



The Budget 2020/2021

Monitoring Report

March 2021

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The Budget 2020/2021

Monitoring Report – February 2021

Summary

A revised budget for 2020/2021 was presented to Cabinet on 2 February 2021 and approved by Council on 25 February 2021 in accordance with the process for approving the financial plan 2020-2025. This incorporated an update to the current year budgets since the last detailed review was undertaken and approved by Council in December 2020 which reflected the financial impact emerging from the COVID-19 pandemic based on the period to 31 October 2020.

Since then, there have continued to be various restrictions put in place and the country is currently in another lockdown period. However, the situation is changing as restrictions are gradually set to ease in the coming months in line with the Governments roadmap plans for the country. Uncertainty continues around the monitoring and forecasting of budgets as the situation remains extremely volatile in these unprecedented times.

This monthly budgetary control monitoring summary report has been prepared and provides a summarised update of any variances against the previous reported budgets for 2020/2021. The next budget monitoring report will be based on the draft outturn position for 2020/2021.

The estimated draw on the General Fund Reserve balance that will be needed to fund the budget is now at £1,257,540.

A target for Turnover Savings of £510,000 was approved and set for 2020/2021. Details of Turnover savings are included in section 2.3 of this report.

The Capital Programme 2019/2024 was presented to Cabinet on 4 February 2020 and has been amended in line with the revised budget estimates approved by Council on 25 February 2021. Section 7 includes details of the Revised Capital Programme for 2020/2021.

Appendix 1 notes the cash limit rules which apply to all budgets.

If further information relating to any budget highlighted within this report is required, please do not hesitate to contact Michelle Drewery on Ext. 6432

1. Introduction

- 1.1 This report covers the period to 28 February 2021.
- 1.2 As previously reported to Cabinet, the council has been required to make rapid adjustments to respond to the pandemic which have resulted in significant additional expenditure. At the same time, some of the council's key income streams have been severely damaged by the restrictions put in place and the subsequent and continued impact on the local economy.
- 1.3 Central Government have provided additional funding through various packages of support to councils, which has been extremely welcome. However, this does not sufficiently meet the increased pressures faced by the council which inevitably requires addressing by an increased drawdown on the general fund reserve balances to meet the gap.
- 1.4 As such, further financial pressures may still emerge as a result of the current lockdown. These impacts are not yet fully apparent and will need to be closely monitored, scrutinised and reported accordingly. At this time, there have been no further announcements for any additional emergency Covid funding to support the council for the financial impact of the current lockdown period. However, other funding streams have been made available to support various Covid related workstreams (see paragraph 2.2.4).

2. Revenue Budget 2020/2021

2.1 Budget Summary

- 2.1.1 A summary of the budget position as at 28 February 2021 is shown below.

	January Budgetary Control Monitoring Report 2020/2021	February Budgetary Control Monitoring Report 2020/2021	Report Variance (fav)
	£	£	£
Central Services	2,775,770	2,565,610	(210,160)
Community and Partnerships	289,400	266,390	(23,010)
Companies and Housing Delivery	267,090	252,090	(15,000)
Environment and Planning	1,688,570	1,713,130	24,560
Operations and Commercial	2,627,090	2,679,390	52,300
Property and Projects	(1,459,410)	(1,445,380)	(14,030)
Regeneration Housing & Place	771,200	762,200	(9,000)
Resources	8,095,630	7,968,060	(127,570)
Chief Executive	303,350	299,350	(4,000)
Culture and Leisure	4,085,100	2,862,100	(1,223,000)
Financing Adjustment	1,762,980	1,955,480	192,500
Internal Drainage Boards	2,819,160	2,819,160	
Council Tax Support to Parishes	20,970	20,970	
Borough Spend	24,046,900	22,690,490	(1,356,410)

	January Budgetary Control Monitoring Report 2020/2021	February Budgetary Control Monitoring Report 2020/2021	Report Variance (fav)
Contributions to/(from) General Fund Balance	(2,613,950)	(1,257,540)	1,356,410
Borough Requirement	21,432,950	21,432,950	0
Revenue Support Grant	(624,220)	(624,220)	0
Rural Service Delivery Grant	(470,700)	(470,700)	0
New Homes Bonus	(898,180)	(898,180)	0
Other Government Grants	(3,994,190)	(3,994,190)	0
<u>Taxation</u>			
Business Rates Retention Baseline Funding	(5,491,230)	(5,491,230)	0
Business Rates Funding From Growth	(914,080)	(914,080)	0
Business Rates Renewable Energy	(2,640,260)	(2,640,260)	0
Council Tax	(6,400,090)	(6,400,090)	0
Funding Position	0	0	0

