Borough Council of
King's Lynn &
West Norfolk

The Budget 2021/2022

Monitoring Report

August 2021

Michelle Drewery
Assistant Director Resources
Section 151 Officer

The Budget 2020/2021

Monitoring Report – August 2021

Summary

The budget for 2021/2022 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 2021-2026. Since the budget was approved, the council has remained in uncertain times as recovery from the pandemic (Covid-19) takes shape during 2021/2022.

The lasting effects on the local economy, the council, its residents and businesses are still uncertain. This budgetary control monitoring summary report has been prepared and provides a summarised update of any variances against the original budget for 2021/2022.

The amount that will be transferred to the General Fund Reserve balance at 31st March 2022 is estimated to be £436,060 an increase of £180,670 resulting from the forecast reduction in spend as shown below.

	Original Budget 2021/22	**Forecast 31 August 2021**	**Variance**
Borough Spend	21,467,800	21,287,130	**(180,670)**
Financing	(21,723,190)	(21,723,190)	**0**
Contributions to/(from) General Fund Balance	**255,390**	**436,060**	**180,670**

A target for Turnover Savings of £552,210 was approved and is included in the budget for 2021/2022. Turnover savings of £298,800 have been achieved in the period 1st April 2021 to 31st August 2021. Details of Turnover savings are included in section 2.3 of this report.

The Capital Programme 2020/2025 was presented to Cabinet on 21 September 2021. Section 7 includes details of the Capital Programme for 2021/2022.

Appendix 1 provides notes of 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 31st August 2021.

1.2 Budget monitoring has been undertaken and revisions made to forecast taking account variations to date as reported in section 2 of this report. This has resulted in a favourable movement in the estimated contribution to reserves of £180,670 totalling £436,060 compared to that set in the original budget of £255,390. The Council has incurred additional expenditure and identified reductions in income, which are attributable to the continuing impact of the pandemic, more detail is provided in paragraphs 2.2.1 and 2.2.2 below. As such, further financial pressures may still emerge as a result of the pandemic. These impacts may not yet be fully apparent and will need to be closely monitored, scrutinised and reported accordingly.

1.4 Central Government have continued the Sales, Fees and Charges Compensation scheme into 2021/2022, up to the 30 June. A claim is currently being prepared to draw down support as appropriate to recover eligible losses to income. In addition, other funding streams have been made available to support various Covid related workstreams (see paragraph 2.2.4).

2. Revenue Budget 2021/2022

2.1 Budget Summary

2.1.1 A summary of the budget position as at 31st August 2021 is shown below.

	Budget Agreed by Council 25 February 2021	**August Budgetary Control Monitoring Report 2021/2022**	**Report Variance**
	£	**£**	**£**
Central Services	2,909,310	2,872,810	(36,500)
Community and Partnerships	329,710	318,510	(11,200)
Companies and Housing Delivery	285,880	289,880	4,000
Environment and Planning	2,117,340	1,799,340	(318,000)
Operations and Commercial	1,293,770	1,224,480	(69,290)
Property and Projects	(1,584,540)	(1,575,040)	9,500
Regeneration Housing & Place	884,030	890,280	6,250
Resources	8,112,130	8,206,880	94,750
Chief Executive	304,860	304,860	0
Culture and Leisure	2,573,860	2,573,860	0
Turnover Savings	(552,210)	(298,800)	253,410
Financing Adjustment	1,903,940	1,790,350	(113,590)
Internal Drainage Boards	2,868,510	2,868,510	0
Council Tax Support to Parishes	21,210	21,210	0
Borough Spend	**21,467,800**	**21,287,130**	**(180,670)**
Contributions to/(from) General Fund Balance	255,390	436,060	180,670
Borough Requirement	**21,723,190**	**21,723,190**	**0**

	Budget Agreed by Council 25 February 2021	August Budgetary Control Monitoring Report 2021/2022	Report Variance
Revenue Support Grant	(627,670)	(627,670)	
Rural Service Delivery Grant	(485,690)	(485,690)	0
New Homes Bonus	(837,670)	(837,670)	0
Other Government Grants	(1,309,230)	(1,309,230)	0
Taxation			
Business Rates Retention Baseline Funding	(5,491,230)	(5,491,230)	0
Business Rates Retention Additional Funding	(2,350,120)	(2,350,120)	
Business Rates Funding from Growth	(1,101,870)	(1,101,870)	0
Business Rates Renewable Energy	(2,500,000)	(2,500,000)	0
Council Tax	(7,019,710)	(7,019,710)	0
Funding Position	**0**	**0**	**0**

