



Cabinet

18 November 2020

Report of: Councillor Ronnie de Burle -
Portfolio Holder for Corporate
Finance and Resources

General Fund Quarter 2 Budget Monitoring 2020/21

Corporate Priority:	Ensuring the right conditions to support delivery
Relevant Ward Member(s):	N/A
Date of consultation with Ward Member(s):	NA
Exempt Information:	No
Key Decision:	No
Subject to call-in:	No Not key decision

1 Summary

1.1 As part of the Council's budget monitoring procedures all budget holders are asked on a quarterly basis to provide details of service and financial performance. Copies of the budget holders' returns are available for further information.

1.2 As at 30th September the Council is forecasting the following underspends against their 2020/21 budgets:

- General Fund £102k Underspend
- Special Expenses £4k Underspend

On the general fund there is a gross £1.565m overspend for 2020/21 forecast across all services plus a potential shortfall of £57k from reduced investment income. This overspend is offset by additional Government funding of £1.724m to cover additional costs and loss of income relating to Covid-19. This forecast is based on best estimates of the likely grant from the income compensation scheme and makes no allowances for losses from council tax, NNDR and other bad debts. This does not account for any adjustment that might be undertaken later in the year to recharge a portion of covid costs to special expenses. This overspend has been mitigated significantly by the level of one off savings that have been identified in year which were proactively pursued to ensure the council was able to manage the financial implications of covid.

- 1.3 In addition to formal quarterly reporting to Cabinet, the budget position is reported monthly to the Senior Leadership Team. This is to ensure any early warnings that highlight pressures can be collectively resolved.

2 Recommendation

That Cabinet:

- 2.1 **Note the year end forecast and financial position for the General Fund and Special Expenses at 30th September 2020**

3 Reason for Recommendations

- 3.1 The Council, having set an agreed budget at the start of the financial year, needs to ensure that the delivery of this budget is achieved. Consequently there is a requirement to regularly monitor progress so that corrective action can be taken when required, which is enhanced with the regular reporting of the financial position.

4 Background

4.1 Overall Position at 30 September 2020

- 4.1.1 A summary of the total income and expenditure for the General Fund and Special Expenses compared to the approved budget at 30 September is as follows:

SUMMARY OF INCOME AND EXPENDITURE APRIL TO SEPTEMBER 2020

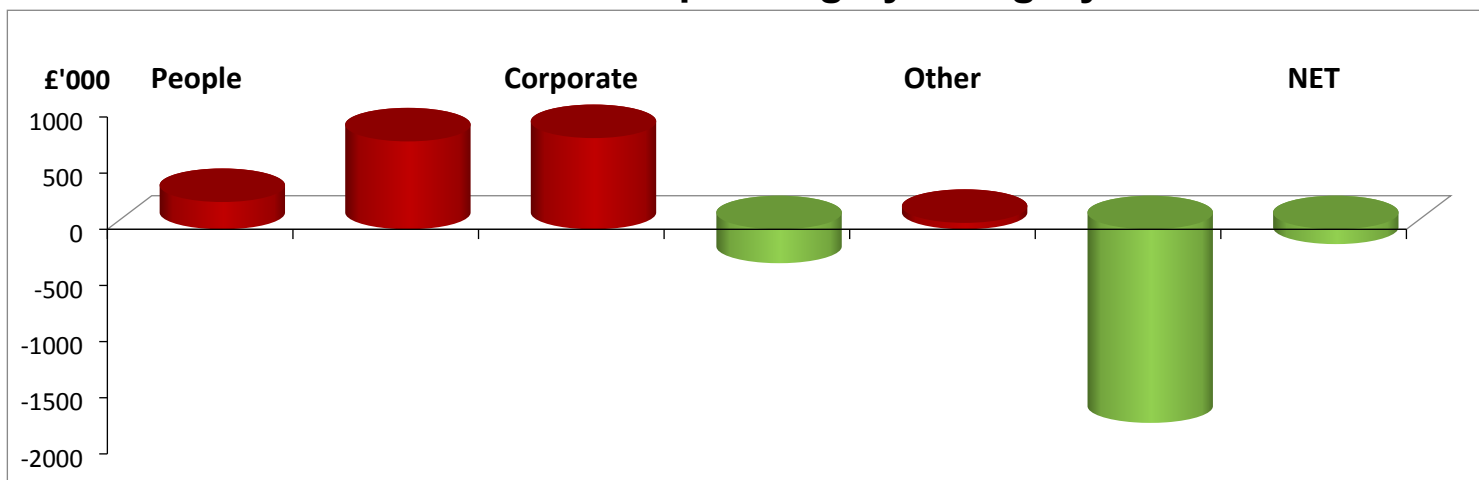
	Approved Budget at Sept '20 £'000	Year End Forecast £'000	Year End Variance* £'000
GENERAL FUND			
Portfolio:			
People	1,258	1,532	274
Place	3,605	4,387	782
Corporate Priorities	1,241	2,053	812
Unallocated Budget Reductions	303	0	(303)
Total Service Cost - All Portfolios	6,406	7,972	1,565
Other Expenses	(1,160)	(1,103)	57
COVID Funding	0	(1,724)	(1,724)
Net Expenditure Requiring Funding	5,246	5,145	(102)
Funded by:			
Ctax, NNDR, NHB and General Grants	(4,839)	(4,839)	0
Corporate Reserves**	(407)	(407)	0
NET (UNDER)/OVERSPENDING*	0	(102)	(102)

