

BUDGET MONITORING REPORT 2021/22 – PERIOD 4

Summary: This report summarises the budget monitoring position for the revenue account, capital programme and reserves statement to the end of July 2021.

Options considered: Not applicable.

Conclusions: The overall position at the end of July 2021 shows an £2,934,144 underspend for the current financial year on the revenue account, this is however currently expected to deliver a full year underspend of £89,672

Recommendations: **It is recommended that Cabinet:**

- 1) Note the contents of the report and the current budget monitoring position.**

To update Members on the current budget monitoring position for the Council.

Reasons for
Recommendations:

LIST OF BACKGROUND PAPERS AS REQUIRED BY LAW

(Papers relied on to write the report and which do not contain exempt information)

System budget monitoring reports

Cabinet Member(s)	Ward(s) affected
Cllr Eric Seward	

Contact Officer, telephone number and email: Lucy Hume, 01263 516246, Lucy.Hume@north-norfolk.gov.uk

1. Introduction

1.1 This report compares the actual expenditure and income position at the end of July 2021 to the Updated budget for 2021/22. The original Base Budget as agreed by Full Council in February 2021 has been updated to reflect approved budget virements.

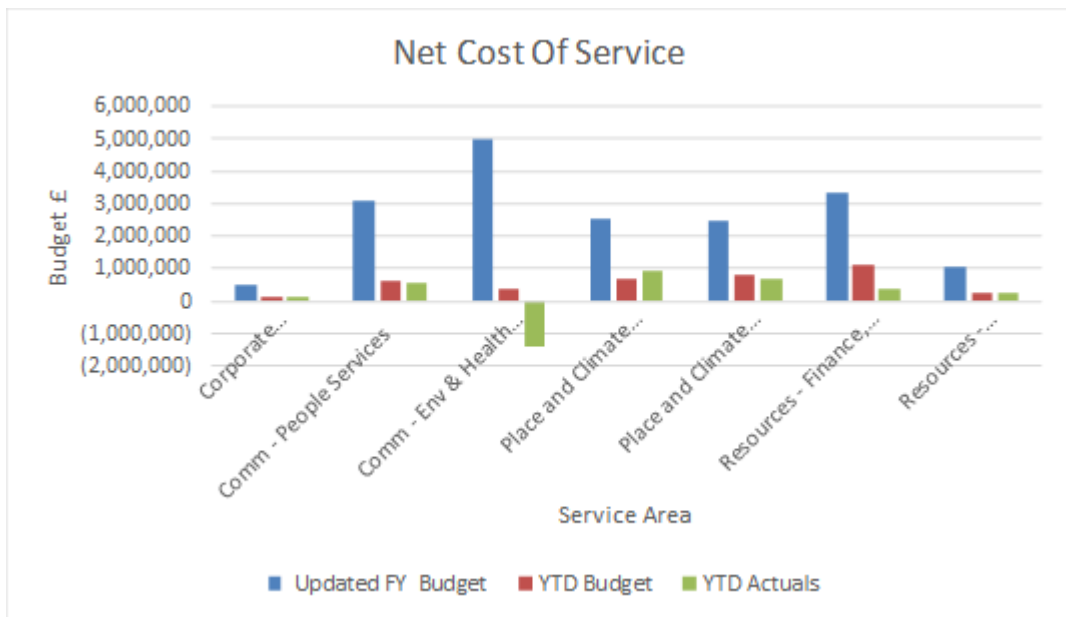
2. Revenue

2.1 The General Fund Summary at Appendix A shows the high level budget monitoring position as at 31 July 2021 and highlights a year to date variance of £2,934,144 underspend against the profiled updated budget. There is an under spend of £2,506,928 in relation to the service variances with the remainder relating to non-service specific budgets.

	Budget YTD	Actual YTD	Variance	Estimated FYE
Net Cost of Service	4,013,234	1,506,307	(2,506,928)	3,076
External Interest-Received/Paid	(286,764)	(368,556)	(81,792)	(92,748)
Income from Government Grant and Taxpayers	(6,265,171)	(6,610,603)	(345,432)	0
Total FYE				(89,672)

2.2 The chart below illustrates these variances per service area and Appendix B provides further details of the individual service variances.

