



The Budget 2022/2023

Monitoring Report

July 2022 – Period 4

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Summary

The budget for 2022/2023 was presented to Cabinet on 9th February 2022 and approved by Council on 23rd February 2022 in accordance with the process for approving the financial plan 2021/2026.

There is continuing uncertainty as to the expected level growing inflation and the impact on the cost of living for individuals and businesses. 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 remain uncertain. This budgetary control monitoring report has been prepared and provides a summarised update of any variances against the original budget for 2022/2023.

The council are currently estimating a transfer to the General Fund Reserves of £437,910 a decrease of £89,080 against a budgeted transfer of £526,990. Decreasing the balance as of 31st March 2023 to £9,421,670

	Original Budget 2021/22 £	Forecast 31 July 2022 £	Variance £
Borough Spend	21,028,070	21,117,150	89,080
Financing	(21,555,060)	(21,555,060)	0
Contributions to/(from) General Fund Balance	526,990	437,910	(89,080)

The Capital Programme 2021/2026 was updated at Council on 23rd February 2022. The current spend is £5,074,589 against a revised budget of £65,767,570, itself a reduction of £2,957,500 from the original budget. Major Projects comprises of 76% of the revised budget for the Capital Programme. The Council's Member Major Projects Board holds meetings throughout the year to monitor and receive updates for these projects. Officers of the Council are reviewing the impact on the timing and funding of programme reflecting specifically recovery from the pandemic and inflation. See section 3 of report for details of the Capital Programme.

If further information relating to any budget highlighted within this report is required, please do not hesitate to contact Carl Holland on Ext. 6549

1. Introduction

The report provides an assessment of the council's financial performance against its approved 2022/23 budget, incorporating key financial risks, issues, and opportunities since 1 April 2022 for revenue and capital. The year-end forecasts are based on actual expenditure from 1 April 2022 to 31 July 2022.

The key sections of the report are laid out as follows:

- General Fund (Revenue) – Section 2 and Appendix A
- Capital – Section 3 and Appendix B
- Reserves – Section 4
- Age Debtors Analysis – Section 5
- Council Tax and Business Rates Collection– Section 6
- Treasury – Section 7

2. Revenue Budget 2022/2023

2.1 Budget Summary

2.1.1 A summary of the budget position as of 31 July 2022 is shown below. Note this has been restated following a restructure of service areas between that reported to Council on 23 February 2022 and 1 April 2022. A summary is shown in Appendix A of the movements.

	P4 Forecast Outturn Position			Movement since Pd3
	Budget Agreed by Council 23 February 2022	Budgetary Control Monitoring Report July 2022/2023	Report Variance (Budget to July 2022)	Movement Pd3 to Pd4
Service	£	£	£	£
Central Services	3,186,180	3,193,430	7,250	0
Health Wellbeing and Public Protection	401,030	422,520	21,490	0
Programme and Project Delivery	234,530	234,530	0	0
Legal	486,440	486,440	0	0
Environment and Planning	1,630,900	1,633,200	2,300	0
Operations and Commercial	1,174,410	1,207,900	33,490	50,000
Property and Projects	(1,441,660)	(1,406,189)	35,471	19,760
Regeneration Housing & Place	867,590	869,800	2,210	0
Resources	7,982,060	7,936,443	(45,617)	37,130
Chief Executive	101,300	101,300	0	0
Leisure and Community Facilities	1,075,400	1,107,886	32,486	0
Financing Adjustment	2,320,670	2,320,670	0	0
Internal Drainage Boards	3,009,220	3,009,220	0	0
Borough Spend	21,028,070	21,117,150	89,080	106,890
Contributions to/(from) General Fund Balance	526,990	437,910	(89,080)	(106,890)
Borough Requirement	21,555,060	21,555,060	0	0
Revenue Support Grant	(647,530)	(647,530)	0	0

