing with a backlog and rise in demand across many of our services including social work support for vulnerable adults and children, legal, registrars, public protection, youth provision, employment and business support. To acknowledge the adjustments to services in continuing to respond to the pandemic, and operate within Covid-safe guidelines, as reported previously, the Council has allocated additional resource in 2021/22 of £5.149M for response and recovery activity, to manage the increased demand and to provide capacity to deal with outstanding backlogs as we move to the new business as usual. This expenditure is being monitored closely alongside the portfolio pressures noted above.

Portfolio positions

The underlying budget issues for each portfolio at the end of the first quarter of the year are as follows:

Adult Services & Prevention

At this relatively early stage in the year, on the basis of current levels of demand and information presently available, the portfolio is currently reporting a break even position.

As a result of changes to discharge and joint funding pathways the portfolio is beginning to see an increase in referrals and care package costs reverting back to Local Authority funding. Hospital discharge trackers continue to be monitored to estimate care costs coming back to Social Care to take into consideration the impact of Covid-19 and hospital discharge wherever possible and it should be recognised that this may result in further escalating costs in 2021/22 which will require funding from Covid-19 grants carried forward. The impact of Covid-19, together with winter pressures is likely to result in escalating costs over the next few months.

Detailed review of all budget lines is undertaken throughout the year and the impact of fluctuating demand is considered in the predicted financial position. It is assumed within the budget that all increased demand will be contained through the demand management strategies in place, however this portfolio continues to be impacted significantly by the current pandemic and the full impact of this in the current financial year is not yet known.

Public Health & Wellbeing

Leisure, Heritage & Cultural Services:

At this relatively early stage in the year, on the basis of current status of reopening of leisure facilities and information presently available, net spend for the portfolio for 2021/22 is predicted to be an overspend in the region of £1.725m.

In respect of the current financial year, all Leisure, Health and Wellbeing buildings have been closed since April 2021 and although the facilities are now operating it's on a reduced capacity. Meetings are taking place with budget holders to gain an early understanding of their budget assumptions and expected performance given current ability to operate. It should be recognised that although there have been some positive changes since July 19th we're yet to see full public confidence to return to use services and the resultant impact on attendances and income levels will need careful monitoring throughout the year. Any future closures will lead to more income losses.

Public Health:

The currently predicted forecast in respect of Public Health assumes a break even position for the year.

Children, Young People & Education

At this early stage of the financial year it is difficult to forecast with any degree of certainty, and the latest projections are based on a number of assumptions that are likely to change over the coming months. In addition the portfolio is feeling the ongoing effects of the Covid-19 pandemic, and this is likely to continue into the foreseeable future.

The main areas facing significant budget pressures are Special Guardianship Orders, Education Transport and Fostering. The current projected position for the portfolio as a whole at the end of period 3 shows an overspend of £1.467m.

Dedicated Schools Grant / Schools Block

Services in Schools & Education (DSG) are currently forecast to spend the funding available in 2021/22 through the DSG and Pupil Premium.

Schools and Education funding from DSG is monitored by the Schools Forum and reports are considered on a regular basis.

Environmental Services

The portfolio is currently predicting an overspend of £259k. This predicted overspend is a result of COVID impacted income losses from taxi licensing and parking services in particular. Waste disposal budgets continue to be monitored closely for pressures that may arise as the year progresses.

Growth & Development

The portfolio is currently forecasting an overspend of £946k which is mainly in respect of the Highways budgets and commercial income losses, mainly attributable to the current trading position which has been significantly impacted by the pandemic.

Digital & Customer Services

The portfolio is currently predicted overspend by £154k due to Covid-19 related income losses across Registrars and Customer Services.

Finance & Governance

The portfolio has estimated income losses of £2.052m due to Covid-19 arising from commercial and traded service income. The significant losses included within this are forecast income losses from commercial rents including the Council's income share from the Mall.

6.2 General Fund Unallocated Reserves

Summary of movement	£million
Balance of reserves at 31st March 2021 (as reported to Executive Board in August 2021)	8.373
Transfers (from) Unallocated reserves	
Funding to support Street Cleansing, Environmental Crime and Cleansing budgets	(0.129)
Transfers to Unallocated reserves	
Increase in reserve agreed as part of 2021-22 budget strategy	0.053
Net savings in respect of interest and debt repayment as a result of slippage in the 2020/21 capital programme	0.504
Net increase in non-ringfenced grant income	0.017
Balance on Unallocated General Fund reserves at 30 June 2021	8.818

6.3 Earmarked reserves

Taking account of the adjustments highlighted at Appendix 2, the level of Earmarked reserves held for discretionary use by the Council at 30th June 2021 will reduce to £38.151 million compared with a balance of £47.665 million as at 31st March 2021.

