

Finance Monitoring Quarter 2 2020/21

Relevant Portfolio Holder	Councillor Geoff Denaro Portfolio Holder for Finance and Enabling Services
Relevant Head of Service	Chris Forrester, Head of Finance and Customer Services
Non-Key Decision	

1. Purpose and Summary

- 1.1 To report to Cabinet on the Council's financial position for both Revenue and Capital for the financial period April 2020 – September 2020.

2. Recommendations

- 2.1 That Cabinet is asked to resolve to note the current financial position in relation to revenue and capital budgets for the financial period April 2020 – September 2020 as detailed in the report.

That Cabinet recommends to Council

- 2.2 Approval of the reprofiling of the Burcot Lane project in the capital programme 2020/21 due to officers completing a review of the Capital budget for 2020/21 – 2023/24. See Appendix 3

Revenue budgets

- 3.1 This report provides details of the financial performance of the Council for 2020/21. The report reflects the finances across the new strategic purposes to enable Members to be aware of the level of income and expenditure attributed to each area and how this compares to budget. The summary below shows the financial revenue position for the Council for the period April to September 2020/21.
- 3.2 Financial reports are sent to budget holders on a monthly basis. As part of this process a detailed review is undertaken with support from the finance team to ensure that all issues are considered and significant savings or cost pressures are addressed. This report explains the key variances to budget for 2020/21.
- 3.3 The £11.812m original budget as included in the table below is made up of the budget approved in February 2020.

3.4 In addition the revised 2020/21 budget of £12.097m includes transfers to/from reserves of £285k which is shown in appendix 1.

**Revenue Budget summary
Financial Year 2020/21 – Overall Council**

Please note figures have been rounded

Strategic Purpose	Original Budget 2020/21 £'000	Revised budget 2020/21 £'000	Budget to date 2020/21 £'000	Actuals to date 2020/21 £'000	Variance to date 2020/21 £'000	Projected outturn 2020/21 £'000	Projected Variance 2020/21 £'000
Affordable and sustainable home	695	863	304	282	-22	851	-11
Communities which are safe, well maintained, and green	4,922	5,035	1,750	1,597	-153	5,204	169
Enabling the Authority	5,357	5,285	2,430	2,438	9	5,316	31
Living independent, active and healthy lives	377	457	86	3	-83	370	-87
Run and grow a successful business	-51	-69	-117	366	483	710	779
Work and financial independence	512	526	-435	-430	5	496	-29
Total	11,812	12,096	4,017	4,344	327	13,093	997
Financing	-11,812	-12,096	-7,569	-7,655	-86	-12,091	5
Grand Total	0	0	-3,551	-3,311	241	1,002	1,002

Financial Commentary:

It is important to note that the council has received £1,255k in COVID-19 grants in four tranches from central government to date of which £390k has been spent. This means that there is £865k remaining which can be used to mitigate some of the overspends/losses as shown above and explained in more detail below as appropriate. The Council has also filled in returns to central government with the expectation that a proportion of the losses the council has experienced detailed on the returns due to COVID-19 will be met by government which should reduce the deficit position detailed above.

There are a number of variances across the strategic purposes. The summary above shows the 2020/21 revenue position for the Council for the first two quarters and the main variations are as a result of:

Affordable and sustainable home (£11k underspend)

The costs associated with homeless prevention, housing strategy and charges are all included in the strategic purpose.

- There are no material individual variances in quarter 2 to report.

Communities which are safe, well maintained and green (£149k overspend)

These budgets include those relating mainly to environmental services, planning, CCTV and other activities to deliver against the purpose ensuring an area is both safe and attractive for the community.

