



Report To: Cabinet 22 March 2021

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

Lead Officer: Peter Maddock, Head of Finance

2020/2021 Revenue and Capital Budget Monitoring (Quarter 3)

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.

Recommendations

3. **That Cabinet is requested to consider the report and, if satisfied, to:**
 - (a) **Acknowledge the forecast 2020/2021 revenue position against the approved revenue budget shown in Appendix B, the projected major variances with reasons for these variances at Appendices C1 and C2 and the action being taken to address the underlying issues.**
 - (b) **Acknowledge the latest Capital Programme 2020/2021 position [and variances, if any] as shown in Appendix D.**

Reason for Recommendations

4. 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 third quarter period to 31 December 2020. The comparison in the various appendices is against the revised estimate.

Details

2020/2021 Revenue Budget Monitoring – Overview

5. 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.
6. 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.

7. An integral part of the monitoring process is the regular meetings with Budget 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.
8. The monitoring process also needs to recognise the financial challenges as a result of the Coronavirus pandemic (COVID-19) which has had an impact on the Council's planned income and expenditure. A support package was announced by the Government in July 2020 to help address spending pressures and in recognition of lost income; the overall aim is to help Councils respond to Coronavirus as part of a comprehensive plan to ensure financial sustainability for the future.
9. As far as 2020/2021 is concerned, the Council has received £1.922 million in support grant and, based upon returns to Government, anticipates that this should be adequate to offset the increased costs from the impact of COVID-19. During the review period all of this was received (see Appendix B) and this is an un-ringfenced grant so is held centrally rather than allocated to the budgets where the actual additional expenditure has been incurred. A separate exercise identifying income loss is also being carried over three periods of four months and is an income compensation scheme whereby around 70% of lost income due to the pandemic is reimbursed by central government two claims have so far been submitted, though only the first claim has been paid to date. The situation will clearly need to be kept under review having regard to the duration and severity of COVID-19 and the speed of the UK economic recovery. A longer duration could increase costs and reduce income to a greater degree; an increased severity in economic terms could increase demand led spending and suppress the recovery of assumed income levels. The government have confirmed that further grant and income compensation will be available for the first quarter of 2021/22.

Revenue Budget Monitoring – 2020/2021 Efficiency Assumptions

10. 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

11. The budget for 2020/2021 included efficiency proposals totalling £1,739,700. The range of efficiency proposals are summarised at **Appendix A** and most of these are on target to achieve the expected results. There is, however, an estimated net shortfall of expected savings on General Fund activities (or reduced income) in 2020/2021 totalling £170,700 from the following areas of service:

- (a) The savings expected from the environmental health team of £36,000 are now unachievable in 2020/2021 given the continued work required in relation to the Coronavirus outbreak. It is difficult to ascertain when or if these savings will be achieved but the restructure of the service was carried out this year which achieved some efficiencies but is predicated on additional income being received from the planning process.
- (b) A reduction of £323,000 due in the main to lower interest from Ermine Street Housing. Uncertainty caused by the pandemic introduced delays to schemes particularly during the first quarter and although things have recovered since some interest expected to be generated in 2020/21 will not happen until 2021/22.
- (c) The saving of £55,000 in the delivery of housing services is dependent on the implementation of the Orchard System project that will enable processes to be streamlined. The project has been delayed and, as a consequence, the savings are expected to be realised in 2021/2022. It is estimated that £25,000 value of savings will be attributable to General Fund activities.
- (d) Additional income of £60,000 was expected from licensing and related training activities but again the Pandemic has impacted on the level of saving that can be achieved. Half of this is expected to be achieved in 2020/2021 with the remainder now profiled in 2021/2022, assuming that a degree of normality is restored by Spring 2021.
- (e) The proposed energy efficiency and green energy measures at South Cambridgeshire Hall have been delayed due to the impact of COVID-19 and the projected energy savings, estimated at £79,700, are not now expected to be fully realised until 2021/2022.
- (f) The Pandemic has at least reduced the amount of mileage and travelling expenses incurred by the Council and, whilst a modest £6,000 saving was included due to the roll out of the Council Anywhere initiative, a figure of £25,000 now looks more likely. Although savings at month six exceeded this total, it is unclear how much of this travel will be avoided long term.

12. All of these variances have been included in the revised estimate.

Revenue Budget Monitoring

13. This report represents the revenue monitoring information for the period 1 April 2020 to 31 December 2020.

14. A summary of budget variances is reported at **Appendix B**, with explanations for significant items of variance reported at Appendix C1 (General Fund) and Appendix C2 (Housing Revenue Account). The variances 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

15. The ongoing 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 31 December 2020:

	2020/2021			
	Budget to date (31 Dec 2020)	Actual to date (31 Dec 2020)	Variance	Variance %
HR & Corporate	1,236,996	1,238,915	1,919	0
Finance	1,765,307	1,745,189	-20,118	-1
Shared Waste & Environment	5,707,556	5,427,948	-279,608	-5
Housing	4,078,112	4,173,624	95,512	2
Planning	5,048,180	5,351,821	302,641	6
Transformation	1,685,583	1,692,061	6,478	0
Total	19,552,734	19,629,558	106,824	1

The analysis takes account of the cost of agency staff backfilling vacant permanent posts (with agency costs generally much higher than permanent appointment). The overall variance stands at 1% with some quite significant variances within the figures.

