

Borough Council of
**King's Lynn &
West Norfolk**



The Budget 2022/2023

Monitoring Report

August 2022 – Period 5

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The Budget 2022/2023

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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 levels of inflation and its impact on the Council and 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. As the war in Ukraine continues it is putting further upward pressure on commodity and fuel prices, for residents, businesses, and the Council. The risk from inflationary factors is being monitored in terms of possible effects from increasing revenue costs to the Council's services, risk to recovery of monies collected by the Council and risk that could delay and increase the cost of capital projects. 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 is currently estimating a transfer to the General Fund Reserves of £416,020 a decrease of £110,970 against a budgeted transfer of £526,990 decreasing the estimated balance as of 31st March 2023 to £9,399,780.

	Original Budget 2021/22 £	Forecast 31 August 2022 £	Variance Pd5 £	Variance Pd4 £
Borough Spend	21,028,070	£21,139,040	110,970	89,080
Financing	(21,555,060)	(21,555,060)	0	0
Contributions to/(from) General Fund Balance	526,990	416,020	(110,970)	(89,080)

The Capital Programme 2021/2026 was updated at Council on 23rd February 2022. The current spend is £8,403,881 against a revised budget of £43,974,830, a rephasing to future years of £22,198,460 and increase of budgeted spend of £496,720 from the original budget. Major Projects comprises of 82% 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 August 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 and Appendix C
- Age Debtors Analysis – Section 5 and Appendix D
- 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 August 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.

P5 Forecast Outturn Position	Budget Agreed by Council 23 February 2022	Budgetary Control Monitoring Report August 2022/2023	Report Variance (Budget to August 2022)	Report Variance (Budget to July 2022)	Movement Pd4 to Pd5
Service	£	£	£	£	£
Central Services	3,186,180	3,193,430	7,250	7,250	0
Health Wellbeing and Public Protection	401,030	434,520	33,490	21,490	12,000
Programme and Project Delivery	234,530	234,530	0	0	0
Legal	486,440	462,630	(23,810)	0	(23,810)
Environment and Planning	1,630,900	1,645,010	14,110	2,300	11,810
Operations and Commercial	1,174,410	1,206,100	31,690	33,490	(1,800)
Property and Projects	(1,441,660)	(1,406,190)	35,470	35,470	0
Regeneration Housing & Place	867,590	868,600	1,010	2,210	(1,200)
Resources	7,982,060	7,961,330	(20,730)	(45,620)	24,890
Chief Executive	101,300	101,300	0	0	0
Leisure and Community Facilities	1,075,400	1,107,890	32,490	32,490	0
Financing Adjustment	2,320,670	2,320,670	0	0	0
Internal Drainage Boards	3,009,220	3,009,220	0	0	0
Borough Spend	21,028,070	21,139,040	110,970	89,080	21,890
Contributions to/(from) General Fund Balance	526,990	416,020	(110,970)	(89,080)	(21,890)
Borough Requirement	21,555,060	21,555,060	0	0	0

P5 Forecast Outturn Position	Budget Agreed by Council 23 February 2022	Budgetary Control Monitoring Report August 2022/2023	Report Variance (Budget to August 2022)	Report Variance (Budget to July 2022)	Movement Pd4 to Pd5
Revenue Support Grant	(647,530)	(647,530)	0	0	0
Rural Service Delivery Grant	(485,690)	(485,690)	0	0	0
New Homes Bonus	(589,610)	(589,610)	0	0	0
Other Government Grants	(629,760)	(629,760)	0	0	0
Business Rates Retention Additional Funding	(7,888,830)	(7,888,830)	0	0	0
Business Rates Renewable Energy	(2,811,280)	(2,811,280)	0	0	0
Contribution from Business Rate Reserves	(552,090)	(552,090)	0	0	0
Business Rates Pool – Council Share	(592,870)	(592,870)	0	0	0
Collection Fund	(25,000)	(25,000)	0	0	0
Council Tax	(7,332,400)	(7,332,400)	0	0	0
Total Funding	(21,555,060)	(21,555,060)	0	0	0
Funding Position	0	0	0	0	0

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 on 15th November and Council on 1 December, any award of payments will be backdated to April 2022.