2.2 Impact of pandemic

2.2.1 A review of the latest forecast expenditure due to COVID has resulted in an estimated cost of £2,667,066 to the council. These costs are summarised below:

Additional Expenditure	Total £
Homelessness	325,753
Car Parking Expenditure	4,527
Sports and Leisure (Includes AWN Support of £950k)	989,449
Crematorium Service Online Provision	3,008
Additional Provision of Refuse and Recycling Services	106,213
ICT Support (Remote Working/Virtual Meetings)	103,950
Corporate Costs (Covid Compliant Offices)	330,268
Shielding Support (Community Hub)	88,734
Lockdown Compliance and Reopening Support	194,743
Public Health – Testing, contact tracing and outbreak	44,421
Cost Reduction Savings Target Not Met	476,000
Total Expenditure	2,667,066

2.2.2 The following summarises the latest update on loss of income due to COVID which is currently estimated at £3,488,884:

Expected loss of income	Total £
Events and Bookings	78,620
Management Fee/Service Level Agreement (AWN)	641,380
Printing Services	19,262
Careline	36,053
Housing Development Interest	98,605
Rental Income from Commercial Properties	100,000
Refuse and Recycling	115,783
Car Parking Fees	2,316,977
Licensing	63,891
Food Hygiene Courses	18,313
Total Income	3,488,884

2.2.3 The council has to date received or claimed the following amounts from Central Government to support the above pressures:

Emergency Covid Funding	£2,705,804
Sales, Fees and Charges Funding	£1,288,388
Total	£3,994,192

2.2.4 In addition to the funding above, the council has also received the following funds in support of various Covid related workstreams:

Funding	Total £	Purpose
Local Outbreak Control Plan	100,000	To support increased work around environmental health regulations and community support of high risk individuals
Local Compliance & Enforcement Grant	83,636	To support local compliance and enforcement activities
COMF Allocation Phase 1	361,000	To support enhanced contact tracing, covid compliant measures which include additional capacity for Marshalls, support for individuals moving from institution type settings
COMF Allocation Phase 2	250,000	Discretionary self-isolation funding
COMF Allocation Phase 2	465,845	To support further measures to contain/control the outbreak
COMF Allocation - Additional	40,000	To reimburse for surfacing works at Lynnsport for testing station
Clinically Extremely Vulnerable Funding	42,000	To support those that are clinically extremely vulnerable with fuel and heating support and other general expenses
TOTAL	1,342,481	

2.3 Turnover Savings

2.3.1 An original target for Turnover Savings of £510,000 was set for 2020/2021. Turnover savings of £1,142,220 were previously reported in the period to 31 January 2021. At 28 February 2021, a further £179,290 turnover savings have been identified bringing the total turnover savings to £1,321,510, exceeding the target by £811,510. The movement of £179,290 across the service areas are shown below:

Service Area	Amount £
Central Services	(48,060)
Chief Executive	(4,000)
Community & Partnerships	(23,010)
Companies & Housing Delivery	(15,000)
Environment and Planning	24,560
Operations & Commercial	(53,000)
Property & Projects	(6,000)
Regeneration Housing & Place	(9,000)
Resources	(45,780)
Total	(179,290)

2.3.2 It should be noted that the increase in turnover savings can be attributable to holding numerous vacancies across the council during the pandemic. It is expected that these vacancies will be filled in due course.

2.4 Budget Monitoring variances

2.4.1 All Service Areas

Movements within each service area other than turnover savings are set out in detail below with a summary table of all movements provided in 2.4.3:

Central Services

Overall, there are savings of £162,100 which made up from the following areas:

Training - savings due to COVID restrictions £106,300

Councillors allowance and expenses – savings of £36,250 have arisen from a reduction in face to face meetings and training events. This has resulted in a reduction in travel and training expenses whilst Councillors have been attending meetings and events remotely instead during the pandemic

Register of Electors – savings from office costs £17,200

Civic functions – savings due to events not taking place due to COVID £2,350

Operation and Commercial

Refuse & Recycling reduction in income due to latest COVID lockdown £76,000

Play areas additional expenditure £26,300

CCTV reduction in income from Breckland contract £3,000

Property and Projects

Industrial estates remedial works to ventilation system health and safety - £8,710
DWP transfer from reserves for DWP furniture – (£16,740)

Culture and Leisure

Sports Centres and Corn Exchange savings on maintenance - £173,000
AWN reduction in grant due to AWN securing external grant funding - £1,050,000

Resources

Revenue and Benefits

Additional Benefit Administration Subsidy due to Covid - £40,840
Additional Housing Benefit Subsidy due to Covid - £40 950

Financing Adjustment

Reduction in interest received £192,500

2.4.2 Assistant Director Area Movements

There were no movements between Assistant Director areas in this monitoring period.