2.1.2 Turnover savings have been split out from the Resources budget line to show the full effect of these savings.

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 £330,000 to the council since 1 April 2021. These costs are summarised below:

Additional Expenditure	**Total £**
Homelessness Accommodation – supported by Grant	175,000
Additional Provision of Refuse and Recycling Services	7,000
ICT Support (Remote Working/Virtual Meetings)	14,000
Covid Compliance and Enforcement – funded by Contained Outbreak Management Fund (COMF) contributions.	80,000
Lockdown Compliance and Reopening Support	1,000
Public Health – Testing, contact tracing and outbreak	38,000
Elections – equipment to meet covid safe measures	15,000
Total Expenditure	**330,000**

2.2.2 The following summarises the latest update on loss of income due to COVID which is currently estimated at £370,000 since 1 April 2021:

Estimated loss of income	**Total £**
Events and Bookings	40,000
Management Fee/Service Level Agreement (AWN)	151,000
Printing Services	5,000
Rental Income from Commercial Properties	80,000
Food Waste income	61,000
Car Parking Fees	33,000
Total Income	**370,000**

2.2.3 The council received support in respect of a number of Covid related funds from Government in 2020/2021. An unspent balance of £651,481 from the Contain Outbreak Management Fund (COMF) has been placed in reserves and is assigned for use in 2021/2022. The Council also have a further allocation of COMF in 2021/2022, of £238,077.

2.2.4 In addition to the funding above, the council has also received the following funds in support of various Covid related workstreams. These were announced as part of the Local Government Funding Settlement and are included in the budget already:

Funding	**Total £**	**Purpose**
Covid 19 Expenditure Pressures grant (un-ringfenced)	922,550	Awarded in 2021/22 settlement towards supporting Covid related costs.
Local Council Tax Support Grant	152,760	In recognition of the increased costs of providing local council tax support and other help to economically vulnerable households following the pandemic.
Lower Tier Services Grant (un-ringfenced)	233,860	A one-off national settlement grant to support the Council's core spending power, following cessation of other revenue grants.
Total Grant	**1,309,170**	

2.3 Turnover Savings

2.3.1 An original target for Turnover Savings of £552,210 was set for 2021/2022. At 31 August 2021, £298,800 of turnover savings have been identified since 1st April 2021. Movement across the service areas are shown below:

Service Area	**Amount £**
Central Services	(39,000)
Community & Partnerships	(11,200)
Companies and Housing Delivery	4,000
Environment and Planning	(68,000)
Operations & Commercial	(152,000)
Property & Projects	(45,000)

Service Area	Amount £
Regeneration Housing & Place	(33,600)
Resources	46,000
Total	**(298,800)**

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 as service demand progresses towards pre-pandemic levels.

2.4 Budget Monitoring variances

2.4.1 The following table details the variances for each Assistant Director area.

	£	£
Central Services		
Reduction in income from partners due to revised approach to Recruitment Portal during COVID	500	
Members Training Essential targeted training required for Standards Committee Members	2,000	
Turnover Savings	(39,000)	
Total Central Services		**(36,500)**
Community & Partnerships		
Turnover Savings	(11,200)	
Total Community & Partnerships		**(11,200)**
Companies & Housing Delivery		
Turnover (additional cost)	4,000	
Total Companies & Housing Delivery		**4,000**
Environment & Planning		
Income from Planning Fees is currently higher for this period compared to budget	(250,000)	
Turnover Savings	(68,000)	
Total Environment & Planning		**(318,000)**
Operations & Commercial		
Cost of ambulance and medical cover for resort events on Hunstanton Promenade	25,000	
Refuse and Recycling additional budget required to upgrade software - £20k and re-introduction of food waste campaign - £20k.	40,000	
Car Parking Increase in rent, insurance and service charges on town centre premises - £8k, additional costs and reduced income from vacant properties - £11k and increase in contract price for rent of car parks - £13k.	31,710	
Reduced expenditure as a result of shared depot space from new waste collection	(14,000)	

