



Report for:	Strategic Planning and Environment Overview and Scrutiny Committee
Date of meeting:	23 March 2021
PART:	1
If Part II, reason:	

Title of report:	Budget Monitoring Quarter 3 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 3.
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

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 £3.2m is forecast, of which £2.9m results from the implications of coronavirus.
- 1.2 Strategic Planning and Environment Capital budgets – reporting broadly on budget.

2. Introduction

- 2.1 The purpose of this report is to present the Council's forecast outturn for 2020/21 as at the 31 December 2020. The report covers the following budgets with associated appendices:

- General Fund - Appendix A. A pressure against budget of £3.2m is forecast.
- Capital Programme - Appendix B.

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	8,006	12,710	4,704	58.8%
Strategic Planning and Environment	10,906	12,921	2,015	18.5%
Housing & Community	1,686	1,792	106	6.3%
Total Operating Cost	20,598	27,423	6,825	33.1%
Core Funding	(20,599)	(24,183)	(3,584)	17.4%
Contribution (to)/ from General Fund Working Balance	(1)	3,240	3,241	

3.4 Core Funding - £3.6m additional funding

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.
- £100k of New Burdens funding relating to welfare reform within the Revenues and Benefits service.

An additional £1.4m 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 £72k is forecast in the recharge to the HRA, which is predominantly due to additional premises Insurance charges being passed back to the HRA, less property related costs borne by the HRA being passed back to the General Fund.

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	10,078	10,783	705	7.0%
Premises	990	984	(6)	(0.6%)
Transport	1,240	1,490	250	20.2%
Supplies & Services	2,422	2,762	340	14.0%
Third-Parties	366	365	(1)	(0.3%)
Income	(5,359)	(4,632)	727	(13.6%)
Capital Charges	1,571	1,571	0	0.0%
Earmarked Reserves	(402)	(402)	0	0.0%
Total	10,906	12,921	2,015	18.5%

4.1 Employees - £705k pressure against budget

The pressure in employees' costs includes:

- A pressure of £575k relates to Waste Services employees' costs from additional agency requirements during the Covid-19 pandemic. This is due to a combination of staff sickness and requirements to self-isolate, as well as the requirement for clinically extremely vulnerable staff to remain at home. The service is 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 which has put pressure on the rural rounds where there is increased travel in the waste vehicles.
- Pressure of £60k in Planning, predominantly due to a number of maternity covers during the financial year.
- Pressure of £40k in the Vehicle Repair Shop due to additional staffing requirements as a result of Covid-19.

4.2 Transport - £250k pressure against budget

A pressure of £130k 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.

A pressure of £150k 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 - £340k pressure against budget

A pressure of £220k 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.

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 – £727k pressure against budget

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

- Pressure of £200k related to Waste Services income. A pressure of £200k 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 £75k in Planning Income. This income stream has performed well in the first 9 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 £75k 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 £65k in Maylands Business Centre income. A pressure is expected in rental income, dependent upon how businesses are affected by the economic impact of the pandemic.
- There are other pressures in income streams such as Bulky Waste £40k and Cesspool emptying £45k 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	Variance	
	£000	£000	£000	Outturn £000	£000	%
Strategic Planning and Environment	3,055	0	3,055	3,125	70	2.28%

5.2 General Fund Major Variances

There are no major variances.

6. Conclusions and recommendations

6.1 As at Quarter 3 2020/21, there is a forecast pressure of £3.2m against General Fund budgets.

- 6.2** As at Quarter 3 2020/21, Strategic Planning and Environment capital budgets are reporting to budget.
- 6.3** Members are asked to note the financial position for the Council for 2020/21 as at Quarter 3.