Whilst at quarter 2 it is currently showing an underspend it is projecting an overall overspend by year end due to the following:

- Bereavement services have received less income than expected from burial fees going in to the second quarter of **£21k** due to the pandemic restrictions that have been in force stopping some service items such as cremated remains burials. It is therefore projected this will continue for the foreseeable future and projected shortfall in income will be **£40k** by the end of the financial year 2020/21.
- Building Control have seen an increase in activity in the local construction sector after the initial lockdown in quarter 1 with a significant upturn in demand once matters normalised. This appears to have plateaued and introduced a false peak. Some concern is felt regarding the negative effect of any future local lock down. Whilst the sector is expected to continue the winter months often see a decrease in demand. The forecasted shortfall in income is projected therefore at **£56k**.
- Core Environmental operations have some underspends on salaries **£28k**. These are projected to be filled going into the second quarter of the financial year and are projected to have an underspend of **£15k**.
- Development Control have a shortfall in income in quarter 2 of 2020/21 due to the profiled budget **£13k**. It is therefore projected this will continue for the remainder of the financial year and its expected shortfall for the year is **£48k**.
- Environmental services Place teams have some underspends on salary savings **£47k**. This is due a review of service requirements and it is hoped after delayed recruitment due to COVID-19 these posts will be filled into the third quarter and projected therefore by year end to show savings of **£22k**.
- Stores and Depot have increased costs due to security issues which will be resolved later in the year. This will see a projected overspend by the end of the year of **£31k**.
- There is a small underspend on the budget available for Local plans inquiries within strategic planning due to reassessing the local plan work this is currently being addressed along with the future plans **£94k**.
- There are some salary savings in the Tree management team following a services delivery review **£56k**. While some posts have been recruited too there are some that still remain vacant. Its is therefore projected there will be a underspend by year end **£89k**.
- Waste management have some additional commercial Waste Disposal Costs. A Business case has been put forward to address this going forwards in the budget. There are also increased costs from Severn Trent on disposal of septic waste which is being challenged and also overspends on additional overtime due to out of Hours Callout costs, which is also being reviewed corporately **£219k**.

Enabling the Authority (£31k overspend)

All support services and corporate overheads are held within the enabling purpose. These include IT, HR, Finance, Management team and other support costs.

- There is a variance in Corporate services which is due to a vacancy management factor target to be met. This will be reallocated from other services by quarter 3. See savings monitoring at point 4 to this report **£210k**.
- Customer Services, Democratic Services and member support and ICT have temporary salary underspends projected **£194k**.
- Training and organisational development have underspend on the corporate training budget due COVID-19 having had a direct impact on our ability to continue with all training, some training was paused and we are currently reviewing how we will continue to provide the necessary training in light of the pandemic, including moving to remote training as appropriate **£100k**.

Living independent, active & healthy lives (£87k underspend)

There are a number of budgets relating to the delivery of the strategic purpose including Lifeline, Community Transport and Disabled Facilities Grants.

- There is a variance within Business development – Leisure service due to not receiving the first and second quarter income fee for BSLC which is due to the impact of the COVID-19 pandemic. We have made a claim to the Government for the loss of fees and charges and are currently awaiting an update as to whether we be claim a proportion of the lost amount. This will be allocated to the shortfalls in income for BSLC should the Council receive these monies **£193k**.
Members will also be aware of additional payment made to everyone active in terms of the losses incurred during the forced closure of the site. This has been reflected as transfer from the COVID-19 grant and therefore does not show as an overspend within Business development.
There are some savings in CCTV & Lifeline and Community transport due to temporary salary vacancies **£36k**.
- Sports & Arts Development and Parks & events have some underspends due to events not taking place in the first and second quarters also due to Covid **£79k**.

Run and grow a successful business (£779k overspend)

The budgets within the strategic purpose include economic development, car parking, all licenses and costs associated with the town and other centres within the District.

- The main overspend is within car parks which is due to the temporary suspension of car parking charges between April and July and the reduction in income levels seen since the reopening which is anticipated to continue to year end and beyond because of COVID-19 **£693k**. The government have announced a compensation scheme for lost fees and charges income and officers have worked through an application for the first quarter for these funds and are awaiting confirmation.
- There is also a variance on markets which again is due to the impact of COVID-19 **£24k**
- Licences has a shortfall of income in the first and second quarter of 2020/21 **£36k**

Work and Financial independence (£29k underspend)

The strategic purpose includes all costs relating to the support of benefits and the administration and delivery of Council Tax services and business rates in the District.

- Benefits has a slight overspend due to additional resources requires **£20k**.
- Revenues has a variance due to a pending service review which is currently underway **£49k**.

Corporate Financing (£5k overspend)

- There are no material variances to report.

