

BUDGET MONITORING REPORT 2021/22 – PERIOD 6

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

Options considered: Not applicable.

Conclusions: The overall position at the end of September 2021 shows an £3,764,805 underspend for the current financial year on the revenue account, this is however currently expected to deliver a full year underspend of £78,924.

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

- 1) Note the contents of the report and the current budget monitoring position.**
- 2) That £40,000 is released from the Invest to Save reserve to fund the purchase and implementation of Planning s106 software.**
- 3) That £150,000 is released from the Capital Receipts Reserve to fund the new Financial Management System purchase and implementation.**

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

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	

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1. Introduction

- 1.1 This report compares the actual expenditure and income position at the end of September 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.

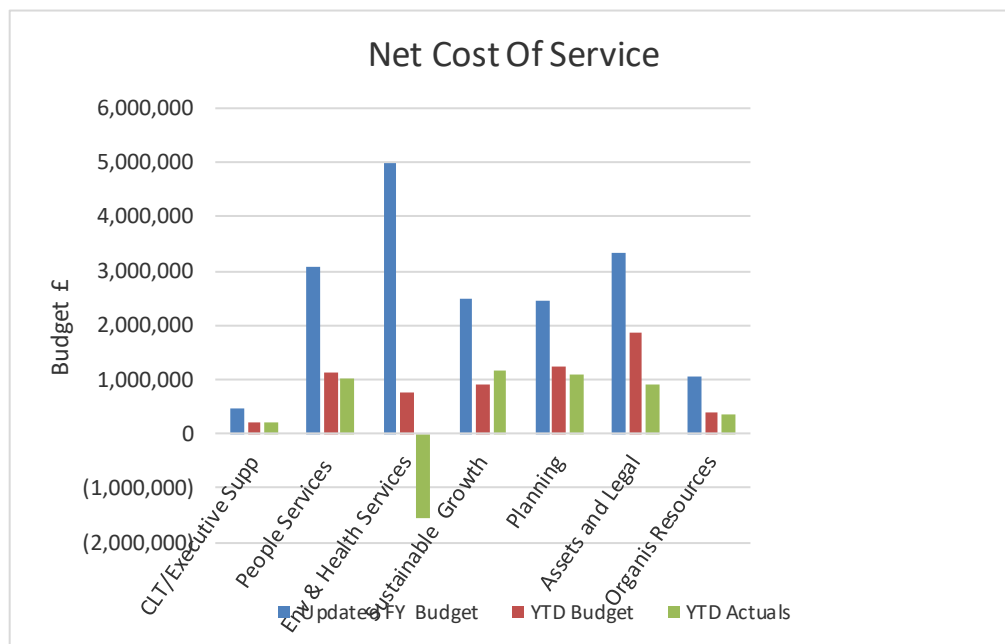
2. Revenue

- 2.1 The General Fund Summary at Appendix A shows the high level budget monitoring position as at 30 September 2021 and highlights a year to date variance of £3,764,805 underspend against the profiled updated budget. There is an under spend of £3,345,326 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	6,526,399	3,181,073	(3,345,326)	21,076
External Interest-Received/Paid	(430,146)	(504,189)	(74,043)	(100,000)
Income from Government Grant and Taxpayers	(8,833,188)	(9,178,635)	(345,447)	0
Total FYE				(78,924)

- 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 As reported at period 4 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 £2,084,623 and is due to problems Serco are encountering with resourcing issues and changes in personnel, there is currently not anticipated to be any full year impact.

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		
Human Resources and Payroll - (£11,288) - Lower salaries and on costs as a result of staff vacancies. (£21,116) - Corporate training not yet delivered. £3,233 - General employment advice.	(28,420)	0
Elections – Costs associated with the running of the County and Police & Crime Commissioner elections to be reclaimed.	34,424	0
Corporate Leadership Team – Turnover savings due to part year vacant Director post.	(35,369)	(20,000)
Communities – People Services		

