



Report To: Cabinet

2 September 2020

Lead Cabinet Member(s): Councillor John Williams,
Lead Cabinet Member for Finance

Lead Officer: Peter Maddock, Head of Finance

2020/2021 General Fund Revenue and Capital Budget Monitoring

Executive Summary

1. To consider the latest monitoring data and trends in respect of the 2020/2021 General Fund revenue and capital budgets and emerging budget issues.
2. This is not a key decision as there are no resource implications directly arising from the report at this stage and the report provides monitoring information to ensure awareness of budget trends and emerging budget issues.
3. The Coronavirus pandemic has obviously had a significant impact on the Council and the figures presented need to be viewed in that context. Whilst there are a number of red warnings some of these might be significant in percentage terms but are not significant in monetary terms and others are delays in income and expenditure. But there will be some significant financial challenges as a result of the pandemic. A number of financial returns have been made to central government and these will continue for the rest of the financial year. The Government has also provided additional funding to the General Fund which should be sufficient to meet the financial impact on the fund.

Recommendations

4. That Cabinet is requested to consider the report and, if satisfied, to:
 - (a) Acknowledge the forecast 2020/2021 revenue outturn position against the approved revenue budget shown in Appendix C, the projected major variances with reasons for these variances and the action being taken to address the underlying issues;
 - (b) Acknowledge the latest Capital Programme 2020/2021 to 2024/2025 position [and variances, if any] as shown in Appendix D.

Reason for Recommendations

5. To advise the Cabinet of the latest monitoring information in respect of the 2020/2021 revenue and capital budgets and emerging budget issues, for the first quarter period to 30 June 2020.

Details

2020/2021 Revenue Budget Monitoring – Overview

6. Effective budget monitoring is a requirement of the Council's Financial Regulations and the Medium Term Financial Strategy (MTFS) and is critical to sound financial management. This process enables the Cabinet to monitor the approved budget, to identify emerging issues and, where appropriate, to put plans in place to address forecast budget issues.
7. A framework for budget monitoring has been established and this enables budgetary performance and agreed efficiency actions to be monitored through the use of performance flags (Red, Amber and Green – RAG Status) and Direction of Travel indicators. This provides a statement of financial health and an overview of how the Council is utilising its resources.
8. An integral part of the monitoring process is the regular meetings with Budget Holders and Portfolio Holders to proactively monitor compliance with the approved budget. This enables the identification of potential risks and emerging budget pressures so that appropriate action can be taken at an early stage.

Revenue Budget Monitoring – 2020/2021 Efficiency Assumptions

9. The ongoing process also includes the monitoring of compliance with the efficiency assumptions built into the 2020/2021 revenue budget. The evaluation of the efficiencies has been made on the basis of a RAG rating using the following criteria:

The proposal has been implemented and is on target to achieve the budgeted saving.	Green
The implementation of the proposal is in progress, the final saving to be achieved is estimated but not finalised.	Amber
Action is required to commence the project; savings to be delivered; proposal did not deliver the required savings.	Red

10. The budget for 2020/2021 included efficiency proposals totalling £1,739,700. The range of efficiency proposals are summarised at **Appendix A** most are on target to achieve the expected results, with the exception of the following:-
 - (a) Income from investments includes rental from commercial property and interest from Ermine Street Housing. Because of the pandemic there is a risk that this will not be met though this is uncertain at the moment which is why this is shown as amber.
 - (b) The delivery of efficiency savings in Housing is dependent on the completion of the Orchard system project and this has been delayed. The savings are now expected in 2021/22.
 - (c) The greening of South Cambs Hall project has been delayed due to the pandemic and the projected energy savings may now not occur until 2021/22.
 - (d) The energy savings on the Waterbeach Depot solar panels also look slightly optimistic now and £3,000 is a more likely figure.

Revenue Budget Monitoring

11. This report represents the revenue monitoring information for the period 1 April 2020 to 30 June 2020.

12. The budget variances are reported at **Appendix C** and have been assigned a RAG status (Red, Amber and Green) based on the following:

Under spends and overspends up to 2% of the budget	Green
Overspends between 2% and 10% of the budget	Amber
Overspends greater than 10%	Red

Revenue Budget Monitoring –Variances

13. This initial monitoring and assessment of the 2020/2021 revenue budget has identified a number of issues that require action to avoid budgetary pressures and issues that need to be kept under review. The key issues that require further reference are discussed in the following paragraphs:

(a) Salary Budgets

The table below identifies the variance on salary budgets by service area as at 30 June 2020:

	2020/2021			
	Budget to date (30 June 2020)	Actuals to date (30 June 2020)	Variance	Variance %
HR &Corporate	404,451	433,056	28,605	7
Finance	546,330	568,592	22,262	4
Shared Waste & Env.	1,911,245	1,706,586	-204,659	-11
Housing	1,477,529	1,339,538	-137,990	-9
Planning	1,556,250	1,556,416	166	0
Transformation	614,628	450,541	-164,087	-27
Total	6,510,433	6,054,731	-455,701	-7

The analysis takes account of the cost of agency staff backfilling vacant permanent posts (with agency costs generally much higher than permanent appointment). The area of highest underspend is Shared Waste and Environmental, this was because trade and green waste staff were able to back up the domestic crews, sickness and holiday was also low meaning no agency staff were required during the period. There were small overspends in both Finance and Corporate Services related to additional resources needed to complete the 2017/18 accounts and in facilities to help with COVID-19 related issues. The latter can be funded from the monies provided by Central Government.

Revenue Contingency

14. There have been no calls made on the revenue contingency for the year to 30 June 2020 and, therefore, the balance remains at £0.5 million.

Virement Movements

15. There have been no virements in the period to 30 June 2020.

Covid-19

16. During March 2020 the government announced a lockdown in an attempt to control the spread of the Covid-19 coronavirus which of course was in force for much of the first quarter of the current financial year. The Council like many other organisations has been affected by this in one way or another and both income and expenditure have been affected. The General Fund, Housing Revenue Account (HRA) and the Collection Fund have all been impacted and I will deal with each one in turn.
17. The General Fund, by its nature, will have to bear the majority of the additional costs borne by the Council. Revenues and Benefits, Shared Waste, Environmental Health, Planning and Homelessness have all seen additional expenditure and are all general fund services. The Council has also needed to make expenditure that it would not normally incur to support the community and businesses through the crisis and again this has to fall on the General Fund. Having said that the Government has provided £1.821m of additional resources to meet this additional expenditure and potentially lost General Fund income although whether it covers income loss is still unclear.
18. The Government has also provided around £25m to support small businesses and the retail, leisure and hospitality sector with two grant schemes and £0.661m for additional Local Council Tax Support to those struggling to meet their council tax. The Council has been administering these schemes which has meant significant additional work for some areas of the Council particularly Revenues and Benefits, Accountancy, the Policy and Performance and Business Support teams. The Grants schemes have, with members assistance, been successful in reaching many local businesses with much needed financial support but the schemes have now closed. Council spending on the grants schemes will be in excess of £24m but because not all eligible businesses applied there is likely to be some Government claw back of unspent money.
19. The HRA has also been affected by the pandemic but mostly due to reduced spending as for a time only urgent cyclical and responsive repairs have been carried out. There has been an increase in housing rent arrears and these may turn into losses if they prove irrecoverable, however it is intended to use some of the aforementioned £0.661m to support tenants which will help mitigate this risk. There has been no significant additional costs to the HRA as a result of the pandemic though an element will get recharged here.
20. The Collection Fund is likely to see the biggest impact. Income from Business Rates and Council Tax is collected by the Council to distribute to central government and the major preceptors. Early in the year there was a significant shortfall in Business Rates income and whilst this has recovered somewhat it is likely that the full impact on the Business Rates Collection Fund will not be known for sometime yet. The fund itself will inevitably fall into deficit and this could be quite significant. Central Government have floated the possibility of recovering this deficit over three years and

if this happens it will probably be mandatory leading to a cashflow disadvantage to the Council. The Council Tax Collection Fund has also seen some income losses though not as significant, however as the furlough scheme unwinds it is quite possible that some of these losses will become unrecoverable though the largest proportion of this will fall on the County Council.

Revenue Budget – Summary Position

21. The table below summarises the budgetary position relevant to each Service Area, with detailed information by Service Area within the General Fund included at **Appendix C, with selected detail in Appendices C(1) and C(2):**

Directorate	Full Year Budget	Budget to date	Actual to date	Variance to date	Variance to date
	£'000	£'000	£'000	£'000	%
Chief Executives Office	760	200	211	11	6
Finance	2,531	512	(485)	(997)	-195
Human Resources and Corporate Services	1,346	233	209	(24)	-10
Shared Waste and Environmental Health	7,208	226	954	728	322
Housing General Fund	1,621	(763)	(150)	613	80
Planning	3,988	535	117	(418)	-78
Transformation	2,628	542	498	(44)	-8
Net Service Costs	20,190	1,485	1,354	(131)	-9
Overheads	9,282	2,471	2,079	(392)	-16

22. The Council has a current underspend position of £0.131 million (9%) on its net cost of service.

Capital Budget Monitoring

23. The Cabinet monitors the performance of the capital programme by reviewing on a regular basis the progress of all schemes. Regular reports on the Capital Programme to the Cabinet should identify the following changes:
- any schemes that are not being progressed as originally envisaged or those that are no longer required;
 - the revised phasing of a scheme(s) having regard to the latest information and any changes in forecast funding;
 - changes in funding requirements of committed schemes and the reasons relating thereto;
 - any budget amendments.

