

Borough Council of
King's Lynn &
West Norfolk



The Budget 2021/2022

Monitoring Report

February 2022

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Section 151 Officer

The Budget 2021/2022

Monitoring Report – February 2022

Summary

The budget for 2021/2022 was presented to Cabinet on 2nd February 2021 and approved by Council on 25th February 2021 in accordance with the process for approving the financial plan 2020-2025.

Whilst the Government has removed all Covid response legislation relating to social and business restrictions from 24 February 2022, the lasting effects on the local economy, the council, its residents and businesses have remained 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 is currently estimated to be transferred to the General Fund Reserve balance at 31st March 2022 is £1,001,220, an increase from January 2022 monitoring report of £57,490.

| | Original Budget 2021/22 £ | Forecast 31 January 2022 £ | Forecast 28 February 2022 £ | Variance £ |
|--|--------------------------------------|---------------------------------------|--|-----------------------|
| Borough Spend | 21,467,800 | 20,779,460 | 20,721,970 | (57,490) |
| Financing | (21,723,190) | (21,723,190) | (21,723,190) | 0 |
| Contributions to/(from) General Fund Balance | 255,390 | 943,730 | 1,001,220 | 57,490 |

The estimated favourable movement from January of (£57,490) is largely as a result of the following:-

- Higher than budgeted income from Planning Fees and Land Charges (£95k).
- Net decrease of income from car parking £281k.
- Receipt of Sales, Fees and charges income compensation for quarter 1 of 2021/2022 for loss of budgeted income as a result of the pandemic (£114k).
- Receipt of funding from partners towards Housing Adaptations service administration costs (£63k).
- Additional expected achievement of Turnover Savings Target of (£27.5k) details included in section 2.3 of this report.

The Capital Programme 2020/2025 was updated at Council on 23rd February 2022. 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 28 February 2022.
- 1.2 Budget monitoring has been undertaken and revisions made to forecast taking account of 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 (£57,490), which is now forecast to be a contribution to reserves of (£1,001,220) compared to that reported in the January Monitoring Report of (£943,730).
- 1.3 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. The longer lasting impacts may not yet be fully apparent and will continue to be closely monitored, scrutinised and reported accordingly.
- 1.4 Central Government continued the Sales, Fees and Charges Pandemic Compensation scheme for the first quarter of 2021/2022 only. Compensation of (£114,610) has been received from HM Treasury towards the estimated income loss of £224,345 for the first quarter of 2021/2022. In addition, other funding streams have been made available to support various Covid related workstreams (see paragraph 2.2.2).

2. Revenue Budget 2021/2022

2.1 Budget Summary

- 2.1.1 A summary of the budget position as at 28 February 2022 is shown below.

| | Budget Agreed by Council 25 February 2021 | January Budgetary Control Monitoring Report 2021/2022 | February Budgetary Control Monitoring Report 2021/2022 | Report Variance (January to February) |
|----------------------------------|--|--|---|--|
| | £ | £ | £ | £ |
| Central Services | 2,909,310 | 2,815,140 | 2,803,780 | (11,360) |
| Community and Partnerships | 329,710 | 304,360 | 199,910 | (104,450) |
| Programme and Project Delivery | 285,880 | 329,070 | 360,770 | 31,700 |
| Environment and Planning | 2,117,340 | 1,795,560 | 1,638,870 | (156,690) |
| Operations and Commercial | 1,293,770 | 443,520 | 728,290 | 284,770 |
| Property and Projects | (1,584,540) | (1,545,600) | (1,613,540) | (67,940) |
| Regeneration Housing & Place | 884,030 | 873,240 | 860,740 | (12,500) |
| Resources | 7,559,920 | 8,286,290 | 8,298,570 | 12,280 |
| Chief Executive | 304,860 | 310,530 | 310,530 | 0 |
| Leisure and Community Facilities | 2,573,860 | 2,487,280 | 2,453,980 | (33,300) |
| Financing Adjustment | 1,903,940 | 1,790,350 | 1,790,350 | 0 |
| Internal Drainage Boards | 2,868,510 | 2,868,510 | 2,868,510 | 0 |