2.4.2 The full impact of the escalating inflation on services in relation to utilities is not readily quantified, mainly as a result of reduced energy usage during social restrictions and for some sites where billing has been based on estimated meter readings. Monitoring continues at heightened levels 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. 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 Council's 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. In relation to the heat pump project, we will have to wait until the winter to gauge how it is performing, the expectation is that there will be an increase in running costs over the short-medium term, but with gas prices projected to increase, the heat pumps are expected to be cheaper to run than the conventional gas-fired plant. In September 2022 Central Government announced a "new six-month scheme for businesses and other non-domestic energy users (including charities and public sector organisations like schools)". The detail as to which public authorities this will apply to has not been published at the time of reporting.

2.4.3 Vehicle fuel costs in July 2022 were 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 forecasts based on actuals to date, support present the view that service income is back to pre-pandemic levels for budgeted income. There has been a change in demand where Town Centre Car Parking is below Pre-pandemic levels, but this reduction is offset by an increase in Resort Car Parking. This continues monitored along with a review in preparation of the 2022-2027 Financial Plan with consideration to the impact of inflation on service provision and asset maintenance 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 to £68,634,070, as reported to Cabinet at its meeting on 2 August 2022, to incorporate amounts rephased from the 2021/2022 Capital outturn. The Capital Budget has been significantly reviewed in the preparation of this report and the budget has been revised for 2022/2023 by £24,659,240 to £43,974,830. The reduction in budget has been re-profiled to future years. The below table reports the revised budget for 2022/2023, actual spend and the movements reprofiled to future years.

3.2 Capital Budget and Spend 2022/2023.

	Original Budget	Amended Budget July Monitoring	Amended Budget August Monitoring	Budget Revision	Budget Movement	Note	Spend to 31 August 2022	Spend to 31 August 2022
	£	£	£	£	£		£	%
Major Projects	49,981,110	49,981,110	28,395,170	612,520	(22,198,460)	1,2,4 & 5	4,943,728	17
Community and Partnerships	2,480,680	2,510,680	2,510,680	0	0		742,244	30
Resources (S151 Officer)	383,460	383,460	383,460	0	0		99,040	26
Programme and Project Delivery	0	0	200,000	200,000		3	0	0
Property and Projects	309,330	309,330	309,330	0	0		25,256	8
Operational and Commercial Services	2,705,510	2,705,510	2,739,710	34,200	0	4	188,191	7
Leisure and Community Facilities	1,306,080	1,306,080	956,080	(350,000)	0	5	45,814	-
Central Services	250,000	250,000	250,000	0	0		0	-
Total	57,416,170	57,446,170	35,744,430	496,720	(22,198,460)		6,044,274	17

	Original Budget	Amended Budget July Monitoring	Amended Budget August Monitoring	Budget Revision	Budget Movement	Note	Spend to 31 August 2022	Spend to 31 August 2022
Exempt Corporate Schemes	11,217,900	8,230,400	8,230,400	0	0		2,359,607	29
Total Capital Programme	68,634,070	65,676,570	43,974,830	496,720	(22,198,460)		8,403,881	19

3.2.2 Notes to Capital Budget Revisions and Movement table.

Note 1 budget rephase £22,198,460

- Southend Road site works have commenced and spend is being incurred from September 2022. The budget for 2022/2023 has been reprofiled to future years by £500,000.
- Hunstanton Bus Station Regeneration project has reached a review stage with partners and while this takes place, planned spend of £3,823,130 has been rephased to 2023/2024.
- The following Projects have been reviewed and budgets reprofiled to future years reflecting spend to date; Salters Road - £4,766,890; Lynnsport 1 - £5,887,900; Parkway Gaywood £6,000,000.
- £1,220,540 is reprofiled to future years for Towns Fund so that the budgets are in line with changes formally agreed by the Kings Lynn Town Deal Board on 9th September 2022.