Rural Service Delivery Grant	(485,690)	(485,690)	0	0
New Homes Bonus	(589,610)	(589,610)	0	0
Other Government Grants	(629,760)	(629,760)	0	0
Business Rates Retention Additional Funding	(7,888,830)	(7,888,830)	0	0
Business Rates Renewable Energy	(2,811,280)	(2,811,280)	0	0
Contribution from Business Rate Reserves	(552,090)	(552,090)	0	0
Business Rates Pool – Council Share	(592,870)	(592,870)	0	0
Collection Fund	(25,000)	(25,000)	0	0
Council Tax	(7,332,400)	(7,332,400)	0	0
Total Funding	(21,555,060)	(21,555,060)	0	0
Funding Position	0	0	0	0

2.1.2 Appendix A also identifies through continued monthly monitoring, where budgets that were estimated, can be updated to reflect actual and emerging requirements. It is the aim of the monitoring activity to ensure that a revised budget is maintained to better forecast the impact of the Councils budgeted outturn throughout the year.

2.3 Turnover Savings

The budgeted turnover savings for 2022/23 are (£550,000). At this point in the financial year, it is difficult to give an update until the impact of any pay award is known. See comment below at 2.4.1.

2.4 Opportunities/Risks

2.4.1 It was anticipated that proposals for this year's cost-of-living pay award would be reported to cabinet in September followed by Council for consideration. However, the proposals for this year are being considered alongside national offers in the public sector which are currently indicated to be higher than the budgeted increase of 2.5%. A report will be presented to Cabinet at the earliest opportunity and once agreed, payments will be backdated to April 2022.

2.4.2 The full impact of the escalating inflation on services in relation to utilities has not fully been identified and this continues to be worked on with service managers to identify the impact on the budget. There are around 60 sites that have electricity accounts, less for gas and water but these all need to be reviewed. Recent years will have reduced energy usage during social restrictions and for some sites billing has been based on estimated meter readings, which all impact on the forecasting. A 1% increase on utilities would cost around £9,000. In setting the Electricity and Gas budgets for 2022/23 the Council increased budgets by 10% and 12% respectively. The Councils purchase of gas is mitigated further through a future purchase model that means that future commitments are made at lower rates prevalent at the time.

2.4.3 Vehicle fuel costs in July 2022 are 49.7% higher than at the same time in the previous year. It is not known at this stage if prices will remain at these high levels and therefore an estimated increase of 36% over 2021/22 actuals has been assumed at this point in time and will be kept under review. This is an estimated increase of £50,000 above 2022/2023 budgeted spend.

2.4.4 In relation to fees and charges some of the services appear to be back to pre-pandemic levels for budgeted income. This is being monitored along with a review in preparation of the future Financial Plan with consideration to the impact of inflation on running costs.

3. Capital

3.1 The Capital Programme 2022/23 original budget of £64,853,540 was approved at Council on 23rd February 2022. This figure has been revised as reported to Cabinet at its meeting on 2 August 2022, to incorporate amounts rephased from the 2021/2022 Capital outturn.

3.2 Summary spend to date can be seen in the table below.

	Capital Programme £	Amended Budget June Monitoring £	Amended Budget July Monitoring £	Spend to 31 July 2022 £	July Spend Percentage %
Major Projects	49,981,110	49,981,110	49,981,110	3,197,316	6.40
Community and Partnerships	2,480,680	2,510,680	2,510,680	544,284	21.68
Resources (S151 Officer)	383,460	383,460	383,460	80,326	20.95
Property and Projects	309,330	309,330	309,330	25,256	8.16
Operational and Commercial Services	2,705,510	2,705,510	2,705,510	83,247	3.08
Leisure and Community Facilities	1,306,080	1,306,080	1,306,080	7,751	0.59
Central Services	250,000	250,000	250,000	0	-
Total	57,416,170	57,446,170	57,446,170	3,938,180	6.86
Exempt Corporate Schemes	11,217,900	11,217,900	8,230,400	1,136,409	13.81
Total Capital Programme	68,634,070	68,664,070	65,676,570	5,074,589	7.73

3.2.2 An amendment to Exempt Corporate Schemes of £2,987,500 is reported following the removal of the Hunstanton Hotel Construction project, this has reduced future years by £2,837,500 in 2023/2024 and £1,941,660 in 2024/2025.

The feasibility of the borough council funding the construction of a hotel premise in Hunstanton and leasing it by way of a commercial lease has concluded that this project is not financially viable. Tentative discussions are on-going with regard to a commercial ground lease arrangement which would require zero capital expenditure by the council. This proposal will be presented to a future meeting of the Cabinet.

