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| Report to: | Cabinet | 22 March 2022 |
| Lead Cabinet Member: | John Williams - Lead Cabinet Member for Finance | |
| Lead Officer: | Peter Maddock - Head of Finance | |

2021/2022 Revenue and Capital Budget Monitoring (Quarter 3)

Executive Summary

1. To consider the latest monitoring data and trends in respect of the 2021/22 General Fund revenue, Housing Revenue Account (HRA) and capital budgets and emerging budget issues.

Key Decision

2. No.

Recommendations

3. It is recommended that cabinet considers the report and, if satisfied, to:
 - (a) **Note the forecast 2021/22 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) **Note the latest Capital Programme 2021/22 position [and variances, if any] as shown in Appendix D.**

Reasons for Recommendations

4. To advise the Cabinet of the latest monitoring information in respect of the 2021/22 revenue and capital budgets and emerging budget issues, for the third quarter period to 31 December 2021. The comparison in the various appendices is against the revised estimate.

Details

2021/22 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 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 2021/22 is concerned, the Council has received £0.634 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. This was all received at the end of April and is an un-ringfenced grant so is held centrally rather than allocated to the budgets where the actual additional expenditure has been incurred.

Revenue Budget Monitoring – 2021/22 Efficiency Assumptions

10. The ongoing process also includes the monitoring of compliance with the efficiency assumptions built into the 2021/22 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 proposal has or is being implemented but there is a delay on the delivery of the savings when compared to that in the budget | Amber |
| The proposed saving will now not be delivered or the level of saving is expected to be lower than that included in the budget. | Red |

11. The original budget for 2021/22 included efficiency proposals totalling £2,142,000. The range of efficiency proposals are summarised at **Appendix A** the current status of these are shown in the appendix.
12. The areas of efficiency savings continue to be subject to ongoing review and there are no further areas of concern at this stage.

Revenue Budget Monitoring

13. This report represents the revenue monitoring information for the period 1 April 2021 to 31 December 2021.
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 |

15. It is to be noted where negative variances are shown in the appendices, they represent underspends against the budget or when income is greater than the budget.

Revenue Budget Monitoring –Variances

16. The ongoing monitoring and assessment of the 2021/22 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 2021:

| | 2021/22 | | | |
|---|---------------------------------|---------------------------------|----------------|---------------|
| | Budget to date (31 Dec 2021) | Actual to date (31 Dec 2021) | Variance | Variance % |
| Chief Exec Office | 923,805 | 924,585 | 780 | 0% |
| Climate, Environment & Waste | 6,068,330 | 6,057,677 | (10,653) | 0% |
| Finance | 2,486,585 | 2,524,564 | 37,979 | 2% |
| Housing | 3,761,818 | 3,829,305 | 67,487 | 2% |
| Greater Cambridge Shared Planning | 5,014,230 | 5,017,101 | 2,871 | 0% |
| Transformation, HR & Corporate | 2,985,220 | 2,998,915 | 13,695 | 0% |
| Total | 21,239,988 | 21,352,147 | 112,159 | 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% comparative to the revised budget.

The area of highest overspend comparative to the revised budget at the end of quarter three is Housing. This is mainly because several agency staff have been recruited to assist meeting project deadlines before the financial year end, and to cover long term sickness. £34,000 of the Finance variance is due to a profiling issue on the budgets which has been rectified in quarter 4

(b) The impact of COVID-19

The impact of COVID-19 will need to be kept under review mainly due to the lack of clarity as to the duration of the virus and the severity and length of the economic downturn. A longer duration could increase costs for some services 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 General Fund and Housing Revenue Account (HRA) have both been impacted as a result of COVID-19 and these are dealt with in turn. The General Fund, by its nature, will bear majority of the additional costs are still being incurred by the Council with Revenues and Benefits, Shared Waste, Environmental Health, Planning and Homelessness all incurring additional expenditure.

The Council has 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 £0.634 million of additional resource from the Government will be adequate to meet the additional expenditure.

In 2020/21 the Government provided £0.661 million for additional Local Council Tax Support to assist those struggling to meet their Council Tax liability. £0.03 million remains to be utilised in 2021/22.