SPECIAL EXPENSES			
Melton Mowbray	614	610	(4)
Sproxtton	6	6	0
Gaddesby	9	9	0
Frisby	6	6	0
Total Service Costs - Special Expenses	635	631	(4)
Other Expenses			
Other Expenses	(98)	(98)	0
Net Expenditure Requiring Funding	537	533	(4)
Funded by:			
Council Tax	(536)	(536)	0
Carry forwards	0	0	0
Reserves**	(14)	(14)	0
Total Funding	(550)	(550)	0
NET UNDER/OVERSPENDING*	(13)	(17)	(4)

* Underspending (-), Overspending (+)

** Use of Reserves (-) Contribution to Reserves (+)

Over/Under Spending by Category



Main Considerations

- 4.2 The key reason for the estimated overspend in services is due to the impact of Covid-19 on the council's finances as a result of increased expenditure both in responding to the crisis as well as reduced income streams in a number of areas. The council has received grant funding to cover expenditure and there is an income compensation scheme which has been put in place to help deal with the losses around fees and charges and other transactional related income but not commercial rents.
- 4.3 The impact of lost revenue for any bad debts that are not recovered as well as any reduced growth has not been factored into the above projections as these are unclear at this stage of the financial year and also the cover that may be provided by the government for any lost income recovery from council tax and business rates. As a result of the increased net costs and the high risk that government support will not cover all of the financial impact, steps have been taken to reduce or delay expenditure as much as

possible. This includes planned delays to recruitment to generate vacancy savings where this is possible. Since the last report to members and following the savings identified at Quarter 1, budget reductions totalling £303k have been ring-fenced to help the spending pressures this year. Since then officers have continued to scrutinise their budgets closely and further service savings of £138k have been identified. The impact of these savings has been factored into the projections.

4.4 The main variances within the figures above are as follows:

People Portfolio:

- **Waterfield Leisure Centre** – Due to the closure of the Leisure Centre during the lockdown for Covid-19 and the continued reduction in usage, the service will not receive its £250k Management Fee. In addition financial support is also being provided to ensure the facility is kept open and this is estimated to be a further cost of £260k. A substantial portion of the management fee circa £180k is recoverable under the income compensation scheme.
- **Rent rebates and Allowances** – There has been an increase in the overpayment recovery income based on invoices raised to date plus the admin subsidy is lower than expected based on mid-year estimates resulting in a total underspend of £23k.
- **Lifeline** - Income shortfall of £20k has been forecast due to reduction in service users of which £12k is expected to be recoverable under the income compensation scheme.
- **Customer Services** – There are savings from vacant posts of £15k, offset by additional costs resulting from changes to computer software of £43k.
- **Community Safety** - £19k saving from Neighbourhood Support Officer vacant post.
- **People Directorate** – Additional postage and debit card charges forecast.