2.4.3 Summary of movements

	£	£
Central Services		
Training	(106,300)	
Councillors Allowances and Expenses	(36,250)	
Register of Electors	(17,200)	
Civic Functions	(2,350)	
Turnover Savings	(48,060)	
Total Central Services		(210,160)
Chief Executive		
Turnover Savings	(4,000)	
Total Chief Executive		(4,000)
Community & Partnerships		
Turnover Savings	(23,010)	
Total Community & Partnerships		(23,010)
Companies & Housing Delivery		

	£	£
Turnover	(15,000)	
Total Companies & Housing Delivery		(15,000)
Environment & Planning		
Turnover	24,560	
Total Environment & Planning		24,560
Operations & Commercial		
Refuse and Recycling	76,000	
Play Areas	26,300	
CCTV	3,000	
Turnover Savings	(53,000)	
Total Operations & Commercial		52,300
Property & Projects		
Industrial Estates	8,710	
Offices	(16,740)	
Turnover Savings	(6,000)	
Total Property & Projects		(14,030)
Regeneration, Housing & Place		
Turnover Savings	(9,000)	
Total Regeneration, Housing & Place		(9,000)
Resources		
Revenue and Benefits	(81,790)	
Turnover Savings	(45,780)	
Total Resources		(127,570)
Culture & Leisure		
Maintenance of venues	(173,000)	
Reduction in grant AWN	(1,050,000)	
Total Culture & Leisure		(1,223,000)
Financing Adjustment		
Interest	192,500	
Total Financing Adjustment		192,500
Grand Total		(1,356,410)

3. Movement on Balances

- 3.1 The previous monitoring report set out an estimated contribution from the General Fund Reserve of £2,613,950. The estimated contribution is now reduced to £1,257,540 as a result of the changes set out in this report. The revised impact on balances is detailed in the table below.

Projected Movements in General Fund Balances	2020/21 £
Balance brought forward 1 April 2020 (to be updated following completion of audit of the accounts for 2019/2020)	9,998,740
Estimated to/(from) Balances (Monitoring - February)	(1,257,540)
Projected General Fund Balance 31 March 2021	8,741,200

- 3.2 The projected balance for 2020/2021 remains above the minimum level of £1,071,648 required of the Council.
- 3.3 The General Fund Balance is held at a higher level than it might normally be to provide for a planned and measured response to the reduction in grant funding that will occur in the medium term. Significant draws from the general funding balance remain necessary in future years of the medium-term financial plan in order to set a balanced budget.

4. Cost Reduction Target

- 4.1 The cost reduction target was set at £476,000 in 2020/2021. At the onset of the pandemic, it was realised that this saving would not be achieved. There is also now significant uncertainty on whether the original plans for achieving these reductions are realistic in the current economic climate.
- 4.2 A detailed review of the cost reduction target plan is being undertaken to align with the latest budget proposals as part of the Financial Plan 2020-2025 approved by Council in February 2021. The refreshed plans will take account of existing initiatives that are deemed to remain viable as well as any newly identified cost saving or income generating initiatives in order to address an estimated budget gap of £3.4m in 2024/2025.

5. Fees and Charges

- 5.1 The Council has delegated authority to the Executive Director of the appropriate services (in consultation with the relevant portfolio holder and the Leader) to vary charges having regard to market conditions and the Council's policy framework. The 2020/2021 fees and charges were originally detailed in the Financial Plan 2019/2024 and submitted to Cabinet on 27 February 2020.
- 5.2 No additional changes to fees and charges are being reported in February 2021.

6. Treasury Management 2020/2021

- 6.1 The “Treasury Management Strategy Statement and Annual Investment Strategy 2020/2021” was approved by Council on 4 February 2020. The Council’s Treasury Management Strategy will be updated as appropriate for any changes made to the code of practice by CIPFA.
- 6.2 The monitoring report includes prudential indicators, updates on movements in borrowing and investments during the period, together with the credit rating changes of counter parties and average rate of return on investments.

