

## BUDGET MONITORING REPORT 2021/22 – PERIOD 10

**Summary:** This report summarises the budget monitoring position for the revenue account, capital programme and reserves to the end of January 2022.

**Options considered:** Not applicable.

**Conclusions:** The overall position at the end of January 2022 shows an £8,774,619 underspend for the current financial year on the revenue account, this is however currently expected to deliver a full year underspend of £414,439.

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

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

**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
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Cabinet Member(s) Cllr Eric Seward	Ward(s) affected
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## 1. Introduction

1.1 This report compares the actual expenditure and income position at the end of January 2022 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.

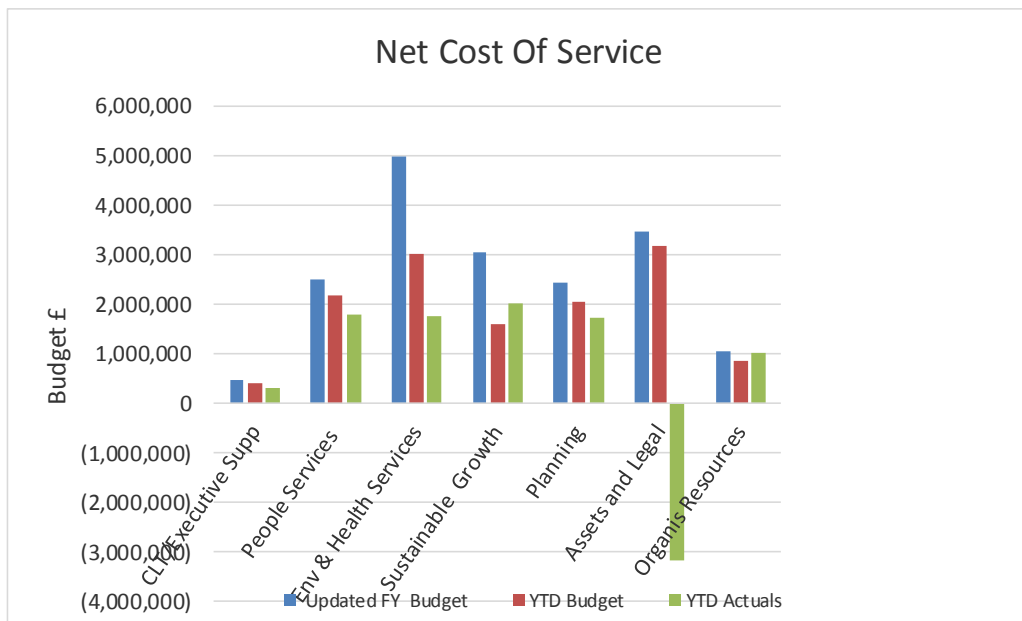
## 2. Revenue

2.1 The General Fund Summary at Appendix A shows the high level budget monitoring position as at 31 January 2022 and highlights a year to date variance of £8,774,619 underspend against the profiled updated budget. There is an under spend of £7,866,174 in relation to the service variances with the remainder relating to non-service specific budgets.

	Budget YTD	Actual YTD	Variance	Estimated FYE
<b>Net Cost of Service</b>	13,331,910	5,465,736	(7,866,174)	(364,439)
<b>External Interest-Received/Paid</b>	(716,910)	(935,543)	(218,633)	(50,000)
<b>Income from Government Grant and Taxpayers</b>	(15,495,835)	(16,185,667)	(689,832)	0
<b>Total FYE</b>				<b>(414,439)</b>

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 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. Full variance explanations can be seen within Appendix B that accompanies this report.