Variance by Service area



2.2 Variances are reported against the updated budget in the Council's General Fund Summary as shown in Appendix A. Any budgets and reserves affected will be updated accordingly.

- 2.3 A significant part of the year to date variance is in relation to no contractor invoices being received and paid against the cleansing, waste and grounds maintenance contract budgets. This has a positive impact of £1,248,844 and is due to problems Serco are encountering with resourcing issues and changes in personnel.
- 2.4 The following table shows the over/underspend to date for the more significant variances; this is compared to the updated budget. The estimated full year variance is what the likely financial position will be at the end of the financial year.

Table 1 – Service Variances	Over/ (Under) Spend to Date against Updated Budget +/-£20,000	Estimated Full Year Variance Against Updated Budget
	As Per General Fund Summary	
	£	£
Corporate		
Elections – Costs associated with the running of the County and Police & Crime Commissioner elections to be reclaimed.	34,166	0
Corporate Leadership Team – Turnover savings due to a vacant Director post.	(22,133)	(20,000)
Communities – People Services		
Benefits Administration – (£40,507) Service specific grants received from Department for Work and Pensions (DWP) for new burdens work.	(48,007)	0
Communities – Leisure and Environment		
Commercial Services – Contain Outbreak Management Funding (COMF) grant offset by related expenditure including staffing costs	(95,838)	0
Car Parking – £29,196 - Higher NNDR costs as a result of an increase in the multiplier and loss of transitional relief. (£73,541) - Invoices for management fees, grounds maintenance and cleansing contracts not yet received. (£16,640) - General repair and maintenance is lower than expected. (£166,092) - Car park income higher than expected. NNDR costs will have a full year cost but taking into account a prudent estimate of additional income the likely full year effect is estimated to be around (£80,000).	(228,524)	(80,000)
Parks and open Spaces – (£8,530) - R & M Grounds - General. No Invoices have been received for the (£43,974) - Grounds maintenance and (£17,999) Cleansing Contracts. £3,151 - Water Charges Metered. £5,342 - Repair of benches at Fakenham.	(63,501)	5,000

<p>Leisure Complexes – (£49,402) - Rent/Hire of Buildings - No invoices received for the hire of school halls. (£14,068) - Lower management fees due to Covid for 2020/21. Although as previously agreed at Cabinet, there is a potential full year effect of £460,000 due to ongoing contract support payments re Covid restrictions. This expenditure will be offset against the Covid support grant and National Leisure Recovery Fund Grant. (£14,052) - No profit share due to ongoing Covid restrictions. This will have a full year effect of £28,006. (£13,994) - National Leisure Recovery Fund grant.</p>	(69,147)	28,000
<p>Other Sports – The majority of this variance relates to (£19,361) Mammoth Marathon entry fees and sponsorship. Will be rolled forward as a receipt in advance - Marathon anticipated May 2022.</p>	(20,291)	0
<p>Foreshore Community – (£68,751) - No cleansing contract invoices yet received. £30,076 - Beach Lifeguard Management Fee. (£3,968) - Furniture repairs, memorial seats.</p>	(43,592)	30,076
<p>Waste Collection and Disposal – (£812,780) No contractor invoices received from Serco for bin collections in 2021/22. (£280,968) Accrual brought forward to NCC for trade waste disposal in 2020/21. Current estimates predict a shortfall in Trade waste of £30,000 this continues to be monitored as part of the council's Covid response.</p>	(1,106,796)	30,000
<p>Cleansing – No contractor invoices from Serco received for Cleansing in 2021/22.</p>	(162,486)	0
Place and Climate Change – Sustainable growth		
<p>Economic Growth – The year to date variance relates to additional Restrictions grants awarded including £250,000 to Outdoor Education Centres. This will be funded from the Additional Restriction grant.</p>	265,270	0
Place and Climate Change – Planning		
<p>Development Management – Income generated above the profiled budget (£35,601) Planning Application fee income (£33,394) Pre application advice. No full year variance is being predicted at the current time but the position will continue to be monitored and updated as part of the ongoing budget monitoring process.</p>	(67,162)	0
<p>Planning Policy – The majority of this variance arises from staff turnover savings due to vacant posts. No full year effect has been anticipated due to finance additional resource within the wider Planning department.</p>	(32,075)	0