Prudential Indicators

Indicator	Original Limit 2020/2021	Actual Borrowing 28 February 21
Operational Boundary (Limit of borrowing)	£53m	£10m
Short-term and variable rates borrowing limits	40%	0%

Loans

Institution	Principal £	Rate %
Short Term borrowing	0	
Total Short Term	0	
Barclays	5,000,000	3.81%
Barclays	5,000,000	3.81%
Total Long Term	10,000,000	
Total borrowing	10,000,000	

Investments

Institution	Principal £	Rate %
Aberdeen Standard - MMF	4,000,000	0.01%
BNP (Banque Nationale de Paris) – MMF	4,000,000	0.03%
Federated PR – MMF	4,000,000	0.01%
HSBC Sterling – MMF	4,000,000	0.01%
LGIM Sterling - MMF	3,980,000	0.01%
Total Money Market Fund Investment	19,980,000	
Handlesbanken	4,000,000	0.10%
Santander	4,000,000	0.45%
Thurrock Council	4,000,000	0.20%
Total Other Investments	12,000,000	
Overall Investments	31,980,000	

- 6.3 Council treasury investment decisions are made in accordance with the Treasury Strategy and additional support and guidance is provided by the Council's treasury advisors, Link Asset Services.

Credit Ratings

The Council uses independent ratings (Fitch) to derive part of its counterparty criteria, in accordance with the currently adopted Treasury Management Practices.

The BCKLWN minimum ratings for banks are:

Short term Rating F1	Viability Rating BB+	Support Rating 3	Long Term Rating A
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F1 = Highest credit quality. Indicates the strongest capacity for timely payment of financial commitments.

Have an added "+" to denote any exceptionally strong credit feature.

B = A strong bank. There are no major concerns regarding the bank. Characteristics may include strong profitability and balance sheet integrity, franchise, management, operating environment or prospects.

3 = A bank, for which support from a state or from an institutional owner is likely but not certain.

A = A low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. There may be some vulnerability to changes in circumstances or in economic conditions than is the case for higher ratings.

7. Capital Programme 2020/2021

- 7.1 The Capital Programme 2020/2021 was updated at Cabinet on 2 February 2021, a summary position is shown in the table below.

	Revised Budget 2020/2021 Estimates to Cabinet £	Revised Budget 2020/2021 January Monitoring £	Spend to January 2021 £	Percentage %
Major Projects	11,590,610	11,670,710	7,104,301	60.87
Operational Schemes:				
Community and Partnerships	2,343,120	2,343,120	1,335,762	57.01
Resources (S151 Officer)	465,680	465,680	197,341	42.38
Regeneration	21,350	21,350	21,353	100.01

Property and Projects	42,000	42,000	40,695	96.89
Operational and Commercial Services	987,990	987,990	213,250	21.58
Alive West Norfolk	68,860	123,780	121,139	97.87
Central Services	-	-	-	-
Total	15,519,610	15,654,630	9,033,841	57.71
Exempt Corporate Schemes	5,122,840	5,427,440	4,986,576	91.88
Total Capital Programme	20,642,450	21,082,070	14,020,417	66.50

7.2 No further amendments are reported to the end of February 2021. All amendments and rephasing will be reported to Cabinet as part of the Capital outturn report for 2020/2021.

Appendix 1

Cash Limits

In all cases the Budget Cash Limit will be seen to be the 'bottom line' of a service cost centre as presented in the Financial Plan 2020/2025 and the financial ledger.

It will be the responsibility of the Assistant Director to make sure that any anticipated overspending in a cost centre, as a first option, is compensated by a reduction in the same service area. In the event that this is not possible the Assistant Director must as a second option look for compensating reductions within another service area under their responsibility. (It is accepted that this may mean changes across Portfolios).

If this is not possible then the Assistant Director must report the circumstances to the Management Team requesting the forecast overspend to be met from corporate resources.

The decision on how to meet the shortfall will be made by Management Team in consultation with the portfolio holder for Resources, before the overspending is authorised.

These cash limits rules will not apply to elements of the budget that are 'outside' of the control of the service manager. These will include;

- rent and rates
- insurances
- benefit payments
- support service charges
- capital financing
- asset rentals
- interest on capital receipts

Where there are increase/reductions in the above, it will be necessary for the Assistant Director to report to Management Team and complete the appropriate Exercise of Delegated Authority (EDA) form or Cabinet report.

In all other cases the cash limits rules will apply although Management Team, in consultation with the portfolio holder for Resources, will consider exceptions in particular cases. (As an example, this may be the case where the pressure comes from reduced levels of income from 'demand led' services).

In all cases Financial Regulations require the Assistant Director to gain Portfolio Holder(s) approval for them to complete the EDA form. A copy of the form must be sent to the Financial Services Manager for adjustments to be made to the budget records in the financial ledger.

Any budget transfer with a value of £500,000 or above is a 'key decision' and must be subject of a report to Cabinet.

In dealing with the overspending it will be the responsibility of the Executive Director to identify compensating reductions within one month of the issue being identified. This will form part of the Monthly Monitoring Report.

As a reminder, the Financial Regulations state;

- transfers must not be made into permanent staffing budgets;
- savings in non-recurring expenditure or income should not be used to finance additional recurring expenditure

Michelle Drewery

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