

EXECUTIVE 18 February 2021

2020/21 Revenue & Capital Budget Monitoring Report – Q3

EXECUTIVE MEMBER: Mayor Mike Starkie (Portfolio Holder for Finance).
LEAD OFFICER: Steven Brown, Director of Financial Resources.
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SUMMARY:

This Budget Monitoring report sets out the Quarter 3 (Q3 - to the end of December 2020) forecast year-end results against the Council's Revenue and Capital Budgets for the 2020/21 financial year.

RECOMMENDATION:

1. Note the 2020/21 revenue forecast outturn net overspend of £180k, (See Paragraph 1.5 and Appendix A);
2. Note the summary of the revenue outturn variances set out in paragraph 1.7);
3. Note the revised capital budget for 2020/21 (See Paragraph 1.12).
4. To recommend to Council inclusion of Capitalisation Flexibility of £100k to be funded from Capital Receipts; and
5. To recommend to Council revise the capital programme for 2020/21 as set out in Appendix B.

1. INTRODUCTION

- 1.1. This report contains information on the Forecast Outturn position on spending against the Council's Revenue Budget for 2020/21 following discussions with Budget Managers.
- 1.2. The Net Revenue Budget agreed by Council on 10th February 2020 for 2020/21 was £8,035k. The outbreak of the Covid-19 pandemic, subsequent lockdown on the 23rd March 2020, phased reopening of the economy and further lockdowns has had a significant impact on local authority finances to date and is expected to continue to for the

remainder of this financial year. In response to the pandemic additional costs have been incurred and/or income has reduced in the majority of some service areas across the Council. In response to the financial impact on local authorities revenue budgets, Government has announced a number of funding packages:

- Emergency funding towards the additional response costs incurred totalling £1,275k, Council has approved the receipt of this funding and the subsequent increase to the net budget;
- New Burdens grant funding of £130k to meet the delivery costs associated with awarding business rates grants to Local businesses; the net budget has been increased accordingly; and
- An income compensation scheme for lost sales, fees and charges was announced; committing to fund 75% of losses over a threshold (the threshold for CBC is £305k). Income under this scheme received to date is £133k; the net budget has been increased accordingly; and
- Grant funding of £769k was also received to provide council tax relief to economically vulnerable people and households, £20k of this grant was allocated to support Local Welfare or similar schemes and the net budget has been increased accordingly.

1.3. The resulting increase in the Council's net budget is set out below:

£'000	<i>Budget</i>
Net Budget Approved by Council (Feb 2020)	8,035
Emergency COVID19 funding towards the additional response costs	1,275
New Burdens grant funding of £130k	130
Compensation scheme for lost sales, fees and charges	133
Grant was allocated to support Local Welfare or similar schemes	20
Revised Net Budget (Dec 2020)	9,563

- 1.4. Following the COVID19 outbreak and resulting change in economic outlook for the country, there are a number of efficiencies in the current budget and Medium Term Financial Strategy (MTFS) 2020/21 – 2024/25 that are unlikely to be fully delivered or met by Government funding. This will have a financial impact in year and will be reviewed as part of setting the 2021/22 budget and MTFS, these include the following items in the current Budget and MTFS:
- Net income of additional Commercial Activity of £1.35m by 2023; £338k in 2020/21 increasing to £1,350k by 2023/24;
 - Additional efficiency savings of £250k in 2020/21 increasing to £500k by 2021/22; and
 - Business Rates Pooling income of £200k in 2020/21.
- 1.5. The forecast outturn position for Q3 is based on the best available information and budget managers' estimates regarding income and expenditure as COVID19 impacts on their services. The table below summarises the forecast outturn position for Q3 against the Council's Revenue Budget for 2020/21.

£'000	<i>Revised Budget</i>	<i>Net Exp</i>	<i>Forecast</i>	<i>Variance</i>
Net Expenditure on Services	9,563	9,030	9,643	80
Less Sources of Finance	(9,563)	(7,172)	(9,463)	100
			Total	180

- 1.6. The forecast outturn for the Council shows a net overspend of £180k. This is due to an overspend against service budgets of £80k and a shortfall in the forecast Sources of Finance of £100k relating to the Business Rates Pool. No additional Government funding has been assumed as part of the lost sales, fees and charges scheme.
- 1.7. Service variances over £100k are summarised in the following paragraphs, with Appendix A showing all service areas.