<b>Table 1 – Service Variances</b>	<b>Over/ (Under) Spend to Date against Updated Budget +/-£20,000</b>	<b>Estimated Full Year Variance Against Updated Budget</b>
	<b>As Per General Fund Summary</b>	
	<b>£</b>	<b>£</b>
<b>Corporate</b>		
<b>Human Resources and Payroll -</b> (£22,426) - Lower salaries and on costs as a result of staff vacancies. (£25,752) - Corporate training not yet delivered. These savings are off-set by expenditure on professional fees including professional advice and HR service review.	(37,178)	(28,000)
<b>Elections –</b> Costs associated with the running of the County and Police & Crime Commissioner elections to be reclaimed.	(30,385)	0
<b>Corporate Leadership Team –</b> Turnover savings due to part year vacant Director post.	(34,091)	(30,000)
<b>Communities – People Services</b>		
<b>Benefits Administration –</b> (£14,587) Supplies and Services expenditure not yet incurred. (£65,480) Covid Test and Trace administration and other service specific grants received from Department for Work and Pensions (DWP) for new burdens work.	(83,675)	0
<b>Homelessness -</b> £95,053 Bed and Breakfast costs. (£60,000) Allocation of Rough Sleeper Initiative. £72,426 Repairs and Maintenance on Temporary accommodation properties. (£108,576) Additional Homelessness grants including prevention grant top up and domestic abuse grants. (£91,170) Recoverable costs on Bed and Breakfast accommodation. (£24,433) Recoverable costs on Temporary accommodation.	(99,578)	0
<b>Community –</b> £22,647 – Fixed term posts funded by grant. (£200,000) Household Support grant. (£19,556) Funding for fixed term posts.	(202,995)	0
<b>Communities – Leisure and Environment</b>		
<b>Commercial Services –</b> Contain Outbreak Management Funding (COMF) grant offset by related expenditure including staffing costs.	(43,881)	0

<b>Environmental Protection</b> - Staffing costs associated with Covid related work funded from the Contain Outbreak Management Fund (COMF). Lower income from private water sampling.	43,630	0
<b>Car Parking</b> – (£18,406) – Lower NNDR costs as a result of refunds. (£123,622) - Invoices for management fees not yet received. (£153,916) - Car park income higher than expected. (£6,010) - Commission earned on electric vehicle charging point usage.	(308,365)	(120,000)
<b>Leisure Complexes</b> – (£68,405) - Rent/Hire of Buildings - No invoices received for the hire of school halls. £167,712 Higher management fees due to Covid for 2021/22. As agreed at Cabinet, there is a potential full year effect of £408,000 due to ongoing payments re Covid restrictions. £21,820 - Covid costs re construction of the Reef. This expenditure will be offset against the Covid support grant. £6,216 - Premises insurance - Fire/General for the Reef.	150,651	34,376
<b>Other Sports</b> – 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.	(23,783)	0
<b>Foreshore Community</b> – £30,076 - Beach Lifeguard Management Fee. (£10,710) - Furniture repairs, memorial seats.	19,878	30,000
<b>Waste Collection and Disposal</b> – (£576,934) Contractor invoices awaited for the variable elements of waste collection. (£280,968) Accrual brought forward to Norfolk County Council for trade waste disposal in 2020/21. £64,759 Higher recycling contractor costs - higher tonnage processed - this will be offset by additional recycling credits by year end. £11,804 Professional fees relating to procurement and waste composition analysis. This should result in a full year effect saving within this service of c. £250k of which £100k will be requested to be used for an RCCO towards the purchase of bins. Higher fee income from commercial waste and garden bin customers.	(867,964)	(150,000)
<b>Cleansing</b> – £31,759 Purchase of litter bins, offset by funding. (£228,056) Contractor invoices awaited for variable elements of the cleansing contract. (£14,270) Contribution from WRAP (Waste Resources Action Programme) for Infrastructure - match funding towards purchase of litter bins. A full year effect saving of c. £50k is expected at year end.	(215,707)	(50,000)
<b>Place and Climate Change – Sustainable growth</b>		
<b>Economic Growth</b> – The year to date variance relates to the following; £19,185 Sheringham Little Theatre R & M. £371,244 Covid Grants including Additional Restriction grants (ARG). Central Government grant has been receive to fund this expenditure.	183,963	19,185