3.3 Further detail of the July 2022 position is in Appendix B. An extensive review of Capital Programme budgets will be presented in the August Monitoring Report.

4. Reserves

4.1 The main reasons the Council holds reserves are to:

- Manage known financial risks
- Hold funding as one-off contributions to expenditure, allowing ongoing revenue budget reductions
- Manage timing difference between the receipt of funding and actual spend
- Hold ring-fenced funds such as specific grants

Further explanation of the Earmarked Reserve purposes is provided in Appendix C.

4.2 As reported to Council in February 2022, the budget set out an estimated contribution to the General Fund Reserve of £532,170. The estimated contribution has now decreased to £493,700 because 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	2022/23 £
Balance brought forward 1st April 2022	8,983,760
Estimated contribution to/(from) Balances	437,910
Projected General Fund Balance 31st March 2023	9,421,670

4.3 The projected balance for 2022/2023 remains above the minimum level of £1,128,410 required of the Council. However, it should be noted that the audit for the financial statements of 2019/2020 and 2020/2021 are not concluded and a possible outcome could result in a financial adjustment to the accounts which require further drawdown from the general fund balance

4.4 The General Fund Balance is held at a higher level than it might normally be, enabling provision for a planned and measured response to the reduction in grant funding that is estimated to occur in the medium term. Significant draws from the general funding balance remain necessary in future years of the medium-term financial plan to set a balanced budget.

4.5 The table below shows the reserves balances based on actual spending and budgeted spend in the year. The opening balance is as per the Revenue Outturn report reported to Cabinet at its meeting 2 August 2022. Following further accounting movements in compilation of the Council's draft Statement of Accounts for 2021/2022 published on 1 August 2022, it has been possible to revise the maximum limits for some reserves held. These revisions are reported in Appendix C. Earmarked reserves may change during the year following frequent review to reflect actual emerging needs, ensure they are adequate and necessary, and that any technical review is undertaken for classification.

Reserves	Opening balance 1 April 2022	Budgeted movements (To)/From	In year movements (To)/From	Forecast Outturn Balance 31 March 2023
Ring Fenced Reserves				
Amenity Areas	2,000			2,000
Capital Programme Resources	782,702	4,480		778,222
Collection Fund Adjustment Reserve	10,692,516	(552,090)		11,244,606
Grants Reserves	2,600,139	(5,850)	(44,419)	2,650,408
Holding Accounts	168,652			168,652
Grant and Capital (decision on classification pending)	166,064			166,064
Planning Reserves	436,079	(64,330)		500,409
Repairs and Renewal Reserves	608,782	(29,850)	31,494	607,138
Community Infrastructure Levy	3,622,807	2,395,620	(2,407)	1,229,594
Educational Skills Attainment	878,979	(227,500)		1,106,479
Sub Total	19,958,720	1,520,480	(15,332)	18,453,572
Risk Management				
Capital Programme	71,324			71,324
Legal Enforcement Reserve	109,616			109,616
Insurance	225,661	10,000		215,661
Planning Reserves	25,410			25,410
Food Hygiene Enforcement	50,000			50,000
Sub Total	482,011	10,000	0	472,011
Service Delivery				
Capital Programme Resources	4,716,049	346,360	122,085	4,247,604
Climate Change Strategy	1,246,482	(313,160)		1,559,642
Grants Reserves (decision on classification pending)	2,015,842	37,000		1,978,842
Holding Accounts	1,826,651	(24,860)		1,851,511
Ukrainian Community Support	7,000			7,000
Internal Audit Services	3,770			3,770
Planning Reserves	86,249	(126,980)		213,229
Project Reserves	3,864,687			3,864,687
Repairs and Renewal Reserves	1,303,008	23,050		1,279,958
Restructuring Reserve	484,018			484,018
Community Safety	310,513	10,000	12,960	287,553
Sub Total	15,864,269	(48,590)	135,045	15,777,814
Grand Total	36,305,000	1,481,890	119,713	34,703,397

