

Report to: Cabinet



Date of Meeting 3 November 2021

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

Financial Monitoring Report 2021/22 – Month 6 September 2021

Report summary:

This report gives a summary of the Council's overall financial position for 2021/22 at the end of month six (30 September 2021).

Current monitoring indicates that:

- The General Fund Balance is being maintained within the adopted levels.

The first six months of the financial year has seen a return to more stable financial performance however, service demand remains high in many service areas.

Income levels continue to recover, for example car parking income, as services reopen.

Specific cost pressures have been identify and importantly funded from additional Government grant, these are listed within the report.

- The Housing Revenue Account Balance is being maintained at or above the adopted level.

Is the proposed decision in accordance with:

Budget Yes No

Policy Framework Yes No

Recommendation:

The variances identified as part of the Revenue and Capital Monitoring process up to Month 6 be acknowledged.

Reason for recommendation:

The report updates Members on the overall financial position of the Authority at set periods and includes recommendations where corrective action is required for the remainder of the financial year.

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Portfolio(s) (check which apply):

- Climate Action and Emergencies
- Coast, Country and Environment
- Council and Corporate Co-ordination

- Culture, Tourism, Leisure and Sport
- Democracy and Transparency
- Economy and Assets
- Finance
- Strategic Planning
- Sustainable Homes and Communities

Equalities impact Low Impact

Climate change Low Impact

Risk: Low Risk;

Links to background information

Link to [Statement of Intent](#)

Priorities (check which apply)

- Better Homes and Communities for all
- Greener East Devon
- A resilient Economy
- Services that matter

Report in full

1. Introduction

- 1.1 The purpose of this monitoring report is to update members of Cabinet on the overall financial position of the Authority following the end of month six. The report considers expenditure to date and projections on year-end spend to determine if the Council will maintain its spending within budget and maintain the General Fund Balance and the Housing Revenue Account Balance within the adopted ranges.

2. General Fund Position as at Month 6 September 2021

- 2.1 The following table shows the original budget set for the year and any supplementary estimates approved to date affecting the General Fund position. In year variances have been identified which are likely to alter the outturn position for the year as detailed in the table below. Budget monitoring will continue throughout the year with the projected outturn position being refined.

The financial implication of the pandemic continues in the new financial year but services reopening has led to a more stable financial position. Any further future restriction could dramatically alter this position however. Continuing service specific cost demands have been identified and are being funded by additional Government grant, which is mitigating the impact on the General Fund balance.

The Government Income Compensation Scheme continued to operate for lost income in April, May and June and an estimated claim of £70k has been included in our forecast.

Service demand remains high with particular issues in Streetscene recruitment and retention with additional budget in this area having been agreed and is included below or detailed directly against the General Fund balance e.g. Seaton Jurassic centre costs.

No inflationary pay award was built into the 2021/22 budget having been 'frozen', however negotiations continue and an estimated cost equivalent to 1.75% has been built into our forecast outturn below.

The Government funding of £1.316m (£616k additional CV-19 grant plus £700k Lower Tier Service Grant) and its allocation is included below. This includes funding towards the total allocation of £535k for the financial support for LED.

General Fund Position	£000
Original Budget Requirement (set 24/02/21)	13,840
Predicted adverse (A) / favourable (F) spend at year end (detailed below)	254 (A)
Predicted Outturn Position 31/3/2022	14,094

A summary of the predicted over and under spends to the Year End is shown below:

Predicted adverse (A) / favourable (F) spends	Predicted Outturn Variation £000
<u>Council & Grant Income</u>	
Grant Funding – total of £1.316m received. Total of £867k allocated to newly created budget, leaving £449k to allocate	867 (F)
Interest – continued low interest rate environment	71 (A)
GF Minimum Revenue Provision - due to lower debt position than estimated	136 (F)
Government income compensation scheme grant (est.) – final claim to be made in October	70 (F)
<u>Portfolio Variances – Specific Service Costs</u>	
LED financial support – additional subsidy upto £535k less £192k National Leisure Recovery Grant	343 (A)
Discretionary Hardship Fund (£50k Food Bank)	100 (A)
Mental Health resource	50 (A)
Queens Drive Open Space	19 (A)
Additional toilet cleaning	71 (A)
Management review	25 (A)
Council Plan	5 (A)
LED outreach programme	50 (A)
Poverty Strategy	30 (A)
S/S recruitment and retention	174 (A)
Housing Benefit subsidy – overpayments recovery position £319k, Write-Offs £35k, Net Benefits position £29k	383 (A)
Housing Benefit admin – additional Government Grant expected	193 (F)