Service £'000	Variance Q1
Business Support (ICT)	369
Financial Services	186
Refuse & Recycling	1,009
Revenues & Benefits	283
Additional COVID19 Budget	(1,408)
Various	(359)
Total	80

1.8. A summary of the main variances are summarised below:

- a) Business Support (ICT); the forecast overspend of £369k primarily relates to additional server costs of £237k; some of these additional costs relate to COVID19 and upgrading our IT infrastructure however there is an underlying pressure from 2019/20 requiring the budget to be rebased.
- b) Financial Services; the forecast overspend of £186k primarily relates to covid pressures on the GLL contract and less interest received on investments.
- c) Refuse and Recycling; there are COVID19 pressures in many areas across the service:
 - £305k of additional COVID related costs;
 - £367 loss of parking income due to Covid and offering free car parking;
 - £44k higher than budgeted business rates;
 - £61k loss of budgeted markets income;
 - £120k loss of trade waste income;
 - £74k extra staffing costs to operate green waste service;
 - £33k increased staffing costs on residents recycling service;

- £12k redundancy costs; and
 - £126k loss of budgeted recycling credits.
- d) Revenues & Benefits; an overspend of £283k is forecast. Additional costs have been incurred to pay business rate grants and apply reliefs, these have largely been met by additional grant however, income from Benefit overpayments and Council Tax summons has reduced significantly due to the demands on the service.

2020/21 Efficiency Plan

- 1.9. The 2019/20 Budget agreed by Council identified £1,425k of efficiencies required to balance the budget. The position against these for the year is set out in the table overleaf:

Efficiencies £'000	Budget	Forecast Outturn	Variance
Commercial Income	(338)	0	338
Efficiency Savings	(250)	0	250
Cost of the Copeland Centre	(837)	(837)	0
Total	(1,425)	(837)	588

General Reserves

- 1.10. The General Reserve is part of our risk management process and is retained to protect the Council in the event of major unforeseen events as well as provide a buffer against future financial risks in the medium term; clearly the COVID19 pandemic is a major unforeseen event. The minimum level of General Reserve was agreed by Council in February 2020 at £2,000k. The table overleaf sets out the changes to the General Fund forecast to 31st March 2021:

	£'000
Balance as at 1st April 2020 (based on the unaudited position)	(2,013)
Forecast Outturn for 2020/21	180
Forecast balance as at 31st March 2021	(1,833)
<i>Minimum level agreed by Council (Feb 2020)</i>	<i>(2,000)</i>

1.11. The forecast General Reserve balance of £1,833k is below the minimum level of £2,000k agreed by Council in February 2020 which is not sustainable, whilst the General Reserve is sufficient to meet the forecast deficit in 2020/21, the Council must reinstate the reserve as part of the 2021/22 MTFS.

Capital Budget

1.12. Council approved the Capital Programme for 2020/21 at its meeting on 10th February 2020, this has been updated below with 2019/20 provisional outturn amendments, amendments approved by Council and revisions following final grant approvals, this is set out in Appendix B.

1.13. The Executive is asked to recommend to Council the following changes to the capital programme:

- Inclusion of Capitalisation Flexibility of £100k to be funded from Capital Receipts; this will enable restructuring costs to be met from capital resources; and
- To revise the capital programme for 2020/21 as set out in Appendix B.

Treasury Management

1.14. The Treasury Management function supports the overall objectives and priorities of the Council, by the use of effective treasury management techniques. The aim is to manage risks and ensure there are sufficient cash resources and long-term borrowings to finance the Council's activities and capital investment programme

whilst balancing this to the secondary objective of trying to minimise the costs of the net interest budget.

- 1.15. Long term borrowing remains at £5m as at Q3 (£5m at 31/9/20) and investments are £42.245m as at 31st December. There is a net interest cost to the Council, this is due to interest on the loan being c7.5% and investment interest being around 0.05% included in the Council's budget.
- 1.16. The Council undertook no new borrowing in Q3 and is not expected to undertake any further long-term borrowing during 2020/21 in accordance with the 2020/21 Treasury Management Strategy.

2. CONCLUSIONS

- 2.1. The recommendations allow the preparation of the statutory financial statements of the Council.

3. STATUTORY OFFICER COMMENTS

- 3.1. Legal/ Monitoring Officer's Comments are: No legal issues arise from the report. The report sets out the forecast financial outturn for the financial year 2020/21.
- 3.2. The Section 151 Officer's comments are contained within the report.
- 3.3. EIA Comments: Not applicable.
- 3.4. Policy Framework: Not applicable.
- 3.5. Other Consultee Comments, if any: None.