Note 2 budget addition £296,720

- Air Source Heat Pump Project – Enterprise Works; - £296,720 has been added to Major Projects for associated works and installation of an air source heat pump at Enterprise Works. This is to be funded by a grant from the Public Sector Decarbonisation Scheme (PSDS) of £159,817 and the remaining £136,903 is funded via the Councils climate change reserve.

Note 3 budget addition £200,000

- £200,000 has been added to the capital programme for the refurbishment of public conveniences in Downham Market Town Centre, funded by a small project reserve.

Note 4 budget revision £34,200

- £34,200 has been transferred from a contingency budget in Major Housing Projects to Operation and Commercial Services to cover the additional spend required to complete Heacham Toilets - South Beach, due to inflationary rises and changes within the project.

Note 5 budget revision £350,000

- A movement of £350,000 has taken place between service areas, the budget for the new 3G pitch at Lynnsport has moved from Leisure and Community Facilities and into Major Projects, this is due to its value.

3.3 Further detail of the August 2022 position is in Appendix B.

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

4.2 As reported to Council in February 2022, the budget set out an estimated contribution to the General Fund Reserve of £526,990. The estimated contribution has now decreased to £416,020 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	416,020
Projected General Fund Balance 31st March 2023	9,399,780

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 in order 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 regular review to reflect actual emerging needs, to ensure they are adequate and necessary, and any reclassification for accounting regulation compliance.

Reserves	Opening balance 1 April 2022	Budgeted movements (To)/From (Revenue)	Capital Transfers	In year movements (To)/From Revenue	Forecast Outturn Balance 31 March 2023
Ring Fenced Reserves					
Amenity Areas	(2,350)				(2,350)
Capital Programme Resources	(782,702)	(4,480)			(787,182)
Collection Fund Adjustment Reserve	(10,692,516)			552,090	(10,140,426)
Grants Reserves	(2,600,139)	5,850		(44,419)	(2,638,708)
Holding Accounts	(116,765)				(116,765)
Grant and Capital (decision on classification pending)	(166,064)				(166,064)
Planning Reserves	(436,079)	64,330			(371,749)
Repairs and Renewal Reserves	(608,782)	29,850		31,494	(547,438)
Community Infrastructure Levy	(3,622,807)	(2,395,620)		(2,407)	(6,020,834)
Educational Skills Attainment	(878,979)	227,500			(651,479)
Sub Total	(19,907,183)	(2,072,570)	0	536,758	(21,442,995)
Risk Management					
Capital Programme	(71,324)				(71,324)
Legal Enforcement Reserve	(109,616)				(109,616)
Insurance	(225,661)	(10,000)			(235,661)
Planning Reserves	(25,410)				(25,410)
Food Hygiene Enforcement	(50,000)				(50,000)
Sub Total	(482,010)	(10,000)	0	0	(492,010)
Service Delivery					
Capital Programme Resources	(4,716,049)	(346,360)	1,838,490	122,085	(3,101,834)
Climate Change Strategy	(1,246,482)	313,160			(933,322)
Grants Reserves (decision on classification pending)	(2,015,842)	(37,000)			(2,052,842)
Holding Accounts	(1,878,538)	(20,000)		44,860	(1,853,678)
Ukrainian Community Support	(7,000)				(7,000)
Internal Audit Services	(3,770)				(3,770)
Planning Reserves	(86,249)	126,980			40,731
Project Reserves	(3,864,687)		114,000		(3,750,687)
Repairs and Renewal Reserves	(1,303,008)	(23,050)	477,410		(848,648)
Restructuring Reserve	(484,200)				(484,200)
Community Safety	(310,512)	(10,000)		12,960	(307,552)
Sub Total	(15,916,339)	3,730	2,429,900	179,905	(13,302,804)
Grand Total	(36,305,532)	(2,078,840)	2,429,900	716,663	(35,237,809)