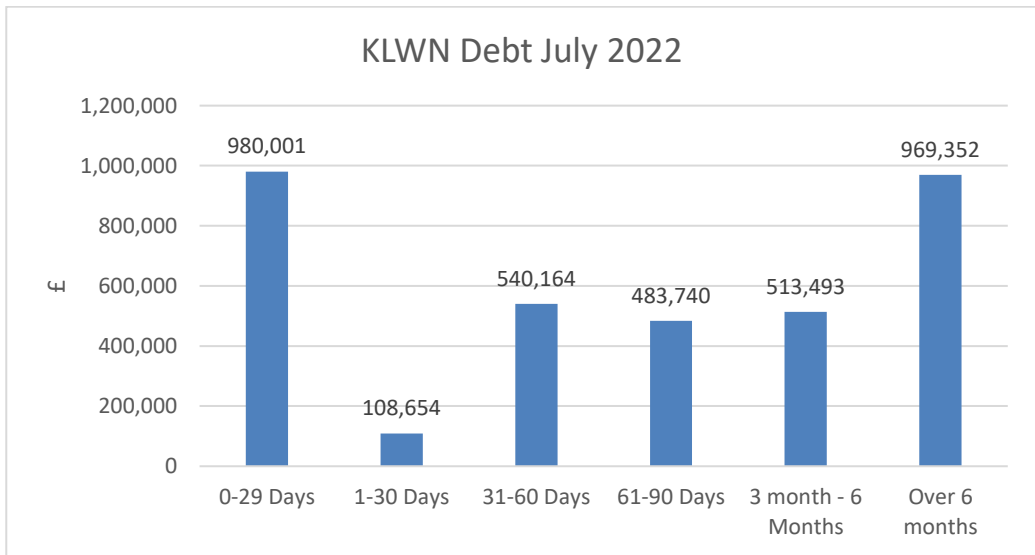
5. Age Debt Analysis

5.1 The effective management and collection of debt is an essential contributor to the councils' financial resources. In accordance with good accounting practice, the Council makes appropriate provision for bad debts. Debt recovery levels have been and continue to be affected by the Pandemic and inflation. Debt recovery activity will be kept under heightened review to ensure resources are focussed on reducing debt levels and further comparators for debt recovery action will be added to future Monitoring Reports.

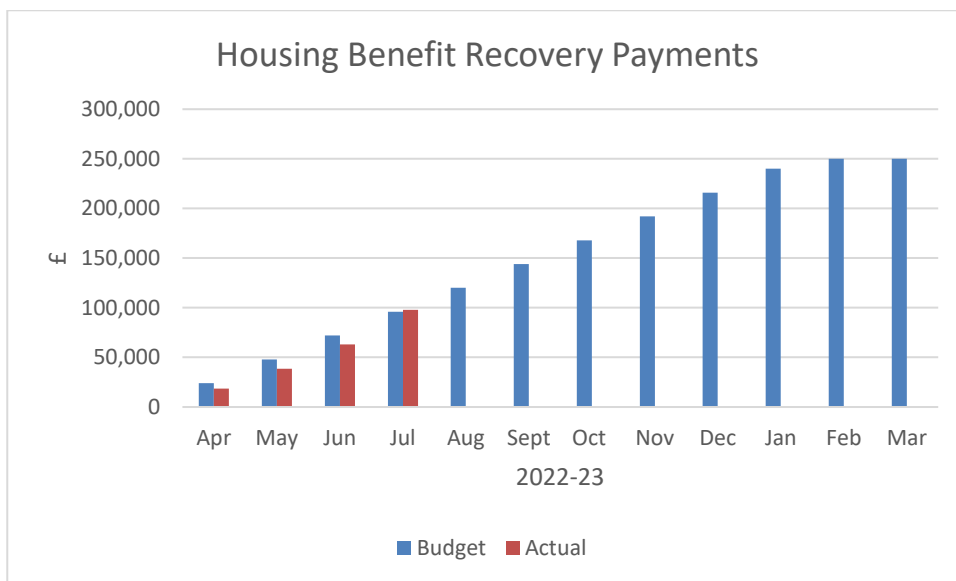
5.2 As of 31 July 2022, the council had £4,359,293 of debt which is broken down below showing the value of plans in place to repay. "Plan" debt is arrears where there is an agreed instalment payment plan for recovery and "non-plan" debt is where debt is payable under the normal collection process.