4. RESOURCE REQUIREMENTS

- 4.1. Contained within the report

5. HOW WILL THE PROPOSALS BE PROJECT MANAGED AND HOW ARE THE RISKS GOING TO BE MANAGED?

- 5.1. The proposals will be managed by Director of Financial Resources.

6. WHAT MEASURABLE OUTCOMES OR OUTPUTS WILL ARISE FROM THIS REPORT?

6.1. Contained within the body of the report.

List of Appendices

Appendix A: 2020/21 Budget Monitoring Forecast Outturn by Service

Appendix B: 2020/21 Capital Programme

List of Background Documents:

None

Appendix A

2020/21 Budget Monitoring Forecast Outturn by Service

Service	Budget	Net Expenditure	Forecast	Variance
Beacon Museum	279,867	137,720	279,867	0
Building Control	96,321	89,571	85,555	(10,766)
Business Support	918,379	995,640	1,287,198	368,819
Chief Executive	(434,990)	626,181	(393,673)	41,317
Communications	88,626	95,857	84,120	(4,506)
Copeland Community Fund	0	305,147	0	0
Customer Services	360,262	229,656	321,546	(38,716)
Democratic Services	455,499	318,447	409,856	(45,643)
Development Control	37,689	21,829	69,549	31,860
Dir Corp Serv & Comm Strategy	318,379	212,641	281,701	(36,678)
Economic Development	197,292	(191,788)	182,127	(15,165)
Elections	120,684	20,311	107,568	(13,116)
Environmental Health	516,029	344,251	565,137	49,108
Financial Services	854,977	803,122	1,041,358	186,381
Human Resources	337,567	189,117	267,329	(70,238)
Internal Audit	124,877	49,180	65,571	(59,306)
Legal & Procurement Services	212,955	144,791	210,150	(2,805)
Nuclear	800	209,719	800	0
Park & Open Spaces	(35,650)	(75,683)	(125,620)	(89,970)
Property & Estates	231,051	403,675	157,843	(73,208)
Refuse & Recycling	2,033,076	2,119,069	3,042,153	1,009,077
Revenues & Benefits	675,100	1,729,195	958,478	283,378
Strategic Housing	535,269	53,312	519,500	(15,769)
Strategic Planning	230,941	198,969	225,005	(5,936)
Additional Budget to be allocated to services	1,408,115	0	0	(1,408,115)
Grand Total	9,563,115	9,029,931	9,643,118	80,003

Appendix B

2020/21 Capital Programme

Capital Scheme	Budget for 2020/21	Spend to Date	Forecast	Variance	Proposed budget virement to subsequent years	Revised Budget for 2020/21
Accommodation Strategy	1,413	1,015	1,016	(397)	397	1,016
Whitehaven Cemetery Extension	240	0	67	(173)	173	67
Bereavement Services	621	2	54	(567)	567	54
Disabled Facilities Grants	1,040	290	1,040	0	0	1,040
Town Centre Regeneration	1,011	0	0	(1,011)	1,011	0
Development (incl LEP FHSF external funding)	2,299	692	1,561	(738)	738	1,561
Coastal Programme (Phase 1&2)	509	95	509	0	0	509
Beacon Virtual Museum	257	111	115	(142)	142	115
IT Infrastructure	972	20	50	(922)	922	50
Whitehaven Activity Centre	1,198	0	0	(1,198)	1,198	0
Cleator Moor Activity Centre	247	0	0	(247)	0	247
St Bees Ramp	300	0	0	(300)	300	0
Commercial Investments	5,000	0		(5,000)	5,000	0
Accountable Body - Coastal Activity Centre (Added to Capital Programme Council Sep 2019)	931	521	931	0	0	931
Towns Fund (Added to Capital Programme Council Sep 2020)	1,125	111	1,125	0	0	1,125
Accountable Body - Whitehaven Harbour Flood Defence Works - (Added to Capital Programme Council Dec 2020)	150	50	150	0	0	150
Capitalisation Flexibility (Proposed addition to the Capital Programme)	100	0	100	0	0	100
ISH Project (Added to Capital Programme Council July 2020)	2,250	2,000	2,000	(250)	0	2,250
Total	19,663	4,907	8,718	(10,945)	10,448	9,215