	£	£
contract.		
Turnover Savings	(152,000)	
Total Operations & Commercial		**(69,290)**
Property & Projects		
Industrial Estates extra cost for contract cleaning - £4,500.	4,500	
Shops and Offices The timescale for a town centre building renovation project has been extended, resulting in an extension to a rent free period leading to a delay in anticipated rental income	50,000	
Turnover Savings	(45,000)	
Total Property & Projects		**9,500**
Regeneration, Housing & Place		
Tourism annual printing has increased each year - £3,500. For brochure and lead generation, website and social media marketing, to assist recovery to the local tourism economy fees are not being charged for promotion of day visitor awareness nor the King's Lynn Maritime Trail - £36,750. Vouchers are no longer provided for Discover King's Lynn Distribution creating a saving of £400.	39,850	
Turnover Savings	(33,600)	
Total Regeneration, Housing & Place		**6,250**
Resources		
Internal Drainage Board notifications are more than estimated in the budget	16,890	
Costs have arisen due to a requirement to perform heritage assets valuation	4,000	
ICT duplicated income from internal recharges budget	72,840	
Corporate Costs and Provisions – Reduction in rental income following vacation of rental property	10,300	
Revenues and Benefits grant budget increased as more grant income received than expected	(55,280)	
Turnover (additional costs)	46,000	
Total Resources		**94,750**
Turnover Savings Target less achieved to date.		**253,410**
Financing Adjustment		
Additional Interest receivable from Capital loan	(113,590)	

	£	£
Total Financing Adjustment		**(113,590)**
Grand Total		**(180,670)**

2.4.2 Assistant Director Area Movements

There were budget movements between Assistant Director areas in this monitoring period as follows:

Assistant Director	Service Area	Reason for Movement	Amount £
Companies and Housing Delivery	Corporate Projects	Procurement income to new cost centre	(19,000)
Resources	Procurement	Procurement income to new cost centre within Resources	19,000

3. Movement on Balances

3.1 As reported to Council in February 2021, the budget set out an estimated contribution to the General Fund Reserve of £255,390. The estimated contribution has now increased to £419,840 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	2021/22 £
Balance brought forward 1 April 2021	**8,998,382**
Estimated to/(from) Balances (Monitoring - August)	436,060
Projected General Fund Balance 31 March 2022	**9,434,442**

3.2 The projected balance for 2021/2022 remains above the minimum level of £1,086,160 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 uncertainty and the impact from the pandemic during 2020/21 on service demand and use of resources impeded the Council's planned progress towards the cost reduction target. A detailed review of cost reduction and income generation initiatives is currently being undertaken with a view to incorporate these into the estimates and Financial Plan for 2021/2026.

4.2 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 in 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 2021/2022 fees and charges were originally detailed in the Financial Plan 2020/2025 and submitted to Cabinet on 02 February 2021 and approved by Council on 25 February 2021.

5.2 No additional changes to fees and charges are being reported in August 2021.

6. Treasury Management 2021/2022

6.1 The "Treasury Management Strategy Statement and Annual Investment Strategy 2021/2022" was approved by Council on 25 February 2021. 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 2021/2022**	**Actual Borrowing 31st August 2021**
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	3.810%
Barclays	5,000,000	3.810%
Total Long Term	**10,000,000**	
Total Borrowing	**10,000,000**	

Investments

Institution	**Principal £**	**Rate %**
Aberdeen Standard - MMF	4,000,000	0.010%

BNP (Banque Nationale de Paris) – MMF	4,000,000	0.013%
Federated PR – MMF	4,000,000	0.010%
HSBC Sterling – MMF	4,000,000	0.009%
LGIM Sterling - MMF	1,500,000	0.000%*
Total Money Market Fund Investment	**17,500,000**	
Blackpool Borough Council	4,000,000	0.120%
Handlesbanken	4,000,000	0.000%*
Santander	4,000,000	0.450%
Total Other Investments	**12,000,000**	
Overall Investments	**29,500,000**	

*These investments have nil interest as they are based on holding surplus cash on a security basis to comply with the Treasury Management Strategy

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	Viability Rating	Support Rating	Long Term Rating
F1	**BB+**	**3**	**A**

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 2021/2022

7.1 The Capital Programme 2020/2021 was updated at Cabinet on 21 September 2021 and a summary position is shown in the table below. The report included the updated budget position of the programme for the 2021/2022 financial year including amendments and rephasing from the closedown on the previous financial year.

	Budget 2021/2022 (Reported to Cabinet 21 Sept 2021)	**Spend to August 2021**	**Percentage**
	£	**£**	**%**
Major Projects	41,287,560	3,513,180	8.51
Community and Partnerships	2,751,660	793,970	28.85
Resources (S151 Officer)	431,250	12,760	2.96
Property and Projects	94,000	40,700	43.30
Operational and Commercial Services	2,898,650	428,910	14.80
Alive West Norfolk	1,261,490	0	0.00
Total	**48,724,610**	**4,789,520**	**9.83**
Exempt Corporate Schemes	22,583,950	3,498,130	15.49
Total Capital Programme	**71,308,560**	**8,287,650**	**11.62**

7.2 No further amendments are reported to the end of August 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
Assistant Director Resources (s151 Officer)