| | Budget Agreed by Council 25 February 2021 | January Budgetary Control Monitoring Report 2021/2022 | February Budgetary Control Monitoring Report 2021/2022 | Report Variance (January to February) |
|--|--|--|---|--|
| Council Tax Support to Parishes | 21,210 | 21,210 | 21,210 | 0 |
| Borough Spend | 21,467,800 | 20,779,460 | 20,721,970 | (57,490) |
| Contributions to/(from) General Fund Balance | 255,390 | 943,730 | 1,001,220 | 57,490 |
| Borough Requirement | 21,723,190 | 21,723,190 | 21,723,190 | 0 |
| Revenue Support Grant | (627,670) | (627,670) | (627,670) | 0 |
| Rural Service Delivery Grant | (485,690) | (485,690) | (485,690) | 0 |
| New Homes Bonus | (837,670) | (837,670) | (837,670) | 0 |
| Other Government Grants | (1,309,230) | (1,309,230) | (1,309,230) | 0 |
| <u>Taxation</u> | | | | |
| Business Rates Retention Baseline Funding | (5,491,230) | (5,491,230) | (5,491,230) | 0 |
| Business Rates Retention Additional Funding | (2,350,120) | (2,350,120) | (2,350,120) | |
| Business Rates Funding from Growth | (1,101,870) | (1,101,870) | (1,101,870) | 0 |
| Business Rates Renewable Energy | (2,500,000) | (2,500,000) | (2,500,000) | 0 |
| Council Tax | (7,019,710) | (7,019,710) | (7,019,710) | 0 |
| Funding Position | 0 | 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 £671,000 to the council since 1 April 2021. These costs are summarised below:

| Additional Expenditure | Total Expenditure for Year to Date |
|---|---|
| | £ |
| Homelessness Accommodation – supported by Grant | 394,000 |
| Additional Provision of Refuse and Recycling Services | 17,000 |
| ICT Support (Remote Working/Virtual Meetings) | 66,000 |

| Additional Expenditure | Total Expenditure for Year to Date |
|---|---|
| | £ |
| Covid Compliance and Enforcement – funded by Contained Outbreak Management Fund (COMF) contributions. | 73,000 |
| Lockdown Compliance and Reopening Support | 2,000 |
| Public Health – Testing, contact tracing and outbreak | 104,000 |
| Elections – equipment to meet covid safe measures | 15,000 |
| Total Expenditure | 671,000 |

2.2.2 The council received support in respect of a number of Covid related funds from Government in 2020/2021. An unspent balance of (£617,303) from the Contain Outbreak Management Fund (COMF) has been placed in reserves and is assigned for use in 2021/2022. The Council has also received a further allocation of COMF in 2021/2022, of (£238,077).

2.2.3 The following summarises the latest update on loss of income due to COVID which is currently estimated at £730,000 since 1 April 2021. This includes the £224,345 for the first quarter of 2021/2022, for which the Council has received compensation of (£114,610) from HM Treasury.

| Estimated loss of income | Total Loss of Income for Year to Date |
|--|--|
| | £ |
| Events and Bookings | 48,000 |
| Management Fee/Service Level Agreement (AWN) | 151,000 |
| Printing Services | 6,000 |
| Rental Income from Commercial Properties | 46,000 |
| Food Waste income | 79,000 |
| Car Parking Fees | 400,000 |
| Total Income | 730,000 |

2.3 Turnover Savings

2.3.1 A budget for estimated savings due to staff turnover of (£552,210) was set for 2021/2022. At 28 February 2022 turnover savings of (£601,300) are forecast to be achieved, thereby exceeding the original budget by (£49,090). This is a favourable movement of (£27,500) from the January Monitoring Report. The budget for 2021/2022 is based on 3% of estimated salary costs attributed to each service area.

Turnover savings by services at 28 February 2022 were as follows:

| Service Area | January Budgetary Control Monitoring Report 2021/2022 £ | Movement to 28 February 2022 £ | Total £ |
|--------------------------------|--|-----------------------------------|------------------|
| Central Services | (99,330) | 0 | (99,330) |
| Community & Partnerships | 31,900 | 0 | 31,900 |
| Programme and Project Delivery | 42,020 | (10,800) | 31,220 |
| Environment and Planning | 87,720 | (15,900) | 71,820 |
| Operations & Commercial | (445,560) | (400) | (445,960) |
| Property & Projects | (82,530) | (800) | (83,330) |
| Regeneration Housing & Place | (50,640) | (12,500) | (63,140) |
| Chief Executive | 5,670 | 0 | 5,670 |
| Leisure & Community Facilities | (26,200) | 0 | (26,200) |
| Resources | (36,850) | 12,900 | (23,950) |
| Total | (573,800) | (27,500) | (601,300) |

2.3.2 It should be noted that the increase in turnover savings can be attributable to holding a number of vacancies across the council during the period of uncertainty experienced during the pandemic. Longer-term vacancies have now been or are actively being recruited. The level of vacancies and related costs will be kept under review and specifically considered as part of the financial cycle to complete the 2021/2022 outturn and subsequently inform the development of the Financial Plan for 2021-2027.