24. The Capital Programme is summarised in the table at **Appendix D**. It should be noted that the Capital Programme set out is that as approved by Council on 20 February 2020.

Implications

25. In the writing of this report, taking into account the financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:

Legal

26. The legal position and relevant issues can be summarised as follows:

(a) Revenue Budget

The Council is required, by law, to set a balanced revenue budget each year which for 2020/2021 was approved by Council on 20 February 2020. The purpose of this report, in accordance with best financial management practice, is to advise the Cabinet of significant variations from that budget.

(b) Capital Programme

Prudential Indicators that underpin the Council's capital investment demonstrate that the investment is prudent, sustainable and affordable. The Council is required, in compliance with the Code, to monitor and report performance against established Prudential Indicators. The ongoing review of the capital programme is required to effectively monitor these indicators.

Policy

27. The position in relation to established Council policies can be summarised as follows:

(a) Revenue Budget

The MTFS requires that, to ensure a continuously stable financial base for the provision of services, the Council will ensure that annual ongoing General Fund revenue expenditure can be covered by annual income sources in each financial year. The MTFS requires regular reports to be submitted to the Cabinet in respect of budget performance and the report, therefore, provides an update on the latest budget position and also identifies a number of emerging budget issues that will need to be monitored during 2020/2021.

(b) Capital Programme

The Council has two approved policies relating to its Capital Programme; The Capital Strategy and the MTFS. The former provides the overarching capital strategy and linkage to the Corporate Asset Plan. The MTFS provides guidelines for the financing of capital schemes, any variations which may arise, and Prudential Code requirements.

Finance

28. The financial implications are outlined in the details section of the report.

Risk

29. The risk implications can be summarised as follows:

(a) Revenue Budget

When the Council considers each revenue service and function budget it is important that endeavours are made to identify potential risks. Inevitably, during the course of the financial year, some of these risks will occur and impact on the budget by either requiring further expenditure or by reducing the Council's budgeted income.

The budget is monitored on a regular basis to identify risks and take action to mitigate the risks when they arise. The Council holds a contingency with regard to budgetary risk in year, together with a range of Reserves to deal with specific issues.

(b) Capital Programme

In relation to Capital resources, the following risks should be taken into account when considering this report:

- (i) Capital schemes can emerge at any time based on newly identified needs or changes in legislation which require funding to be identified;
- (ii) The forecast cost/timing of existing schemes may vary as implementation is undertaken;
- (iii) Forecast capital receipts may not be achieved which could result in some schemes not proceeding until other sources of capital finance become available or unless further recourse is made to borrowing;
- (iv) Key risks associated with the Capital Programme are that budgets are not adequate, leading to over spend with consequent financial implications or that the schemes will not meet the desired objectives.

Environmental

30. There are no environmental implications arising directly from the report.

Equality Analysis

31. In preparing this report, due consideration has been given to the District Council's statutory Equality Duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relations, as set out in Section 149(1) of the Equality Act 2010. A relevance test for equality has determined that the activity has no relevance to South Cambridgeshire District Council's statutory equality duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relation. An equality analysis is not needed.

Effect on Council Priority Areas

32. Timely and robust consideration of the Council's budget is vital to ensure that financial performance is in line with expectations, emerging issues are identified and tackled and that Business Plan priorities are met.

Background Papers

Where the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 require documents to be open to inspection by members of the public, they must be available for inspection:

- (a) at all reasonable hours at the offices of South Cambridgeshire District Council;
- (b) on the Council's website; and
- (c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

The following documents are relevant to this report:

- General Fund Medium Term Financial Strategy – Report to Cabinet: 4 December 2019
- Budget Report – Report to Cabinet: 5 February 2020
- Business Plan 2020 - 2025 – Report to Council: 20 February 2020
- Medium Term Financial Strategy and General Fund Budget – Report to Council: 20 February 2020

Appendices

- A Service Efficiency/Income Generation Assumptions 2020/2021: Update
- B Summary Monitoring Tables quarter one
- C Budget Monitoring by Service Area – Position as at 30 June 2020
- D Capital Programme – Update Position as at 30 June 2020