5. Age Debt Analysis

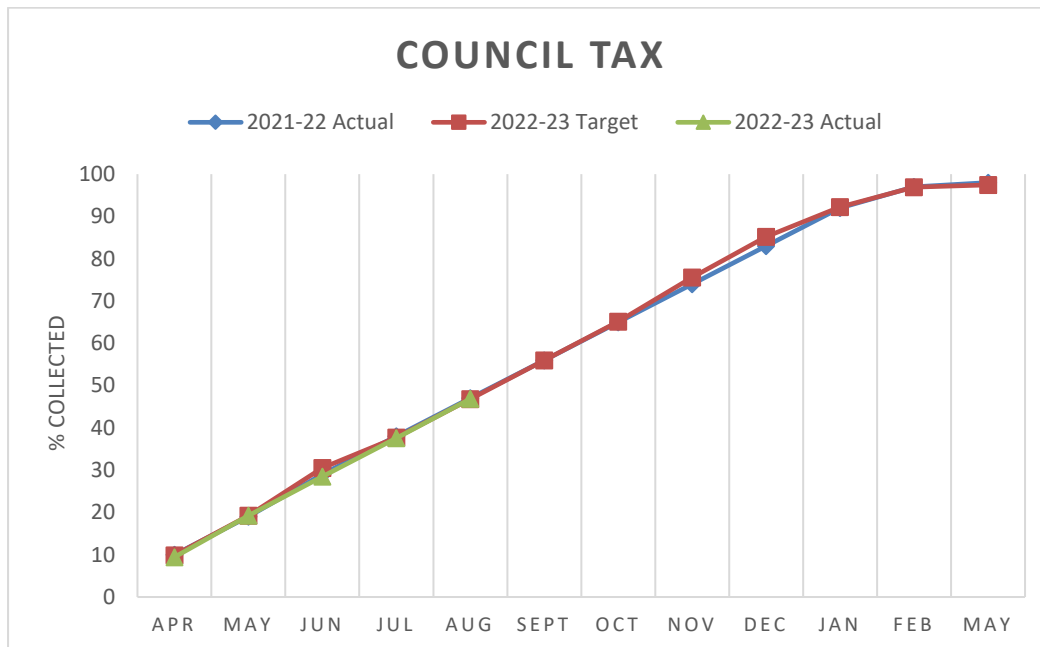
5.1 The effective management and collection of debt is an essential contributor to the councils' financial resources. In accordance with good accounting practice, the Council makes appropriate provision for bad debts. Debt recovery levels have been and continue to be affected by the Pandemic and inflation. 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 The following information can be found in Appendix D

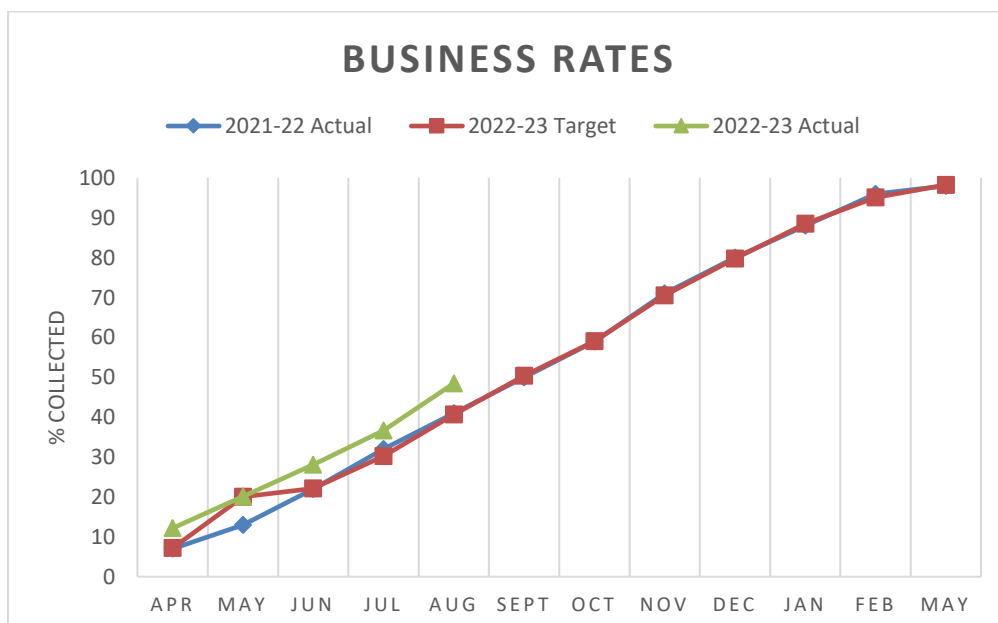
- Sundry Debtors
- Age debt analysis
- Housing Benefit Recovery Payments