Summary of movement	£million
Balance of reserves at 31 st March 2021 (as reported to Executive Board in August 2021)	47.665
Use of reserves to support the 2021-22 budget strategy (Note 1)	(4.463)
Release to portfolios of grants and budgets carried forward from 2020/21 into 2021/22 (incl in Appendix 1)	(3.544)
Use of Developers Contributions (Section 106) reserve to finance revenue expenditure (Tower Road)	(0.024)
Use of Developers Contributions (Section 106) reserve to finance capital expenditure	(0.130)
Use of Future Maintenance of Wainwright Bridge reserve to finance capital expenditure	(0.171)
Use of Office Accommodation and Property Improvements reserve to finance capital expenditure	(0.236)
Use of Support for Future Redundancy Costs reserve	(0.044)
Transfers from other reserves:	
- Better Care Fund	(0.857)
- Troubled Families / Targetted Youth Support	(0.034)
- YOT Partnership	(0.011)
Balance on Earmarked reserves at 30 June 2021	38.151

Note 1 - The amount of £4.463 million above comprises:

- Transfers into reserves in respect of a 5th Tranche of general Covid-19 grant funding (£5.125m) and Local Council Tax Support grant (£2.127m)
- Utilise Business Rates s31 grants carried forward from 2020/21 to offset the deficit carried forward on the Business Rates Collection Fund - £8.414 million
- Transfer from the Developers Contributions (s106) reserve to finance capital expenditure - £3.141 million
- Transfer from the Future Maintenance of Wainwright Bridge reserve to finance capital expenditure - £240k
- Transfer to earmarked reserves for Future Maintenance of Witton Park 3G Pitches (£50k) and for "pay back" of leisure equipment (£30k)

Other Earmarked reserves, held largely in respect of schools, are £13.078 million.

Details of the requested applications of reserves are outlined in the Appendices to this report.

6.4 Collection Fund

Business Rates

In a similar manner to the previous financial year, the government has introduced a scheme of enhanced rates reliefs applying to occupied retail, leisure and hospitality properties in the year 2021/22. The discounts are 100% for the period April to June reducing to 66% from July. Funds to fully reimburse local authorities for the local share of these enhanced reliefs are once again being paid on account using a grant under section 31 of the Local Government Act 2003, with a full reconciliation to be carried out at year-end. Section 31 grant received during the year will be credited to the Council's General

Fund and held in an earmarked reserve to offset any business rates deficit carried forward as a pressure on the 2022/23 budget.

The change in the rate of discounts awarded from 100% to 66% has resulted in the Council having to re-bill those businesses in receipt of the enhanced rates reliefs. As a result, the profile of direct debit instalments has been extended to March rather than January 2022, which makes projection of the likely overall collection rate more difficult.

In addition, we are awaiting government guidance, and details of the funding, for the new Discretionary Covid-19 Relief for businesses that have been affected by the pandemic but did not qualify for the extended retail relief. Once this is received, the Council can agree a policy and commence awarding relief, which will in turn reduce the collectable debit and improve the collection rate.

Council Tax

The Council's rate of collection for council tax is likely to be slightly below the target of 95.5% - currently projected at 95.1%-95.2%. Local Council Tax Support working age claimants are now declining after hitting a peak in 2021/22, and there has been no noticeable change since the furlough scheme has been reduced. All recovery action is underway as planned without any hindrance or interruption.

7. LEGAL IMPLICATIONS

The Council has a duty to ensure it can deliver a balanced budget. The Local Government Act 2003 imposes a duty on an authority to monitor its budgets during the year and consider what action to take if a potential deterioration is identified.

8. RESOURCE IMPLICATIONS

None.

9. EQUALITY AND HEALTH IMPLICATIONS

Please select one of the options below. Where appropriate please include the hyperlink to the EIA.

Option 1 Equality Impact Assessment (EIA) not required – the EIA checklist has been completed.

Option 2 In determining this matter the Executive Member needs to consider the EIA associated with this item in advance of making the decision. (*insert EIA link here*)

Option 3 In determining this matter the Executive Board Members need to consider the EIA associated with this item in advance of making the decision. (*insert EIA attachment*)

10. CONSULTATIONS

Not applicable.

11. STATEMENT OF COMPLIANCE

The recommendations are made further to advice from the Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation and an equality analysis and impact assessment has been considered. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

12. DECLARATION OF INTEREST

All Declarations of Interest of any Executive Member consulted and note of any dispensation granted by the Chief Executive will be recorded in the Summary of Decisions published on the day following the meeting.

VERSION:	V2
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CONTACT OFFICER:	Julie Jewson Senior Finance Manager Tel 01254 585893
DATE:	31st August 2021
BACKGROUND PAPER:	N/A