Court summons income down – forecast improved	20 (A)
Car Parks – strong pick up in car parking income with rise in Staycations over the summer	200 (F)
Manor Pavilion - reductions in customer receipts offset with reduced expenditure. Will be monitored closely and Apr-Jun income compensation claim to be finalised	57 (A)
Bulky household waste – reduction in income due to redeployment of staff to recycling crews	22 (A)
Homesafeguard equipment hire & monitoring – increased budget not achieved to date, planned review in line with new digital upgrade rollout required by 2025	92 (A)
Refuse & Recycling: No Waste Avoidance receipt from DCC (covering two years). Currently offset with high income levels	217 (A)
Recycling income – positive income levels due to combination of high commodity prices and volume. Will be monitored closely as highly volatile area.	297 (F)
Local Government employers revised pay offer for 21/22 at 1.75% (not agreed) – outside of approved 21/22 budget	190 (A)
Total overall employee costs forecast on £14.8m budget against the £349k budgeted salary saving	98 (A)
Predicted Net Outturn Total Variations General Fund	254 (A)

2.2 These variations will have the following overall effect on the Council's General Fund Balance:

		£000
General Fund balance as at 1/4/2021		3,922 (F)
Use of General Fund to balance 2021/22 Budget		122 (A)
Delay in Car Park income rise	300 (A)	
Council Tax Surplus	367 (F)	
CT Surplus to reserve for future yrs deficit	189 (A)	
Net predicted overspend		254 (A)
Approved use of General Fund Balance in year – LGA learning review		18 (A)
Approved use of General Fund Balance in year – to meet Seaton Jurassic centre holding costs		45 (A)
Predicted General Fund Balance 31/03/22		3,483 (F)

The Council has an adopted range for the General Fund Balance to be within £3m to £3.8m.

The predicted balance is currently within this range and any required action can be taken at year end.

Summary of newly created budget allocations and remaining balance:

Newly created budget for allocation against approved costs – allocation of grant funding of £1.316m	£000s
Discretionary Hardship Fund (£50k food fund)	100
Mental Health resource	50
Queens Drive Open Space	19
Additional toilet cleaning	71
Management review	25
Council Plan	5
LED financial support (value upto £535k less £192k National Leisure Recovery Grant)	343
LED outreach programme	50
Poverty Strategy	30
S/S recruitment & retention	174
To be allocated	449

3. Housing Revenue Account Position – month 6

3.1 The following table shows the variation against the original budget, which will affect the Housing Revenue Account year-end position.

Predicted adverse (A) / favourable (F) spends	Predicted Outturn Variation £000
Income	181 (A)
Repairs and Maintenance – General	594 (A)
Repairs and Maintenance – Special	830 (F)
Supervision & Management	380 (F)
Other Expenditure	175 (F)
Major Repairs	810 (F)
Financing interest on Balances	15 (A)
Predicted Outturn Total Variations HRA	1,405 (F)

Notable items of budget variance are;

- Income lower – garage rents due to be lower than budgeted due to high void levels.
- Expenditure – high levels of PPP exceptions & compliance testing being undertaken, material underspends in the year will be reserved.

- Surplus forecast to be better than budget at this mid year stage.

3.2 The following table shows the original budget surplus set for the year and the total variations as identified above, giving a revised budget surplus for the year.

HRA (Surplus)/Deficit	£000
Original Budget surplus (Council 24/2/21)	985 (F)
Predicted net (under)/overspend to year end	1,405 (F)
Predicted Budget (Surplus)/Deficit HRA	2,390 (F)

The original approved budget generates a surplus of £0.985m in 2021/22. This sum was to be used to help finance the purchase of properties, continuing with the £5m annual investment programme (£3.5m from reserves/surplus and £1.5m from RTB receipts).

3.3 The following table shows the effect on HRA Reserve:

	£000
HRA balance as at 1/4/2021	3,100 (F)
Predicted net over / (under) spend to year end	2,390 (F)
Predicted HRA Balance 31/03/22	5,490 (F)

The HRA Balance is required to be maintained within the adopted range of £2.1m and £3.1m, it is currently being projected to be £5.5m at the end of 2021/22. The outturn report will confirm this position and its possible allocation. Other reserves held by the HRA are contained in the most recent report to Housing Review Board.

4. Capital Programme Position up to Month 6

4.1 Below is the estimated current position for the capital programme, which reflects a re-profiling of expenditure taking into account carried forward from the 2020/21 budget.

Capital Programme Summary	£000
Net Capital Programme Budget (Council 26/02/20)	8,964
2020/21 outturn position, budget slippage into 2021/22	10,239
Revised 2020/21 budget	19,203
Capital Programme variations	0
Actual Capital Expenditure	3,848
Unpaid orders	1,614
Capital Budget Requirement per programme	13,741

4.2 Details of portfolio budgets and expenditure is available at appendix A.

4.3 The Council currently does not hold a general capital reserve and all funding needs to be found. The cash required to fund the expenditure can be met from internal cash balances or through raising loans, this decision is made in line with Council's Treasury

Management Strategy. The revenue implications of funding this position has been factored into the revenue monitoring position.

5. Treasury Management

5.1 The treasury management interest received position is summarised below:

	Annual Budget £000	Forecast Outturn £000s	Forecast Variance £000s
Internal Investments	63 (F)	56 (F)	7 (A)
External Investments	155 (F)	91 (F)	64 (A)
	218 (F)	147 (F)	71 (A)

5.2 Detail of the treasury management portfolio is available at appendix B.

Financial implications:

Contained within the report.

Legal implications:

Any legal implications are identified in the report and no further comment is required.