Place Portfolio:

- **Open Spaces** – Projected overspend in relation to utility charges at MCP Café/Visitors Centre of £11k.
- **Car Parks** – Officers have modelled the impact of Covid-19 on car park income and are forecasting an income shortfall of £457k including both season tickets and enforcement of which £314k is expected to be recoverable under the income compensation scheme.
- **Cattle Market** – As a result of Covid-19 the service is only expecting to receive a base level of income, resulting in a shortfall of £87k of which £57k is expected to be recoverable under the income compensation scheme.
- **Development Control** – Currently the service is forecasting a shortfall in income of £150k, which has improved since Quarter 1 following a large application that has been recently received. £80k is expected to be recoverable under the income compensation scheme.
- **Building Control** - Based on the half yearly results an income shortfall of £42k has been forecast, however, the service is expecting the situation to improve over the rest of the year. £22k is expected to be recoverable under the income compensation scheme
- **Parkside** – The Parkside budget assumed that the repository would no longer be needed, however, given the current situation, releasing the repository has not been possible and the planned savings in this area has not been achieved resulting in an expected overspend of £19k. Alongside this the CAB and Homestart rent will not be

achieved as they have left the building. Some of the income budgeted for the Civic suite is also unlikely to be achieved due to the closure of Parkside under Covid 19 resulting in an overspend of £18k.

- **Environmental Maintenance** – Vacancy savings of £35k are expected in respect of an Environmental Services Officer post.
- **Industrial Units** – An overspending of £23k is expected as a result of vacant units together with associated costs and potential bad debts. As this is commercial rent it is not covered under the income compensation scheme.
- **Economic Development** – Vacancy savings of £10k are expected for an Economic Development Officer post.
- **Land Charges** - Based on the half year results an income shortfall of £14k has been forecast, which has improved since Quarter 1.
- **Licencing** – A shortfall in income of £19k is expected as a result of Covid-19.

Corporate Portfolio:

- **Corporate Management Team** – The budget for planned efficiency savings from a personnel review are held within this service. £50k of these savings are not now expected to be achieved due to the capacity to introduce the changes at this time. This is partly offset by forecast salary savings from a vacant post of £31k.
- **Corporate Improvement Team** – A savings of £12k is expected due to vacant post for the Corporate Project Officer.
- **Council Tax Collection** - Due to courts not operating the recovery of legal fees isn't anticipated to be achieved resulting in a under recovery of income totalling £60k
- **Legal Services** – Part year vacancies of Elections Manager and new Lawyer post are expected to generate an underspend of £20k.
- **Covid-19** – Specific costs relating to managing the Covid-19 epidemic have been captured separately. The forecast spend on these activities is expected to be £765k including the Waterfield leisure costs.

