



Report for:	Strategic Planning and Environment Overview and Scrutiny Committee
Date of meeting:	10 November 2020
PART:	1
If Part II, reason:	

Title of report:	Budget Monitoring Quarter 2 2020/21
Contact:	Cllr Graeme Elliot, Portfolio Holder for Finance and Resources Nigel Howcutt, Assistant Director (Finance & Resources) Caroline Souto, Team Leader Financial Planning & Analysis
Purpose of report:	To provide details of the financial outturn position for the: <ul style="list-style-type: none"> • General Fund • Capital Programme
Recommendations	That Committee note the financial position for the Council for 2020/21 as at Quarter 2.
Corporate objectives:	Delivering an efficient and modern council.
Implications:	<u>Financial</u> This report outlines the financial position for the Council for 2020/21 and so summarises the financial implications for service decisions for the financial year. <u>Value for Money</u> Regular budget monitoring and reporting supports the effective use of the financial resources available to the Council.
Risk Implications	This reports outlines the financial position for the Council for 2020/21 and in so doing quantifies the financial risk associated with service decisions for the financial year.
Community Impact Assessment	The content of this report does not require a Community Impact Assessment to be undertaken.
Health And Safety Implications	There are no Health and Safety implications arising from this report.

Consultees	The position reported within this report has been reviewed and discussed with relevant Council Officers.
Glossary of acronyms and any other abbreviations used in this report:	GF – General Fund HRA – Housing Revenue Account MHCLG – Ministry of Housing, Communities and Local Government HCC – Herts County Council AFM – Alternative Financial Model PAM – Parking Access and Movement

1. Executive Summary

- 1.1 General Fund revenue outturn – the Council is facing significant financial pressures as a result of the coronavirus. Overall in the General Fund a pressure of £3.1m is forecast, of which £3.0m results from the implications of coronavirus. This compares to £2.5m outlined in the Covid 19 update reported to members in September.

As every month progresses the combination of additional government guidance and a further month of actual data allow the forecasts to be refined, particularly in the Council's key income streams. Forecasting the end of year position is particularly challenging this year, as there is still a great degree of uncertainty surrounding the second half of the year, with many factors outside of the Council's control.

- 1.2 Strategic Planning and Environment Capital budgets – slippage of £0.2m against budget is forecast.

2. Introduction

- 2.1 The purpose of this report is to present the Council's forecast outturn for 2020/21 as at the 30 September 2020. The report covers the following budgets with associated appendices:

- General Fund - Appendix A. A pressure against budget of £3.1m is forecast.
- Capital Programme - Appendix B. Slippage of £0.2m is forecast.

3. General Fund Revenue Account

- 3.1 The General Fund revenue account records the income and expenditure associated with all Council functions, except the management of the Council's own housing stock, which is accounted for within the Housing Revenue Account (HRA).
- 3.2 Appendix A provides an overview of the General Fund forecast outturn position.
- 3.3 The table below provides an overview by Scrutiny area of the current forecast outturn for controllable budgets within the General Fund.

Table 1	Current Budget £000	Forecast Outturn £000	Variance	
			£000	%
Finance & Resources	7,806	12,085	4,279	54.8%
Strategic Planning and Environment	10,906	12,919	2,013	18.5%
Housing & Community	1,686	2,076	390	23.1%
Total Operating Cost	20,398	27,080	6,682	32.8%
Core Funding	(20,399)	(23,937)	(3,538)	17.3%
Contribution (to)/ from General Fund Working Balance	(1)	3,143	3,144	

3.4 Core Funding - £3.5m additional funding

Additional government grant income has been received as follows:

- £2.05m of Covid-19 support grant has been received from MHCLG, including a 4th allocation of £232k announced in October 2020.
- New Burdens funding of £170k, to support additional pressures in Revenues and Benefits because of increased workload through the Coronavirus pandemic. This will be applied to the budgets to offset pressures in staffing and in income in the service.
- £72k of New Burdens funding relating to welfare reform within the Revenues and Benefits service.

An additional £1.3m of funding is expected under the government's income guarantee scheme to reimburse local authorities for 75% of lost income after the first 5% of the budgeted total.

Recharge to the HRA – a surplus of £105k is forecast in the recharge to the HRA, which is predominantly due to additional premises Insurance charges being passed back to the HRA.

Investment Income – pressure of £180k. A pressure of £180k is forecast in General Fund investment income budgets due to the reduction in interest rates announced by the government in March 2020.

3.5 The following sections provide an analysis of the projected outturn and major budget variances shown by Scrutiny area.