The area of highest overspend comparative to the revised budget at the end of quarter 3 is Planning. This relates to additional costs incurred due to COVID-19, particularly in Land Charges and Development Management and due to the timing difference in receiving Planning Performance Agreement (PPA) income to offset some of the expenditure incurred to date. £70,000 of the Housing variance is due to a profiling issue on the budgets of Ermine Street Housing which has been rectified in quarter 4. The highest underspend is in Shared Waste & Environment, mainly due to the timescale of recruitment in filling vacant posts following the restructuring process in Environmental Health. Several agency staff have been recruited to assist services that are facing growing pressure of meeting project deadlines before the financial year end, these costs will transpire in the next quarter.

(b) The impact of COVID-19

The General Fund, Housing Revenue Account (HRA) and the Collection Fund have all been impacted as a result of COVID-19 and these are dealt with in turn. The General Fund, by its nature, will bear the majority of the additional costs incurred by the Council with Revenues and Benefits, Shared Waste, Environmental Health, Planning and Homelessness all incurring additional expenditure.

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. As stated, it is considered at this time that the £1.922 million of additional resource from the Government will be adequate to meet the additional expenditure. There will also be some expenditure from this funding originally planned in 2020/21 which will now slip into 2021/22.

The Government provided £25.15 million to support small businesses and the retail, leisure and hospitality sector with two grant schemes in the spring and summer and £0.661 million for additional Local Council Tax Support to those struggling to meet their Council Tax liability. The Council administered these schemes which meant significant additional work for some areas of the Council (particularly Revenues and Benefits, Accountancy, the Policy and Performance Unit and Business Support teams).

The Grants schemes were, with Members assistance, very successful in reaching many local businesses with much needed financial support the schemes closed during August. Council spending on the grants schemes were £24.02 million on the main scheme and £1.192 million on the discretionary scheme, so marginally over the allocation. The Council has now been reimbursed by central government for this additional expenditure.

During quarter 3 further grant money was received from Central Government of around £5.25 million to distribute to businesses and in the case of self isolation grant, individuals. Since then a further lockdown has been announced and further money has been made available bringing the total to around £15 million of which around £9 million has now been paid out. Hard work by officers has ensured that as of Mid-February the Council were in the top 25% across the country at getting money out to those businesses in need.

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 £0.661 million to support tenants which will help mitigate this risk. There have been a few additional costs to the HRA mainly PPE related as a result of the pandemic but an element of other costs will get recharged here.

The Collection Fund is seeing the biggest impact in terms of value. 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, the full impact on the Business Rates Collection Fund will not be known for some time; the fund itself will inevitably fall into deficit and this could be significant.

Central Government have confirmed that some support will now be provided to the Fund and also the residual deficit arising in 2020/2021 will be recovered over a three-year period. We have now also learnt that the first years deficit payment will not be recoverable from Major Preceptors until the end of 2021/22 rather than during the year which will lead to a cashflow disadvantage to the Council but this will probably not now be as significant as first feared. The Council Tax Collection Fund has also seen some income loss though not as significant. As the furlough scheme unwinds, however, it is possible that some of these losses will become unrecoverable, with the most significant impact felt by Cambridgeshire County Council.

Revenue Contingency

16. Cabinet, at its meeting on 7 December 2020, allocated £50,000 of the revenue contingency to fund a client adviser for the Northstowe project and this reduced the contingency balance to £200,000. The remainder has been removed from the revised budget.

Virement Movements

17. A virement is when a sum of money set aside in the budget for one purpose is then moved and used for another purpose. There have been no virement movements in the period 1 October 2020 to 31 December 2020.

Revenue Budget – Summary Position

18. The table below summarises the budgetary position relevant to each Service Area, with detailed information included at **Appendix B**, and further explanation of significant variances in **Appendices C(1) and C(2)**:

Directorate	Full Year Budget £'000	Budget to date £'000	Actual to date £'000	Variance to date £'000	Variance to date %
Chief Executives Office	854	568	477	(91)	-16
Finance	4,345	1,611	1,792	181	11
Human Resources & Corporate Services	1,239	695	796	101	15
Shared Waste & Environmental Health	8,416	3,562	2,941	(621)	-17
Housing General Fund	2,111	(10)	(60)	(50)	-511
Planning	5,726	2,731	3,162	431	16
Transformation	2,371	1,217	1,311	94	8
Net Service Costs	25,062	10,374	10,419	45	0
Overheads	10,365	6,016	6,293	277	5

19. The Council has a current overspend position of £0.045 million (0%) on its net cost of service when compared to the revised budget. This is not significant and does not include additional expenditure due to Covid.

Capital Budget Monitoring

20. 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.
21. The Capital Programme is summarised at **Appendix D**. It should be noted that the Capital Programme set out is the most recent estimate based on current expectations.

Implications

22. 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

23. 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 pandemic has led to a rather different income and spending profile to that expected so a full revision of the budget was carried out and the actual figures are compared to the revised position.

(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

24. 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

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

Risk

26. 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 overspend with consequent financial implications or that the schemes will not meet the desired objectives.

Environmental

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

Equality Analysis

28. In preparing this report, due consideration has been given to the 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.
29. 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

30. 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 2019 - 2014 – 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 Budget Monitoring by Service Area – Position as at 31 December 2020
- C Explanation of Significant Budget Variances – Position as at 31 December 2020
- D Capital Programme – Update Position as at 31 December 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	0	
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	£25,000	

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	£617,000	
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	£30,000	
	(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	£5,000	

Total Estimated Savings	£1,794,700	£1,290,000
Value Attributable to General Fund	£1,739,700	£1,265,000
Value Attributable to Housing Revenue Account	£55,000	£25,000 *

- Some initiatives will bring savings to the Housing Revenue Account because they are of a corporate nature and this is now estimated to amount to £25,000.