

For publication

Budget Update

Meeting:	Overview and Performance Scrutiny Forum
Date:	18 November, 2021
Cabinet portfolio:	Deputy Leader
Directorate:	Finance

1.0 Reason for inclusion on the work programme

- 1.1 To consider the progress made by the Council in delivering General Fund revenue services within the approved budget for 2021/22 and the starting context for future actions to deliver a sustainable and balanced Medium-Term Financial Plan for the period 2022/23 to 2025/26.
- 1.2 This is an update to the report provided to the Overview and Performance Scrutiny Forum on 19 November 2020.

2.0 Summary

- 2.1 The Council approved the original General Fund revenue budget for 2021/22 on 24th February 2021. The Band 'D' Council Tax was set at **£174.89**. The forecast budget for 2021/22 was a deficit of **£188k**, which was to be met from the Council's Budget Risk Reserve if savings and efficiencies were not identified during the year.
- 2.2 Indications were that the medium-term outlook would continue to be challenging. The Medium-Term Financial Plan (MTFP) forecast approved by Council on 24th February 2021 showed deficits of **£12k** in 2022/23 rising to **£181k** in 2025/26 assuming the delivery of planned savings.
- 2.3 Since 24th February 2021, new ongoing cost pressures have emerged, the most significant of which are the increased cost of providing a kerbside recycling service and the ongoing impact of Covid-19 on fees and charges income. The latest forecasts therefore evidence a challenging outlook.

3.0 Current Year's Budget

3.1 The month 2 position was reported to Cabinet and Council on 20 July and 21 July 2021 respectively. At that time the forecast deficit for 2021/22 was **£32k**. Key variances included:

- Additional cost of **£869k** for an alternative service provider of kerbside recycling due to the previous contractor entering administration
- Estimated loss of income of **£487k** from car parking, sports facilities and venues through 2021/22 when measured against the forecast income for the first two months of 2021/22.

These costs were offset by savings of **£723k** from the buyout of the superior landlord's interest in the Pavement Shopping Centre and the use of **£827k** of Covid-19 related grant support.

3.2 At the end of the second quarter the forecast has worsened to a net deficit position of **£1,005k**. The Council has however identified mitigations and management actions which have reduced this forecast deficit to **£355k** at year end.

3.3 Quarter 2 Movements

3.3.1 The single biggest influence on the updated General Fund revenue position is the loss of income from fees and charges most significantly from sports centres, venues, and car parking. Estimates of the initial impact of Covid-19 on fees and charges income were reflected in the month 2 budget monitoring report to Cabinet. These have been revised based on the latest position and assumptions at quarter 2 resulting in further reductions in income of **£1,195k** for sports centres, venues, and car parking. Although the Sales, Fees and Charges Compensation Scheme had been extended until 30 June 2021, the scheme only allows for 75% of lost income to be claimed after applying a 5% deductible charge based on the approved budget for 2020/21

3.3.2 Further income pressures are also now apparent because of the Covid-19 pandemic which are not covered by the government's income compensation scheme including a slower than expected return of tenants to the Council's commercial and industrial property (although this position is improving) and lower rent receipts from the Vicar Lane Shopping Centre.

3.4 Balancing the 2021/22 General Fund revenue budget

- 3.4.1 The Council is committed to delivering services within its approved budget and has been working collectively with budget managers to agree clear, robust, and immediate management action plans to address the adverse deficit forecast. Measures have included the review of non-essential spending, maximising grant opportunities, appropriate charging to other funds and general efficiencies. The final element of the tranche 5 financial support received from the then Ministry for Housing, Communities and Local Government (MHCLG) to assist with 2021/22 Covid-19 pressures has also been applied. These measures have reduced the deficit to **£355k**.
- 3.4.2 The Council has only 4 months left to recover the potential overspend within 2021/22 and work is ongoing to identify areas where spending can be contained, and income maximised to ensure projected departmental forecasts are managed within existing budgets.
- 3.4.3 A review of current reserves and provisions is also underway to identify any earmarked monies that could be repurposed to finance any shortfall that these activities fail to address. However, it is acknowledged that reserves should be used strictly for one-off events and not to meet service pressures or failures to achieve planning savings.
- 3.4.4 The quarter 2 General Fund revenue budget position will be reported to Cabinet on 23 November 2021.

4.0 Medium Term Outlook

- 4.1 The MTFP approved at Council in February evidenced a more challenging outlook from 2022/23 onwards with annual forecast deficits peaking in 2023/24 at **£292k**.
- 4.2 The month 2 budget monitoring report to Cabinet in July 2021 revised these deficit forecasts upwards to a high of **£720k** in 2023/24 before improving slightly in future years.
- 4.3 Detailed work is now underway to understand the full impact of the quarter 2 General Fund revenue budget position on the MTFP and a revised draft will be presented to Cabinet in December 2021.

Document information

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Background documents
These are unpublished works which have been relied on to a material extent when the report was prepared.
<i>This must be made available to the public for up to 4 years.</i>