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Service Efficiencies/Income Generation Assumptions: 2020-2021 Revenue Budget Build

Theme 1: Develop a Workforce Operating Model		Saving	Revised	Performance
		2020/2021 £	2020/2021 £	RAG
1	Review of processes to identify potential changes to workforce deployment and a revised senior management structure, targeting a saving of £600,000 per annum by 31 March 2024. (* proposals approved by Council in May 2019)	£230,000 *	£230,000 *	
2	Creation of business resource capacity to release professional staff from corporate processes thus optimising professional staff time on key professional duties in Environmental Health.	£36,000	£36,000	
3	Rationalise processes and budgets to focus on efficient service delivery and effective resource deployment, including a review of:			
	(a) the corporate communications budget to further the benefits already achieved from the transition from in house to commissioned design work and to the digital tasks needed for the Council.	£3,500	£3,500	
	(b) the statutory electoral registration service and, in particular, the scope to optimise canvassing by electronic means.	£5,000	£5,000	
	(c) services relating to the health and well-being of residents to enable the rationalisation of processes and effective targeted support in a cost effective manner.	£75,000	£75,000	
	(d) the shared waste collection service to achieve further efficiencies in the delivery of the service.	£25,000	£25,000	

Theme 2: Alternative Ways of Working		Savings	Revised	Performance
		2020/2021 £	2020/2021 £	RAG
4	To establish a framework for electronic service delivery, encouraging "paperless" business processes & reduced printing.	£20,000	£20,000	
5	Revised Scheme of Members' Allowances taking into account the recommendations of the Independent Remuneration Panel (October 2019).	£60,000	£60,000	
6	Following the introduction of 'Council Anywhere', reduce unnecessary travel to meetings. Target 10% of total General Fund mileage costs per annum.	£6,000	£10,000	

Theme 3: Business and Growth		Savings	Revised	Performance
		2020/2021 £	2020/2021 £	RAG
7	Implementation of the Investment Strategy (subject to Council approval on 28 November 2019) by pursuing, subject to business case justification, commercial investment opportunities.	£940,000	£840,000	
8	To review Planning Performance Agreements and processes to reduce the current subsidy provided to those who undertake major developments.	£10,000	£10,000	
9	To consider prevailing fee scales and income generation opportunities for regulatory services, including:			

	(a)	A review of the current pre-planning advice charging policy.	£10,000	£10,000	
	(b)	A review of the charging policy that applies in respect of the licensing function, targeting additional income from safeguarding training and DBS checks for Taxi Drivers.	£60,000	£60,000	
	(c)	The development of a commercial model for the building control service to generate additional income from consultancy services.	£2,500	£2,500	
10		To undertake a review of the Ermine Street Housing recharge model for both housing and support staff.	£6,000	£6,000	

Theme 4: Managing Demand Better		Savings	Revised	Performance
		2020/2021 £	2020/2021 £	RAG
11	Expand and grow the commercial waste collection service.	£25,000	£25,000	
12	Encourage budget holders, through increased autonomy, to manage budgets within cash limits thus eliminating inflation uplift (except for contractual commitments, nationally agreed increases and utility/fuel costs essential for service delivery).	£50,000	£50,000	
13	Review annually the revenue budget outturn position and to identify areas of budgetary underspend where, in the context of managing demand and resource better, budgets can be reduced without significant and noticeable impact on service delivery.	£80,000	£80,000	
14	To review the potential for additional discounts on postage budgets held by service areas by using Royal Mail's CleanMail service and/or transferral of universal postal service provider for '2 nd class' mail to a competitor of Royal Mail.	£11,000	£11,000	
15	To review the way in which housing services are delivered, particularly developing self-service opportunities and partnership approaches to the delivery of some services, with realisation of cost and efficiency savings.	£55,000	£0	
16	To pursue, in line with the Business Plan Theme "Green to Our Core", the following specific investment opportunities:			
	(a) Energy efficiency and green energy measures at South Cambridgeshire Hall, including Ground Source Heat Pump, solar canopies in the car park, internal LED lighting upgrades, electric vehicle charging points and chiller modifications and enhancements.	£79,700	£0	
	(b) The installation of roof-mounted solar panels at the Waterbeach Depot (fully operational).	£5,000	£3,000	

Total Estimated Savings	£1,794,700	£1,562,000
Value Attributable to General Fund	£1,739,700	£1,537,000
Value Attributable to Housing Revenue Account	£55,000	£25,000