Benefits Administration – (£49,047) Covid Test and Trace administration and other service specific grants received from Department for Work and Pensions (DWP) for new burdens work.	(44,478)	0
Homelessness - (£43,538) Additional Homelessness prevention grants received. These will be used to support initiatives within the service.	(47,532)	0
Communities – Leisure and Environment		
Commercial Services – Contain Outbreak Management Funding (COMF) grant offset by related expenditure including staffing costs.	(104,796)	0
Environmental Protection - Staffing costs associated with Covid related work funded from the Contain Outbreak Management Fund (COMF).	40,258	0
Car Parking – £30,210 - Higher NNDR costs as a result of an increase in the multiplier and loss of transitional relief. (£72,970) - Invoices for management fees, grounds maintenance and cleansing contracts not yet received. (£21,016) - General repair and maintenance is lower than expected. (£152,051) - 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).	(259,612)	(80,000)
Parks and open Spaces – (£12,770) - R & M Grounds - General. (£73,290) - Grounds maintenance contract. (£29,999) - Cleansing contract. £5,342 - Repair benches at Fakenham.	(108,995)	5,000
Leisure Complexes – (£53,073) - Rent/Hire of Buildings - No invoices received for the hire of school halls. £101,135 Higher management fees due to Covid for 2021/22. As agreed at Cabinet, there is a potential full year effect of £576,082 due to ongoing payments re Covid restrictions. This expenditure will be offset against the Covid support grant and National Leisure Recovery Fund Grant. The Full year effect relates to the anticipation of no profit share due to Covid restrictions during the financial year.	47,845	28,000
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.	(22,036)	0
Foreshore Community – (£114,585) - New cleansing contract costs not billed. £30,076 - Beach Lifeguard Management Fee. (£6,223) - Furniture repairs, memorial seats.	(90,055)	30,076
Waste Collection and Disposal – (£1,316,280) 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. NEWS gate fee for additional tonnage £62,000. Current estimates predict a shortfall in Trade waste of £40,000 this continues to be monitored as part of the council's Covid	(1,526,457)	40,000

response.		
Cleansing – (£288,033) No contractor invoices from Serco received for Cleansing in 2021/22. Waste Resources Action Programme (WRAP) funding (£14,270) towards additional big belly litter bins.	(301,175)	0
Place and Climate Change – Sustainable growth		
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.	275,165	0
Coastal Management - Staffing costs associated with a vacant post and reduced working hours. Post now filled.	(23,569)	0
Place and Climate Change – Planning		
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.	(41,966)	0
Building Control - This variance relates to fee income up against the profiled budget, no full year effect has been included as this service is operated on a self-financing basis and any surplus deficit is accounted for through the earmarked reserve.	(35,800)	0
Resources – Finance, Assets and Legal		
Industrial Units - Loss of rental income from vacant units at Cornish Way and Hornbeam Road North Walsham. This may result in a full year effect of £30k loss of rental income.	10,963	30,000
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.	(646,465)	0
Benefits Subsidy – (£86,000) Net position on Test and Trace grants. No full year effect is anticipated.	(91,412)	0
Admin Buildings – £16,188 R&M costs - to include additional cleaning and fogging of offices. (£13,222) Lower utility costs to date. (£3,742) No contractor invoices received in year for grounds maintenance. £4,130 Surveyor and legal fees. Additional income from recharging tenants for Covid cleaning costs. No full year effect is currently anticipated but the position will continue to be monitored and presented to members as part of the budget monitoring process.	(28,619)	0

Chalets and Beach Huts – Rental income against the profiled budget.	(39,235)	0
Corporate and Democratic Core – (£15,019) - Salaries and on costs due to vacancies in planning. (£56,298) - 2020/21 audit not billed. £13,542 - Agency staff.	(56,523)	0
Members Services - (£4,998) - General Training (Members). (£6,405) - Travelling allowances - general - Members are not travelling to the office so are not claiming travel expenses at the usual level. (£3,496) - Chairman's Civic Expenditure. (£7,612) - Members Allowances. The full year effect anticipates a saving in travelling allowances.	(26,150)	(12,000)
Legal Services - £33,562 - Salaries and on costs. £10,000 - Dilapidations bond. Any overspend will be funded from the Legal Reserve and Kickstart contribution. (£118,184) - Income from legal fees and dilapidations bond. No variance is anticipated because any balance will be transferred to the Legal Reserve. (£2,216) - Kickstart contribution.	(85,014)	0
Resources – Organisational Resources		
ICT Support Services – The year to date variance is made up of the following; (£10,656) - Salaries and on costs lower because of staff vacancies and reduced hours. (£3,020) - Consultancy fees. (£3,845) - Mobile phone rentals. £64,797 - Computer software licences. £55,193 - Computer maintenance. (£20,425) - Computer lines / modems. (£5,706) - Computer consumables. (£7,653) - Computer Purchases - Hardware. £3,434 - Skype to Teams migration.	73,638	0
Property Services – Additional staffing to be funded from earmarked reserves. Re-opening of the High Street funding claim yet to be submitted.	129,026	0
Public Conveniences – (£156,807) No contractor invoices have been received for the cleansing contract.	(156,807)	0
Customer Services Corporate – (£17,020) - Salaries and on costs are lower as a result of staff vacancies. £3,974 - Higher overtime as a result of Covid. (£2,180) - Lower equipment repair costs. (£6,124) - Stationery costs lower than anticipated. (£7,530) - Postage costs lower than expected. (£3,102) - Other Professional Fees.	(30,450)	0
Major Service Variances P6	(3,219,616)	21,076