6. Council Tax and Business Rates

6.1 As of 31 August 2022 46.85% of council tax has been collected against the target of 46.84%. See Chart below with comparison to 2021/22 actuals. The pressures from the increased cost of living on individuals and business are increasingly apparent in customer contract activity but had not impacted collection rates at the end of August 2022.

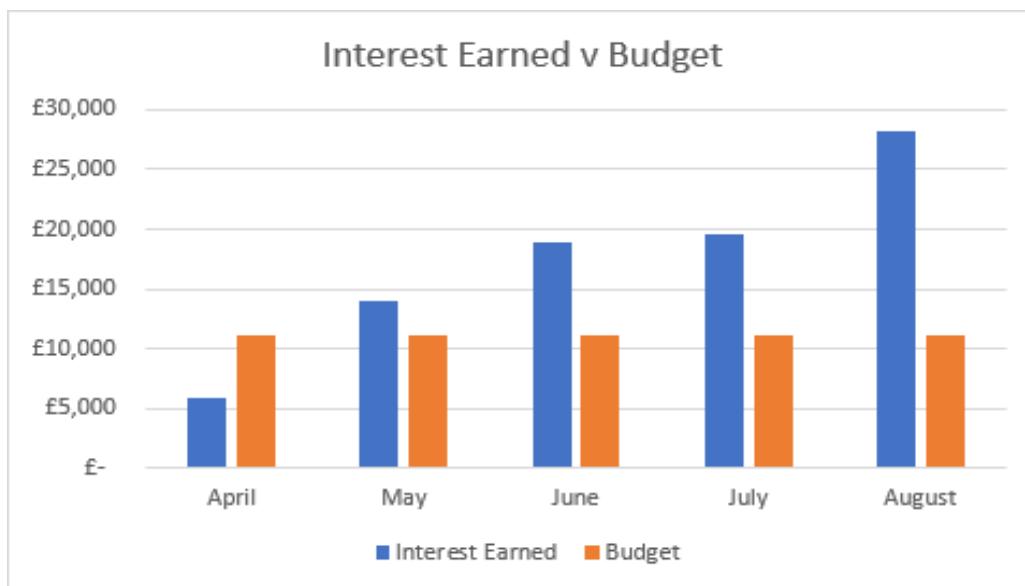


6.2 48.47% of business rates has been collected against the target of 40.65%, as of 31 August 2022. See chart below with comparison to 2021/22 actuals.



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 August 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 and will form part of the half yearly Treasury Management report.
- 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 31 August 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	2,180,000	1.603%
Federated Hermes – MMF	4,000,000	1.677%
HSBC Sterling – MMF	4,000,000	1.665%
LGIM - MMF	4,000,000	1.687%
Total Money Market Fund Investment	14,180,000	
Handlesbanken	4,000,000	1.000%
Lancashire County Council	4,000,000	2.100%
Landesbank Hessen-Thuringen Girozentrale (Helaba) Frankfurt	4,000,000	1.720%
Santander	4,000,000	1.000%
SMBC Bank International plc	4,000,000	2.020%
Total Other Investments	20,000,000	
Overall Investments	34,180,000	

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