The HRA has also been affected by the pandemic but more recently this has diminished somewhat. There has been an affect on rent arrears and some of the aforementioned £0.661m has been used to offset arrears related to the affects of the pandemic.

Crisis in Ukraine

17. The crisis in Ukraine is causing considerable volatility in the fuel markets and prices have been increasing substantially during the fourth quarter of this financial year. The most significant effect will be in shared waste where the price paid for diesel in January was £1.22 per litre compared to £1.16 assumed in the 2022/23 budget. The price quoted on 9th March for delivery on 14th March is £1.41 per litre which is 25p higher than that assumed in the budget. It is difficult to predict what the long term price of fuel will be let alone the shorter term but the current trend is

suggesting we could see prices move close to £2.00 per litre during this calendar year. As an example if the average price of fuel in 2022/23 was £1.80 per litre this would equate to additional costs of £430,000 of which around half would fall on SCDC.

Virement Movements

18. 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 April 2021 to 31 December 2021.

Revenue Budget – Summary Position

19. 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 | 2,086 | 1,012 | 1,009 | (3) | 0% |
| Climate, Environment & Waste | 7,947 | 2,638 | 2,776 | 138 | 5% |
| Finance | 3,604 | 1,306 | 1,129 | (177) | -14% |
| Housing General Fund | 1,727 | (282) | (292) | (10) | -3% |
| Greater Cambridge Shared Planning | 4,917 | 1,609 | 1,537 | (72) | -4% |
| Transformation, HR & Corporate | 3,019 | 1,747 | 1,642 | (105) | -6% |
| Net Service Costs | 23,300 | 8,030 | 7,801 | (229) | -3% |
| Overheads | 11,770 | 5,224 | 5,216 | (8) | 0% |

20. The Council has a current underspend position of £0.229 million (3%) on its net cost of service when compared to the revised budget.
21. The underspend sits mainly in Finance and arises due to Grants received by NNDR for new burdens (processing Covid Grants) and the upfront Benefits DHP Grant (£105,000 received in November). Most of this £105,000 is expected to be spent by the year end. Any leftover will be claimed back by DWP.

Capital Budget Monitoring

22. 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.

23. 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.

Options

24. The report provides monitoring information to ensure awareness of budget trends and emerging budget issues.

Implications

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

Financial

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

Legal

27. 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 2021/2022 this was approved by Council on 23 February 2021. A revised budget was set as part of the 2022/2023 budget process and this is used for comparison purposes.

(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.

Risks/Opportunities

28. 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.

Consultation responses

29. None

Alignment with Council Priority Areas

Growing local businesses and economies

30. The report provides an update on the latest budget position of those service areas who are providing extra support to local businesses adapting to Covid secure measures via several different grant schemes as directed by Central Government.

Housing that is truly affordable for everyone to live in

31. This report supports the Council's business plan by providing an update on the New Build Programme within the Capital Programme and HRA budgets for 2021/22.

Green to our core

32. The 2021/22 revenue and capital position provides reasons for variances on a number of schemes relating to the green to our core element of the Council's business plan.

A Modern and caring Council

33. The Council provides an update on the income position which was generated from investments and other commercial activities. In addition, the report supports the Council's business plan by providing an update on expenditure that it would not normally incur to support residents and businesses within the district especially those in hardship.

Background Papers

- General Fund Medium Term Financial Strategy – Report to Cabinet: 7 December 2020.
- Budget Report – Report to Cabinet: 3 February 2021.
- Medium Term Financial Strategy and General Fund Budget – Report to Council: 23 February 2021.
- Business Plan 2020/2025 – Report to Council: 20 May 2021
- Capital Programme Update – Report to Cabinet: 06 December 2021

Appendices

Appendix A: Service Efficiency/Income Generation Assumptions 2021/2022: Update

Appendix B: Budget Monitoring by Service Area – Position as at 31 December 2021.

Appendix C: Explanation: General Fund & HRA Budget Variances – Position as at 31 December 2021.

Appendix D: Capital Programme – Financial Update Position as at 31 December 2021.

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