<b>Housing Strategy</b> – Of the variance £50,000 relates to Community Housing Funded grants. This has been off-set by savings in professional fee budgets.	30,567	0
<b>Environmental Strategy</b> - Consultancy and professional fees relating to various projects - to be funded from the Delivery Plan reserve at year end.	58,301	0
<b>Coastal Management</b> - Staffing costs associated with a vacant post and reduced working hours.	(28,542)	0
<b>Place and Climate Change – Planning</b>		
<b>Development Management</b> - (£35,958) Net staffing saving due to vacancies. Planning income, (£39,920) Pre app advise off set by £13,739 Planning fee income	(62,325)	(30,000)
<b>Planning Policy</b> – The main reason for this variance arises from staff turnover savings due to vacant posts (£55,093) the remainder of the surplus is due to (£31,709) Local Plan expenditure funded from earmarked reserves.	(89,830)	(40,000)
<b>Conservation, Design &amp; Landscape</b> – Year to date savings as a result of underspends in Supplies and Services including professional fees relating to Conservation Area Appraisals.	(43,631)	0
<b>Major Developments</b> – (£17,966) Employee savings resulting from vacant posts. (£2,693) Transport related charges.	(20,369)	(10,000)
<b>Building Control</b> - 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.	(61,968)	0
<b>Resources – Finance, Assets and Legal</b>		
<b>Industrial Units</b> - No Major Variances against YTD budgets. However, a full year effect of £45k is projected for loss of rental income and service charges at Hornbeam Road, North Walsham.	(2,761)	45,000
<b>Revenue Services</b> - 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.	(6,094,709)	0
<b>Benefits Subsidy</b> – The current position represents the net balance on Test and Trace and Household support payments offset by grants.	(39,907)	0
<b>Non Distributed Costs</b> - £10,661 - Added years, (£96,340) - Pension deficit funding invoice not received. The full year impact of these is an overall saving of £14,000	(85,532)	(14,000)
<b>Admin Buildings</b> – £23,897 R&M. £49,879 Additional Cleaning costs. (£27,364) Lower utility costs to date. £10,674 Surveyor and legal fees. Additional income from recharging tenants for Covid cleaning costs.	29,446	30,000

No full year effect is currently anticipated as the majority of these additional costs can be offset by the general Covid grant and recharges to tenants.		
<b>Insurance and Risk Management</b> - £10,454 - Higher public liability insurance. £2,672 - Higher Employers Liability insurance. £6,500 - Professional fees This will have a full year effect of £20,000	19,351	20,000
<b>Chalets and Beach Huts</b> – Rental income against the profiled budget.	(59,347)	(50,000)
<b>Investment Properties</b> - £28,763 Higher R&M costs. (£12,684) Lower costs for grounds maintenance. £14,786 Higher running costs. £6,371 Higher insurance premiums due to revaluations.	32,325	25,000
<b>Corporate and Democratic Core</b> – (£28,973) - Salaries and on costs. (£50,248) - 2020/21 audit not billed. £15,921 - Agency staff. £9,943 - Bank charges	(58,119)	(20,000)
<b>Members Services</b> – (£3,810) - Salaries and on costs are lower as a result of staff vacancies. (£15,171) – Reduction in training and travelling allowances. (£3,539) - Chairman's Civic Expenditure. (£12,021) - Members Allowances, savings as a result of allowances being waived and the budget included provision for 10 Cabinet Members, the number remained at 9. (£2,500) - No refreshments required as a result of remote meetings. All of these combined will lead to a full year saving of £37,000.	(39,514)	(37,000)
<b>Legal Services</b> - £70,889 - Salaries and on costs. £10,000 - Dilapidations bond. Any overspend will be funded from the Legal Reserve and Kickstart contribution. (£105,461) - Income from legal fees and dilapidations bond. (£5,798) - Kickstart contribution towards staffing costs. No variance is anticipated because any balance will be transferred to the Legal reserve.	(28,021)	0
<b>Resources – Organisational Resources</b>		
<b>ICT Support Services</b> – The year to date variance is made up of the following; (£10,477) - Salaries and on costs lower because of staff vacancies and reduced hours. £11,694 - Consultancy fees. (£4,417) - Mobile phone rentals. £70,460 - Computer software licences, maintenance and Computer lines / modems. (£7,771) - Computer consumables. (£18,870) - Computer Purchases - Hardware. £4,434 - Skype to Teams migration. (£5,920) - Generic training.	44,831	0
<b>Property Services</b> – £24,447 Higher staffing costs, some of which will be funded from reserves at year end. £6,054 Higher transport related costs including vehicle repairs. The balance includes asset valuations, subscriptions and professional fees. Additional staffing to be funded from earmarked reserves. £81,198 Re-opening of the High Street funding claim yet to be submitted.	143,803	55,000
<b>Customer Services Corporate</b> – (£22,115) - Salaries and an on costs are lower as a result of staff vacancies. £4,736 - Higher overtime as a result of Covid. (£26,760) Savings in supplies and services budgets including lower equipment repair, stationery,	(39,768)	(44,000)