5.3 See graph below showing the age analysis of the non-plan debt of £3,595.404.

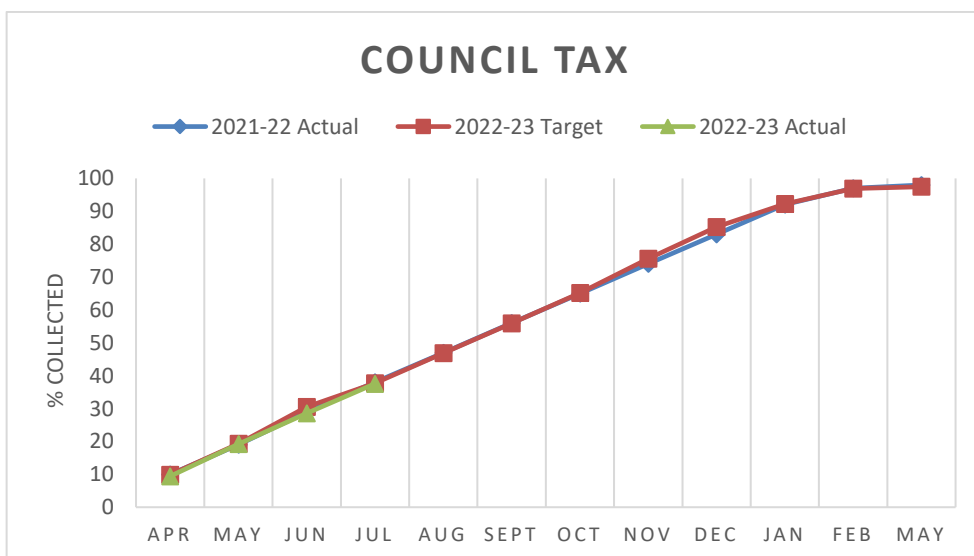


5.4 In relation to Housing benefits overpayment recovery the target as of 31 July 2022 is £96,000 and £97,833 has been raised in invoices. See table below showing monthly against budget for 2022/23.

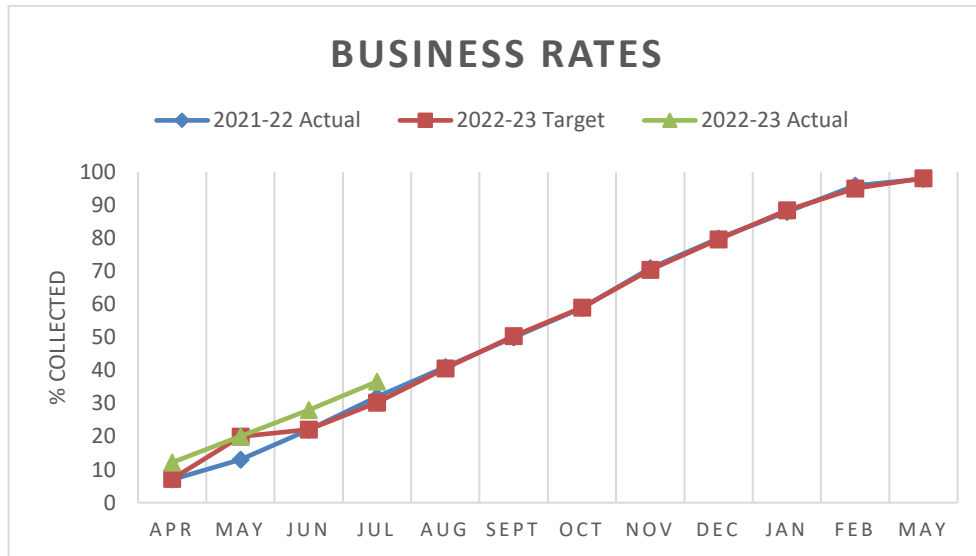


6. Council Tax and Business Rates

6.1 As of 31 July 2022 37.57% of council tax has been collected against the target of 37.74%. See Chart below with comparison to 2021/22 actuals.



6.2 36.65% of business rates has been collected against the target of 30.24%, as of 31 July 2022. See chart below with comparison to 2021/22 actuals.