4. Savings Monitoring

The medium term financial plan included £510k of savings identified to be delivered during 2020/21. The breakdown of these savings is attached at appendix 2. £45k of these identified savings is in relation to reductions in enabling costs.

To quarter 2 £219k in identified savings have been realised against the budgeted April to September savings of £255k.

In addition to the above officers have been required to find further savings throughout the financial year 2020/21 to meet the vacancy factor (£170k) and the enabling services (£45k) targets. At quarter 2 additional savings (above those identified) have been realised of £143k.

5. Cash Management

5.2 Borrowing

As at the 30th September 2020 there were £10m short term borrowings with associated borrowing costs within the quarter of £41k and there was no long term borrowing.

An interest payable budget had been set of £386k for 2020/21 due to expenditure relating to current capital projects.

5.3 Investments

At 30th September 2020 there were £6.750m investments held.

An interest receivable budget has been set of £161k for 2020/21 for any investments we make

6. Capital Budgets

**Capital Budget summary
Financial Year 2020/21 – Overall Council**

Please note figures have been rounded

Strategic Purpose	Original Budget 2020/21 £'000	Revised budget 2020/21 £'000	Budget to date 2020/21 £'000	Actuals to date 2020/21 £'000	Variance to date 2020/21 £'000	Projected outturn 2020/21 £'000	Projected Variance 2020/21 £'000
Communities which are safe, well maintained and green	3,481	11,476	1,696	1,358	-337	11,009	-467
Enabling the Authority	55	392	210	123	-87	392	0
Living independent , active and healthy lives	835	1,643	821	189	-632	825	-603
Work and financial independence	0	5	2	0	-2	2	-3
Totals	4,371	13,516	2,729	1,671	-1,059	12,228	-1,288

Finance commentary:

Communities which are safe, well maintained and green

These budgets include those relating mainly to Environmental services – Fleet replacement, Finance and Customer Services – Burcot lane and the Regeneration fund and Planning, Regeneration and Leisure Services to deliver against the purpose ensuring an area is both safe and attractive for the community.

- The Olev/Ulev Scheme is showing a slight underspend to date but will be expected to be completed by the end of the financial year **£100k**.
- The Infrastructure Works and the depot have been postponed due to the future of site still to be determined. This will be reviewed going into quarter 3 **£252k**.
- Due to COVID-19 there has been a delay in delivery of the re-landscaping of the recreation ground scheme. This will be reviewed by quarter 3 and a request maybe made therefore to carry the existing budget into the new financial year **£211k**.

Enabling the Authority

These budgets include those relating mainly to Environmental services – Computer Systems and Finance

and Customer Services – New Enterprise systems to deliver robust and efficient enabling services.

- The variance for this quarter relates to the Fleet management computer system and the Environmental Services Computer system. Suitable systems are being finalised prior to procurement taking place via a Framework.

Living independent, active & healthy lives

There are a number of budgets relating to the delivery of the strategic purpose including Funding for Disabled Facilities Grants, CCTV and Home repairs Assistance.

- The main underspend relates to the Disabled Facilities grant budget (DFG's) there has been little activity on this project in the first quarter and Second quarter of 2020/21 due to the COVID-19 pandemic.

Work and Financial independence

- This budget relates to the Energy Efficiency grant received for Worcestershire county council it is anticipated will be spent going into the last quarter of the financial year.

7. Earmarked Reserves

- 7.1 The position as at 31st September 2020/21 is shown in Appendix 1. This also details the planned use of the reserves for the future budget years 2021/22.

8. General Fund Balances

- 8.1 The General Fund Balance as at the 31th March 2020 is £4.408m. A balanced budget was approved in February 2020 to include identified savings which have been built into individual budget allocations. This also included a planned return to balances for 2020/21 of £170k.

9. Legal Implications

- 9.1 No Legal implications have been identified.

10. Service/Operational Implications

- 10.1 Managers meet with finance officers on a monthly basis to consider the current financial position and to ensure actions are in place to mitigate any overspends.

11. Risk Management

11.1 Effective budget monitoring supports any risks associated with the Council.

APPENDICES

Appendix 1 - Earmarked Reserves 2020/21

Appendix 2 - Savings Monitoring 2020/21

Appendix 3 – Capital reprofiling

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