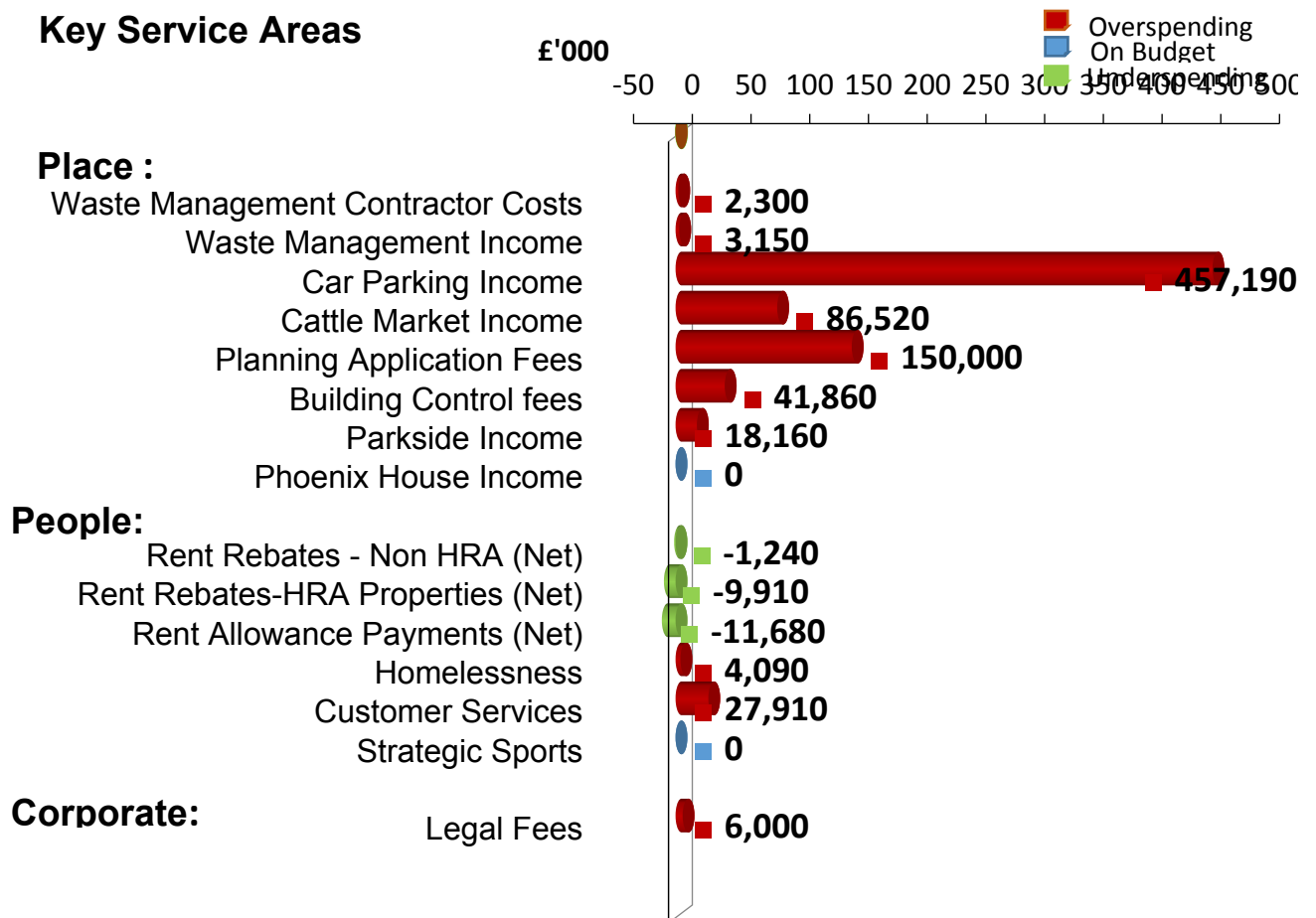
Other:

Interest – Interest rates are being held at levels lower than were anticipated when the budget was set resulting in a shortfall in investment income of £57k.

4.5 Key Service Areas

The Key Service Areas report as at the end of September 2020 for all services is attached at Appendix A. This report is presented to the Senior Leadership Team on a regular basis and highlights high risk budgets that were identified as part of the Council's budget protocols. These budgets are reviewed with budget holders monthly. Those budgets which are more complex in nature are supported by more detailed analysis of the service usage that drives the costs. The Key Service Areas are summarised below:

Key Service Areas



5 Options Considered

- 5.1 No other options considered. If the report were not provided Councillors would not be aware of on-going developments and therefore would not be able to represent their residents effectively

6 Consultation

- 6.1 The service accountant and budget holders discussed the financial performance of the services at the budget monitoring meetings during October.

7 Next Steps – Implementation and Communication

- 7.1 The Council's budget position will continue to be monitored at future Strategic Leadership Team meetings and further reports will be presented to Cabinet each quarter

8 Financial Implications

- 8.1 This is the Quarter 2 budget monitoring report that provides information on the forecast outturn for the Council for 2020-21. The Council has robust methods for reporting and forecasting budgets in place and alongside formal Quarterly reporting to Cabinet, the financial position is reported regularly at the Strategic Leadership Team (SLT). In the

event of any early warning highlighting pressures and potential overspends, the SLT take collective responsibility to identify solutions to resolve these to ensure a balanced budget can be reported at the end of the year

8.2 The overall forecast impact of covid-19 on the Council's finances is as follows:

<u>COVID-19 FINANCIAL IMPACT 2020/21 - GENERAL FUND</u>	
SUMMARY FINANCIAL IMPACT	
	Estimated full Year Impact
Income Stream Loss	£1,226,908
Income Cover	-£758,187
Net Income loss	£468,721
Additional Spend	£764,924
Savings not achieved	£70,000
Less Government funding - Tranche 2, 3 and 4	-£674,697
TOTAL IMPACT	£160,227
Net Impact	£628,948
Other Funding	
New burdens – for business grant payments	£130,000
Reopening High Streets Safely Funding	£45,000
Next Steps Accommodation Programme Grant (homelessness)	£47,008
Homelessness Grant	£7,640
DEFRA (community Hub)	£16,872
Enforcement Grant (marshalls)	£20,000
New Burdens Self Isolation	£23,199
Rough Sleeper Grant	£1,650
Total other Funding	£291,369
Budget Reductions Already identified	-£302,000
Q2 monitoring across services - underspend	-£136,401
Forecast In year residual impact	-£101,822