postage and other professional fees. £7,445 - Subscription to the Institute of Customer Servicers, funded from reserves. All of these will result in a full year saving of £44,000.		
<b>Total Major Variances P10</b>	<b>(7,945,199)</b>	<b>(364,439)</b>

### 3. Non Service Variances to Period 10 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 10, a total of £908,010 has been earned, resulting in an adverse variance against the year to date budget of £156,785. The average rate of interest achieved was 2.54% from an average balance available for investment of £42.7m. At the end of the year, an adverse variance of £100k is anticipated. A total of £32.0m has been invested in pooled funds which are valued at £34.5m at the end of period 10.
- 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 10, a total of £4,121 has been paid resulting in an adverse variance against the budget of £2,121. At the end of the year an adverse variance against the budget of £5,000 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 10, 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 January was 91.30%, and the actual collection rate was at 91.44%, resulting in an excess collection of £28k over target.
- 3.12 By comparison, the target collection rate for Council Tax as at the end of January was 90.00% and an actual rate of 90.68% was achieved. This resulted in an excess collection over target of £312k.

#### **4 Capital**

- 4.1 The Capital Programme has been updated and can be found at Appendix C. The following have been updated:
- Community Housing Fund – changes to the budget following the approval of use of Housing Reserves have now been made

#### **5 COVID 19**

- 5.1 The majority of the larger business support schemes have now closed with the relevant services undertaking reconciliation work to ascertain the final grant positions and amounts to be repaid/claimed. New grants were received during January as a result of the Omicron variant. The Omicron Hospitality and Leisure grant (OHLG) is currently being paid out to qualifying businesses. New burdens funding was also received in recognition of the additional resources required to administer these grant funds, this will be used to support relevant services.
- 5.2 There are also 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 Household support grants. It is anticipated that any grant underspends on these specific grants will be repaid to the originator, whether that is the Department for Business, Energy and Industry Strategy (BEIS) or the County Council.
- 5.3 Expenditure continues to be allocated to the £580,654 General Covid support grant. Spending against this grant includes PPE purchases, specialist cleaning, and a significant commitment has been ring fenced to provide support to the leisure contract.
- 5.4 Income shortfalls were one of the main impacts of Covid during 2020-21. As reported at period 6 this year there has been little impact on income streams during 2021-22 and the current position shows that car parking, planning, building control, legal income and beach huts income are all 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 has not needed to claim against this scheme. The final quarter 2020-21 claim for this support was received in 2021-22 (shown under Government Grant and Local Taxpayers). The amount received was £141,787 greater than anticipated. This additional income has not been factored into the Full Year Effects figure whilst the increase is being investigated.

5.5 The table below shows the performance of the Council's Income streams

<b>Customer and Client Receipts</b>	<b>Full Year Updated Budget</b>	<b>YTD Budget</b>	<b>YTD Actuals</b>	<b>Variance</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
I820 Income Sales	(29,850)	(24,860)	(29,548)	(4,688)
I822 Income Fees and Charges	(9,386,557)	(7,922,039)	(8,510,778)	(588,739)
I827 Income Rent Land and Buildings	(712,178)	(586,138)	(647,235)	(61,097)
I828 Income - Misc Receipts	(89,765)	(89,735)	(89,179)	556
<b>Total Customer and Client Receipts</b>	<b>(10,218,350)</b>	<b>(8,622,772)</b>	<b>(9,276,740)</b>	<b>(653,968)</b>

## **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.

## **7 Conclusion**

7.1 The revenue budget is showing an estimated full year underspend for the current financial year of £414k. 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.