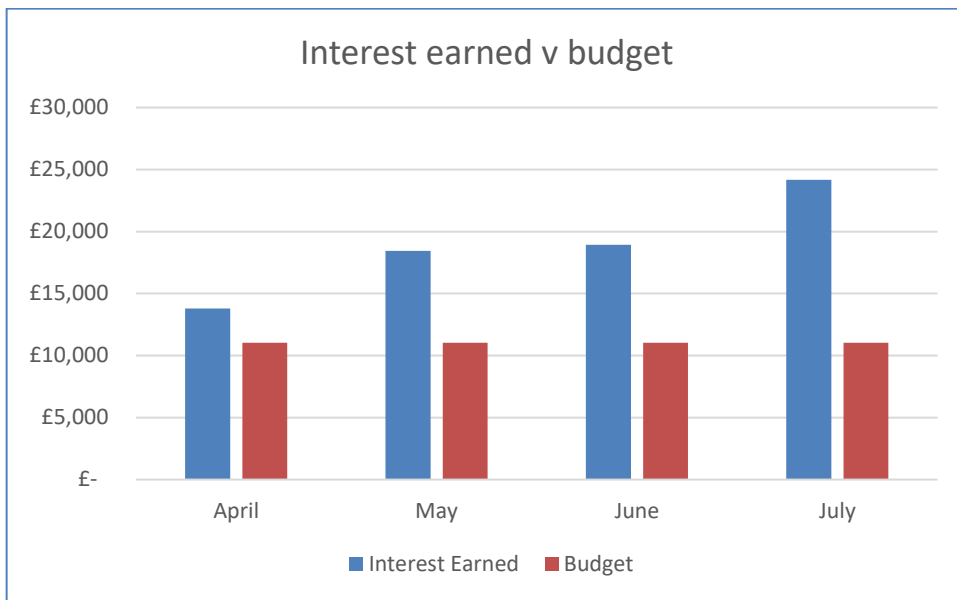


7. Treasury Management 2022/23

7.1 The “Treasury Management Strategy Statement and Annual Investment Strategy 2022/2023” was approved by Council on 9 February 2022. The Council’s Treasury Management Strategy will be updated as appropriate for any changes made to the code of practice by CIPFA.

7.2 The budgeted ROI (Return on Investment) is £278,790, excluding capital loans it is £132,480. As of 31 July 2022, the forecasted position £178,160, again this is excluding capital loans. This is monitored along with the Bank of England interest rates and the budget revised as part of the estimate process in the Autumn.

7.3 The graph below compares the average interest earned each month to the forecasted budget. The budget is shown on an even twelfth/straight-line basis.



7.4 The monitoring report includes prudential indicators, updates on movements in borrowing and investments during the period.

Prudential Indicators

Indicator	Original Limit 2022/2022	Actual Borrowing 30 June 2022
Operational Boundary (Limit of borrowing)	£77m	£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 Liquidity – MMF	1,790,000	1.186%
BNP (Banque Nationale de Paris) – MMF	4,000,000	1.259%
Federated Hermes – MMF	4,000,000	1.300%
HSBC Sterling – MMF	4,000,000	1.238%
LGIM - MMF	4,000,000	1.274%
Total Money Market Fund Investment	17,790,000	
Handlesbanken	4,000,000	0.750%
Santander	4,000,000	0.950%
SMBC Bank International plc	4,000,000	2.020%
Total Other Investments	12,000,000	
Overall Investments	29,790,000	

8. Conclusion

- 8.1** The primary objective of this report is to monitor service area performance against allocated budgets and to consider variances to the budget figure in the light of current circumstances.
- 8.2** Careful budgetary control throughout the year ensures that resources are applied as planned, fulfilling the goal to secure the long-term economic future of the borough. Budgetary control is applied in a consistent manner across all budgets, and individual decisions to be taken during the financial year are reviewed for impact on a case-by-case basis before they are taken, so that any identified impact can be considered and taken into account at the appropriate time.
- 8.3** The content of this budget monitoring report is designed to enable Councillors and Senior Officers to see the financial position of the Council as a whole, as required by the Local Government Act 2003