8.3 As outlined above the current position still remains uncertain and whilst officers have based their forecast predictions based on best available information there could be further impacts later in the year if future local lockdowns or restrictions occur which could happen during the winter months. An assessment is also taking place of the apportionment of covid costs to be charged to special expenses and this is not reflected in the above costs and would serve to increase costs to special expenses and reduce the burden on the general fund.

8.4 Whilst the current forecast is for a surplus at the end of the financial year this has only been achieved as a result of the identification of over £400k of savings which has been challenging to achieve. This also needs to be considered alongside the fact that limited

provision has been made for the inevitable increase in bad debts that will arise both from commercial lets and no provision for deficits on the collection fund for both council tax and business rates as individuals and businesses struggle to pay. Whilst the government has indicated some support for council tax and business rates collection shortfalls the details of this is not yet known. A scheme to spread some of the burden over 3 financial years is being devised however this merely represents a deferral of the financial impact and in response some Council's are considering setting aside funding to meet this shortfall from reserves. In addition the level, if any, of financial support for the impact of covid in later financial years is still unknown and it is highly likely that there will be ongoing costs and income shortfalls over base budgets for some time to come which will undermine the Council's future financial sustainability. Financial management and planning needs to be considered alongside these issues. Any surplus identified in year will go some way to mitigating these future years financial pressures.

Financial Implications reviewed by: Director for Corporate Services

9 Legal and Governance Implications

- 9.1 The report concerns the duty of the Council to avoid a budget shortfall.
- 9.2 Under s151 Local Government Act 1972 – Every Local Authority is under a statutory duty to secure the proper administration of its financial affairs.
- 9.3 With the current financial uncertainties resulting from the Coronavirus pandemic, members should note that the Chief Finance Officer has a personal duty under the Local Government Finance Act 1988 to report to the executive where it appears to them that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources available to it to meet that expenditure.

Legal Implications reviewed by: Deputy Monitoring Officer

10 Equality and Safeguarding Implications

- 10.1 Equalities and Safeguarding issues were addressed in setting the current year's budget. There are no further equalities issues arising from this report

11 Community Safety Implications

- 11.1 Community safety issues were addressed in setting the current year's budget. There are no further community safety issues arising from this report.

12 Environmental and Climate Change Implications

- 12.1 No implications have been identified.

13 Other Implications (where significant)

- 13.1 No other implications have been identified

14 Risk & Mitigation

14.1 The risks relating to additional costs and shortfalls in income as a result of Covid-19 will continue for the foreseeable future. This is added to the existing strategic risk as set out in the table below caused by the future uncertainty surrounding government funding with the planned review of local government funding which has been delayed further due to covid.

Whilst recent government announcements around funding support have been welcomed there is still considerable pressure on current and particularly future years budgets. The Senior Leadership Team have agreed to implement budget reductions after Quarter 1 totalling £302k and continued to identify further specific savings during the forecasts to September 2020.

The possible failure to deliver the Revenue Budget in year and future years is being mitigated by:

- Senior Leadership / Directorate Teams reviewing the financial position.
- Availability of General Fund Balances.
- Budget reductions actioned following the Quarter 2 results

Risk No	Risk Description	Likelihood	Impact	Risk
1	Failure to secure financial stability in the medium term	Very High	Catastrophic	High Risk

		Impact / Consequences			
		Negligible	Marginal	Critical	Catastrophic
Likelihood	Score/ definition	1	2	3	4
	6 Very High				1
	5 High				
	4 Significant				
	3 Low				
	2 Very Low				
	1 Almost impossible				

15 Background Papers

15.1 [2020/21 Budget Report and Budget Book](#)

16 Appendices

16.1 Appendix A – Key Service Areas (Sept 2020)

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