2.4 Budget Monitoring variances

2.4.1 The following table details the movement in variances between January 2022 and February 2022 for each Assistant Director area.

| | £ | £ |
|---|----------|-----------------|
| Central Services | | |
| Allocation of compensation received from HM Treasury for losses to income in quarter 1 2021/2022 as a result of the pandemic – (£11,360) | (11,360) | |
| Total Central Services | | (11,360) |
| Community & Partnerships | | |
| Income received from partners for funding of employee resources in the Housing Adaptations service (£63,470). | | |
| Jointly funded costs for Housing Adaptations and budget for travel cost budget no longer required (£27,280) as a result of Partnership with Fenland ending. | | |

| | £ | £ |
|--|-----------|------------------|
| Additional grant funding received for services to support dementia sufferers (£8,500) costs already incurred. | | |
| Successful reclaim of grant paid towards adaption in 2018/19 (£5,200) | | |
| Urgent funding made available to families arriving from the Ukraine £7,500, to be funded from West Norfolk Wins Earmarked Reserve (£7,500). | (104,450) | |
| Total Community & Partnerships | | (104,450) |
| | | |
| Environment & Planning | | |
| Allocation of compensation received from HM Treasury for losses to income in quarter 1 2021/2022 as a result of the pandemic – (£1,390) | | |
| Favourable movement between January and February for savings from staff turnover achieved – (£15,900). | | |
| Demand driven costs on Pollution Monitoring and Land Charges are less than estimated and therefore budgeted support funding from earmarked reserves is not required £17,160. | | |
| Reversal of funding reported twice in January Monitoring towards additional spend on Professional Fees in January (£61,560). | | |
| Increase in both Planning and Pre-Application fees as planning income continues to rise as the market recovers – (£95,000). | (156,690) | |
| Total Environment & Planning | | (156,690) |
| | | |
| Leisure and Commercial Facilities | | |
| Allocation of compensation received from HM Treasury for losses to income in quarter 1 2021/2022 as a result of the pandemic | (33,300) | |
| Total Leisure and Commercial Facilities | | (33,300) |
| | | |
| Operations & Commercial | | |
| Allocation of compensation received from HM Treasury for losses to income in quarter 1 2021/2022 as a result of the pandemic – (£51,030). | | |

| | £ | £ |
|---|----------|----------------|
| <p>Lower than budgeted income from King's Lynn Town Car Parking partially offset by increases at resort car parks. This is due to ongoing changes in customer demand as a result of the pandemic. Net reduction of income - £280,930.</p> <p>Cost of Industrial Unit for use as depot £60,000 this amount is an internal recharge from Property and Projects.</p> <p>Resort sewerage treatment charge has been unnecessarily budgeted for as there has been no spend in this year or the previous year. A saving for current and future years – (£4,730).</p> <p>Favourable movement between October and January for savings from staff turnover achieved – (£400).</p> | 284,770 | |
| Total Operations & Commercial | | 284,770 |
| Programme and Project Delivery | | |
| <p>Internal recharge for interest on internal borrowing on Capital spend removed following review against capital finance and accounting regulations – £42,500 also affects future years.</p> <p>Favourable movement between October and January for savings from staff turnover achieved. (£10,800)</p> | 31,700 | |
| Total Programme and Project Delivery | | 31,700 |
| Property & Projects | | |
| <p>Income from letting industrial unit to Operations and Commercial for use as a depot – (£60,000).</p> <p>Unplanned maintenance costs to industrial units £30,000.</p> <p>Estimated reduction in rental income reflects changes in occupancy – (£9,640) and cost of business rates on vacant properties £6,400. Budget for transfer of deposits on commercial lets only due in the first year 2019/2020 (£33,900). Future deposits will managed via a holding reserve and not treated as a revenue income and spend item. This also removes the spend budget from future years</p> | (67,940) | |