4. Strategic Planning and Environment

Table 2 Strategic Planning and Environment	Current Budget £000	Forecast Outturn £000	Variance	
			£000	%
Employees	10,048	10,708	660	6.6%
Premises	990	1,016	26	2.6%
Transport	1,240	1,403	163	13.1%
Supplies & Services	2,100	2,675	575	27.4%
Third-Parties	366	366	0	0.0%
Income	(5,337)	(4,418)	919	(17.2%)
Capital Charges	1,571	1,571	0	0.0%
Earmarked Reserves	(72)	(402)	(330)	458.3%
Total	10,906	12,919	2,013	18.5%

4.1 Employees - £660k pressure against budget

The pressure in employees' costs includes:

- A pressure of £545k relates to Waste services employees' costs from additional agency requirements. This is due to over 20 staff self-isolated for 12 weeks at the start of the lockdown period and continued periods of isolation. The service is still under pressure due to increased levels of waste, access issues due to more people working from home resulting in a significant increase in missed bins, and the need to maintain social distancing.
- Pressure of £50k in Planning where staffing levels have been higher than budgeted.
- Pressure of £45k in the Vehicle Repair Shop due to additional staffing requirements as a result of Covid-19.
- Pressure of £30k in Waste Development to fund the cost of an additional Recycling Officer. This is a one-off cost which will be requested to be funded from the Management of Change reserve in the Budget Monitoring report to Cabinet.

4.2 Transport - £163k pressure against budget

A pressure of £100k relates to the maintenance of ageing fleet vehicles in Waste Services. This pressure is expected to continue until the full fleet of waste vehicles is received later in the financial year.

A pressure of £85k relates to hire of waste vehicles to support social distancing requirements, particularly for crews on rural rounds. The two rural rounds consisting of a driver and two loaders have been split, requiring the hire of two additional vehicles.

4.3 Supplies and Services - £575k pressure against budget

A pressure of £185k is expected in Waste Services from the increased cost of disposal of comingled recycling. This is as a result of 3 factors: firstly, tonnages of recyclable waste have increased by 30% as a result of households being at home during lockdown and continuing to work from home; secondly the contractor has charged additional processing fees to fund the costs of safe working conditions under Covid; and thirdly the global market for recyclables has declined leading to a reduction in income for recyclables.

Additional budget of £300k is required in the Strategic Planning service to fund the work to produce the Local Plan. The budget for the Local Plan has been set at a smoothed annualised average, which does not take into account peaks and troughs in the expenditure. 2020/21 is a high spending year due to the Local Plan being finalised for submission to the Secretary of State for Examination in Public in 2022. The additional expenditure will fund key posts to deliver the Local Plan and the associated studies to ensure the Local Plan is robust at examination.

A request to fund this expenditure from the Local Development Framework reserve will be put forward in the Quarter 2 Budget Monitoring report to Cabinet.

Pressure of £50k in the Planning service for legal expenditure relating to the appeals process. Where planning decisions are appealed and the decision is not in favour of the Council, legal costs are incurred which causes a budget pressure.

4.4 Income – £919k pressure against budget

The forecast pressures in income budgets are all Covid-19 related:

- Pressure of £250k related to Waste Services income. A pressure of £250k is expected in income from the Alternative Financial Model (AFM) payment from Herts County Council (HCC). This is due to the increase in residual waste particularly during the lockdown period. An increase in residual waste pushes up the cost of disposal to HCC, which is then passed back to local authorities via a lower AFM income payment.
- Pressure of £200k in Planning Income. This income stream has performed well in the first 6 months of the year and is just slightly below budget. However, the income remains exposed to fluctuations in the property market and a variance of £200k is anticipated.
- Pressure of £200k in Commercial Waste Income. This variance arises from the anticipated pressure on income from businesses no longer operating and increase in bad debtors. This will be dependent on the extent of the economic downturn and will be monitored through the broader economic recovery.
- Pressure of £90k in Land Charges. The Housing market is likely to stagnate for a period as households await a more clearly emerging economic picture, however the temporary relaxation of stamp duty levels is helping to lessen this impact.

- Pressure of £65k in Maylands Business Centre income. A pressure is expected in rental income, dependent upon how businesses are affected by the potential economic recession.
- There are other pressures in income streams such as Bulky Waste £45k and Cesspool emptying £12k as a result of Covid-19.

5. Capital Programme

5.1 Appendix B shows the projected capital outturn in detail by scheme.

The table below summarises the overall capital outturn position by Scrutiny committee area.

The current budget is the original budget approved by Cabinet in February 2020, plus approved amendments.

The 'rephasing' column refers to projects where expenditure is still expected to be incurred, but will now be in 2021/22 rather than 2020/21 ('slippage'), or conversely, where expenditure planned initially for 2021/22 has been incurred in 2020/21 ('accelerated spend').

The 'Variance' column refers to projects which are expected to come in under or over budget and projects which are no longer required.

Table 3	Current Budget	Rephasing	Revised Budget	Forecast Outturn	Variance	
	£000	£000	£000	£000	£000	%
Strategic Planning and Environment	3,207	(229)	2,978	2,981	3	0.10%

5.2 General Fund Major Variances

There is forecast slippage of £0.2m in General Fund capital budgets. This has arisen primarily due to:

- Line 155: slippage of £0.13m on the Durrant's Lake project. Negotiations to conclude this project have been delayed due to the coronavirus pandemic.

6. Conclusions and recommendations

6.1 As at Quarter 2 2020/21, there is a forecast pressure of £3.1m against General Fund budgets.

6.2 As at Quarter 2 2020/21, against Strategic Planning and Environment capital budgets there is forecast slippage of £0.2m.

6.3 Members are asked to note the financial position for the Council for 2020/21 as at Quarter 2.