Resources – Finance, Assets and Legal		
Revenue Services - This service is responsible for administering the majority of the Covid support grants paid out to qualifying businesses. These schemes are coming to an end and after undergoing a reconciliation process unspent balances will be returned to Central Government.	(581,715)	0
Chalets and Beach Huts – Rental income against the profiled budget.	(21,057)	0
Benefits Subsidy – Net position on Test and Trace grants. The benefits section has recently secured funding to operate a local scheme. No full year effect is anticipated.	(86,089)	0
Corporate and Democratic Core – (£13,526) - Salaries and on costs due to vacancies in Planning. (£65,000) - 2020/21 audit not billed.	(75,931)	
Resources – Organisational Resources		
Property Services – Additional staffing to be funded from earmarked reserves. Re-opening of the High Street funding yet to be received.	95,956	0
Public Conveniences – (£87,501) No contractor invoices have been received for the cleansing contract. £6,738 Higher R&M costs - legionella, corrective lighting and additional plumbing costs. £21,153 Higher NNDR - awaiting a backdated refund from 2020/21 which will offset any additional costs. (£10,392) Lower utility costs. No full year variance is currently predicted and the position will continue to be reviewed as part of the ongoing budget monitoring process.	(69,893)	0
Customer Services Corporate – (£10,829) - Salaries and oncosts are lower as a result of staff vacancies. £2,542 - Higher overtime as a result of Covid. (funded from the Covid Grant) (£3,065) - Lower equipment repair costs. (£5,621) - Stationery costs lower than anticipated. (£7,497) - Postage costs lower than expected. (£2,068) - Other Professional Fees.	(27,086)	(10,000)
Major Service Variances P4	(2,425,931)	3,076

3. Non Service Variances to Period 4 2021/22

Investment Interest

- 3.1 The interest budget for 2021/22 anticipates that a total of £1,014,929 will be earned from treasury investments and loans made for service purposes. Overall an average balance of £39.4m is assumed, at an average interest rate of 2.6%.
- 3.2 At the end of period 4, a total of £371,054 has been earned, resulting in a favourable variance against the year to date budget of £32,746. The average rate of interest achieved was 2.06% from an average balance available for investment of £53.8m. At the end of the year a favourable variance against the budget of £98,238 is anticipated.

A total of £32.0m has been invested in pooled funds which are valued at £34.0m at the end of period 4.

- 3.3 The Council has a balanced portfolio with a diverse range of funds investing in different instruments. The Council can expect the valuation of its pooled investments to continue to be volatile, but this is in line with expectations when the investments were placed. The risks inherent in the volatile nature of these investments are mitigated as the Council intends to hold them for the long term.

Borrowing Interest

- 3.4 The budget for 2021/22 anticipates that £2,000 would be paid in interest for short-term borrowing for cash flow purposes.
- 3.5 At period 4, a total of £2,498 has been paid resulting in an adverse variance against the budget of £1,830. At the end of the year an adverse variance against the budget of £5,490 is anticipated.
- 3.6 Interest for long-term borrowing has been budgeted for £152,630 for financing the re-provision of Splash Leisure Centre and purchase of waste vehicles.
- 3.7 At period 4, there had been no commitments to long-term borrowing for capital purposes. At end of the year, if long-term borrowing is not undertaken a favourable variance of £152,630 against budget is forecast, although at the present time we are assuming that the borrowing will be taken. This may change dependent on future cash inflows and the timing of the repayment of excess grant funding from central government. The decision to undertake short-term or long-term borrowing will be made in line with our borrowing strategy.