| | £ | £ |
|---|----------|-----------------|
| Favourable movement between October and January for savings from staff turnover achieved – (£800). | | |
| Total Property & Projects | | (67,940) |
| | | |
| Regeneration, Housing & Place | | |
| Favourable movement between October and January for savings from staff turnover achieved. | (12,500) | |
| Total Regeneration, Housing & Place | | (12,500) |
| | | |
| Resources | | |
| Allocation of compensation received from HM Treasury for losses to income in quarter 1 2021/2022 as a result of the pandemic – (£17,530). | | |
| Increased software license costs relating to remote working in support of pandemic restrictions - £16,910. | | |
| Movement between October and January reducing the forecast achievement of target savings from staff turnover - £12,900. | 12,280 | |
| Total Resources | | 12,280 |
| | | |
| Grand Total | | (57,490) |

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 £1,001,220 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 1st April 2021 | 8,998,382 |
| Estimated contribution to/(from) Balances (Monitoring - February) | 1,001,220 |
| | |
| Projected General Fund Balance 31st March 2022 | 9,999,602 |

- 3.2 The projected balance for 2021/2022 remains above the minimum level of £1,086,160 required of the Council. However, it should be noted that the audit for the financial statements of 2019/2020 and 2020/2021 are still not concluded and a possible outcome could result in a financial adjustment to the accounts which require further drawdown from the general fund balance

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 and 2021/22 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 has been undertaken in the process for preparing 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 2nd February 2021 and approved by Council on 25th February 2021.

5.2 No additional changes to fees and charges are being reported in January 2022. However, a full review has been undertaken in preparation of the 2021/2026 Financial Plan as reported to Council on 23rd February 2022 for implementation from 1st April 2022.

6. Treasury Management 2021/2022

6.1 The “Treasury Management Strategy Statement and Annual Investment Strategy 2021/2022” was approved by Council on 25th 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 January 2022 |
|--|-------------------------------------|--|
| 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 | 0.276% |
| BNP (Banque Nationale de Paris) – MMF | 4,000,000 | 0.286% |
| Federated PR – MMF | 2,585,000 | 0.260% |
| HSBC Sterling – MMF | 4,000,000 | 0.259% |
| LGIM - MMF | 4,000,000 | 0.277% |
| Total Money Market Fund Investment | 18,585,000 | |
| Blackpool Borough Council | 4,000,000 | 0.040% |
| Goldman Sachs | 4,000,000 | 0.160% |
| Handlesbanken | 4,000,000 | 0.050% |
| National Bank of Kuwait (UK) | 4,000,000 | 0.240% |
| Santander | 4,000,000 | 0.450% |
| SMBC Bank International plc | 4,000,000 | 0.630% |
| Standard Chartered Bank | 4,000,000 | 0.580% |
| Total Other Investments | 28,000,000 | |
| Overall Investments | 46,585,000 | |

- 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 | 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.

8. Capital Programme 2021/2022

8.1 The Capital Programme 2021/2022 was updated at Council on 23rd February 2022 and an updated summary position is shown in the table below.

| | Estimates Setting Budgets £ | Amended Budget January Monitoring £ | Spend to 28 February 2022 £ | February Spend Percentage % |
|-------------------------------------|---------------------------------------|---|---------------------------------------|---------------------------------------|
| Major Projects | 27,784,100 | 10,504,700 | 8,277,908 | 78.80 |
| Community and Partnerships | 2,694,810 | 2,694,810 | 2,050,413 | 76.09 |
| Resources (S151 Officer) | 281,250 | 131,250 | 49,210 | 37.49 |
| Property and Projects | 66,000 | 66,000 | 3,315 | 5.02 |
| Operational and Commercial Services | 1,358,000 | 555,630 | 548,616 | 98.74 |
| Leisure and Community Facilities | 93,900 | 90,900 | 30,676 | 33.75 |
| Total | 32,278,060 | 14,043,290 | 10,960,139 | 78.05 |
| Exempt Corporate Schemes | 11,604,660 | 8,269,870 | 4,721,188 | 57.09 |
| Total Capital Programme | 43,882,720 | 22,313,160 | 15,681,327 | 70.28 |

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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