3. Non Service Variances to Period 6 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 6, a total of £507,080 has been earned, resulting in an adverse variance against the year to date budget of £386. The average rate of interest

achieved was 2.84% from an average balance available for investment of £35.7m. At the end of the year no variance is anticipated. A total of £32.0m has been invested in pooled funds which are valued at £34.2m at the end of period 6.

- 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 6, a total of £2,903 has been paid resulting in an adverse variance against the budget of £1,903. At the end of the year an adverse variance against the budget of £3,000 is anticipated.
- 3.6 Interest for long-term borrowing has been budgeted for £152,630 for financing The Reef Leisure Centre and purchase of waste vehicles.
- 3.7 At period 6, 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 later in the year. 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.
- 3.11 The target collection rate for Non Domestic Rates as at end September was 58.00%, but the actual collection rate was below this at 55.87%, resulting in a shortfall in collection of £431,715. This is likely to be due to the ending of the expanded retail relief causing issues for businesses making payment who have been heavily impacted by the COVID 19 pandemic. Some larger ratepayers have delayed payment, this is expected to be rectified by year-end and the target collection rate is expected to be achieved.

3.12 By comparison, the target collection rate for Council Tax as at the end of September was 54.25% and an actual rate of 54.78% was achieved. This resulted in an excess collection over target of £437,010.

4 Capital

4.1 Total Capital expenditure amounted to £4,957,428 across all projects in the first six months of 2021/22.

4.2 The Capital Programme has been updated and can be found at Appendix C. The following have been updated:

- Property Services Vehicle - £25,000 to be funded from the Asset Management Reserve, to replace a dilapidated vehicle. An annual capital budget for the replacement of such vehicles will be requested going forward.
- Public Convenience Improvements - £137,000 has been vired from the Shannoeks Hotel Capital Budget to fund the tendered amount for this project.
- Car Park Ticket Machine Replacement Programme – This was originally planned to be implemented over 3 financial years. However full completion will now occur in this financial year so the budget has been re-profiled accordingly.
- Green Road Football Facility - £60,000 to be funded by the capital projects reserve for the refurbishment of North Walsham Football Club.
- Climate Change – Coastal Tools and Knowledge – The Environment Agency have awarded funding for climate change research; £11,275 has been added to the capital programme.
- Temporary Accommodation - £70,000 to be funded equally by RSAP funding and capital receipts for the conversion of Lusher Passage to provide ex-Rough Sleeper accommodation.
- The budget for Shannoeks Hotel has been removed as the property has now been demolished by the owners, making a compulsory purchase by the Council unnecessary.

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). It is anticipated that any grant underspends on these specific grants will be repaid to the originator, whether that is Central Government or the County Council.

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. Discussions are taking place to consider the best use of the remaining unallocated balances including backfill support for services suffering backlogs of work and resource implications as a result of time spent of Covid specific work.

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 6 car parking, planning, building control and legal income are all showing surpluses against YTD budgets. Currently the only income shortfall predicted is in trade waste where a Full Year Effect of £40k is anticipated. 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 has not needed 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	£	£	£	£
I820 Income Sales	(29,850)	(14,916)	(15,538)	(622)
I822 Income Fees and Charges	(9,386,557)	(5,838,859)	(6,228,160)	(389,301)
I827 Income Rent Land and Buildings	(712,178)	(399,280)	(443,003)	(43,723)
I828 Income - Misc Receipts	(86,738)	(86,538)	(86,691)	(153)
Total Customer and Client Receipts	(10,215,323)	(6,339,593)	(6,773,392)	(433,799)

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 £78,924. 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 2 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.