Retained Business Rates

- 3.8 There is currently no variance showing against Non Domestic Rates income for the financial year. The final variance will not be known until the NNDR3 form is completed at the end of the year and the grant actually due to the authority has been determined.
- 3.9 Last financial year, the Council gave relief to businesses in line with direction from Central Government to help businesses in the retail sector that most felt the effects of COVID 19. As these reliefs were announced after the Council had set its budget for 2020/21, the reduced collection of rates that resulted was not budgeted for. Due to accounting treatment for the Collection Fund, the Councils share of the resulting Collection Fund deficit will affect the General Fund Outturn position for the 2021/22 financial year. The Council was given Section 31 grant to fund these reliefs, amounting to £6.1m, which were transferred into the Business Rates Reserve at the end of 2020/21. This balance will be transferred back into the General Fund in 2021/22 to offset the deficit, so there will be a nil overall impact.
- 3.10 It is expected that any further deficit arising at the end of the financial year will be funded by a transfer from the Business Rates Reserve.

4 Capital

- 4.1 Total Capital expenditure amounted to £2,631,035 across all projects in the first four months of 2021/22.
- 4.2 The Capital Programme has been updated to reflect changes as per the Outturn Report 2020-21 which is also on this agenda, and can be found at Appendix C. No further changes have been made:

5 COVID 19

- 5.1 The majority of the larger business support schemes are coming to an end with the relevant services undertaking reconciliation work to ascertain the final grant positions. There are a number of specific Covid funding streams that are still providing support to businesses, individuals and the community, these include Additional restrictions, Test and Trace and Community Outbreak Management Fund (COMF).
- 5.2 Spending against the general Covid grant has been limited in this financial year, however a significant commitment is ring fenced to provide support to the leisure contract, current estimates put this at around £460k. The Council's Management Team are considering the best use of the remaining unallocated balances.
- 5.3 Income shortfalls were one of the main impacts of Covid during 2020-21. This year there has been little impact on income streams and at Period 4 car parking and planning income were both showing surpluses against YTD budgets. The government operated a Sales Fees and Charges compensation scheme last year which allowed a % of losses to be reclaimed on qualifying income, which was extended for the first quarter of the 2021/22 financial year. The Council would currently not need to claim against this scheme.
- 5.4 The table below shows the performance of the Council's Income streams

	Full Year Updated Budget	YTD Budget	YTD Actuals	Variance
Customer and Client Receipts	£	£	£	£
Income Sales	(29,850)	(9,944)	(6,952)	2,992
Income Fees and Charges	(9,386,557)	(3,992,156)	(4,222,756)	(230,600)
Income Rent Land and Buildings	(712,178)	(313,478)	(348,313)	(34,835)
Income - Misc Receipts	(200)	(68)	(240)	(172)
Total	(10,128,785)	(4,315,646)	(4,578,260)	(262,614)

6 Reserves

- 6.1 The Council's current Reserve Statement is shown at Appendix D, this gives the latest position of amounts allocated to services and the capital programme and also includes known commitments that have not yet been allocated to services. A more detailed breakdown of the purpose of the current reserve allocations is included at Appendix D1. Projections for 2022/23 and beyond have not been updated but a reminder of what each allocation is for is included.

7 Conclusion

- 7.1 The revenue budget is showing an estimated full year underspend for the current financial year of £89,672. The overall financial position continues to be closely monitored and it is anticipated that the overall budget for the current year will be achieved.
- 7.2 The Council will continue to try and address any forecast deficit which may arise during the year by looking to make further savings and reallocate resources within the current budget as the reserves are already under pressure and only represent a one-off source of funding which is not sustainable in the medium term. Should the Council

not be able to make these adjustments in year then reserves will be required to balance the budget although this requirement is not anticipated at the current time.

8 Financial Implications and Risks

8.1 The detail within section 3 of the report highlights the more significant variances including those that are estimated to result in a full year impact.

8.2 The estimated outturn will continue to be monitored during the year.

9 Sustainability

9.1 None as a direct consequence from this report.

10 Equality and Diversity

10.1 None as a direct consequence from this report.

11 Section 17 Crime and Disorder considerations

11.1 None as a direct consequence from this report.