



Policy, Finance and Development Committee	Tuesday, 16 November 2021	Matter for Information and Decision
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Report Title: **Financial Outturn Report (Q2 2021/22)**

Report Author(s): **Comie Campbell (Head of Finance/Acting S151 Officer)**

Purpose of Report:	This report gives a summary of the overall Council position for the financial year 2021/22, as at the end of the second Quarter for both Revenue and Capital Expenditure.
Report Summary:	The Council has completed Quarter two of the 2021/22 financial year. The Council's General Fund is currently expected to be overspent by £335K mainly due to the forecast underachievement of £455k of income.
Recommendation(s):	A. That the contents of the report and appendix be noted. B. The Council Senior Leadership Team look at ways to reduce the amount of the overspend.
Senior Leadership, Head of Service, Manager, Officer and Other Contact(s):	Comie Campbell (Head of Finance / Acting S151 Officer) (0116) 257 2713 comie.campbell@oadby-wigston.gov.uk
Corporate Objectives:	Providing Excellent Services (CO3)
Vision and Values:	"A Stronger Borough Together" (Vision) Accountability (V1)
Report Implications:-	
Legal:	There are no implications arising from this report.
Financial:	The implications are as set out throughout the report.
Corporate Risk Management:	Decreasing Financial Resources / Increasing Financial Pressures (CR1) Reputation Damage (CR4) Economy / Regeneration (CR9)
Equalities and Equalities Assessment (EA):	There are no implications arising from this report. EA not applicable
Human Rights:	There are no implications arising from this report.
Health and Safety:	There are no implications arising from this report.
Statutory Officers' Comments:-	
Head of Paid Service:	The report is satisfactory.
Chief Finance Officer:	As the author, the report is satisfactory.
Monitoring Officer:	The report is satisfactory.

Consultees:	Senior Leadership Team.
Background Papers:	None.
Appendices:	<ol style="list-style-type: none"> 1. Capital Programme (2021/22) 2. Treasury Management - Borrowing Details 2021/22 Q1 and Q2

1. Introduction

1.1 In February 2021, the Council approved a General Fund budget for 2021/22 of £7.081m.

2. General Fund Summary Position

2.1 Across the departments as a whole, the Council, as at Quarter 2 is expecting to report a net £335K overspend which represents 5% variance of the overall Council Revenue budget. This is predominantly due to the Council not likely to achieve an income total target of £455k (£155k Car Park charges + £300k Selective Licencing) for two key areas outlined in this report.

- **Key Area 1** - The Council is not expected to achieve an additional budgeted car park income of £250k for 2021/22. Currently only £95k is forecast to be achieved which is a shortfall of **£155k**. The forecast will be continually reviewed throughout the year to see if this changes.
- **Key Area 2** - The second area is the selective licencing where only £250k of the budgeted income of £550k is achievable. This leaves a shortfall of income of **£300k** which is not expected to be achievable.
- When the selective licencing scheme was introduced in 2020/21 it was for a period of 5 years with an estimated income of approx. £800k to be received. This income projection has now been revised down to £698k see **Table 1**. The majority of the income was anticipated to be received in the early years of the scheme.
- The budget for 2020/21 was set at £550k and the same amount rolled forward to 2021/22 which is overstated. This budget will be reduced for the remaining three years of the scheme to reflect the amount of income that can be received from the private rented landlords. Currently £254k income was received in 2020/21 and as mentioned earlier £250k is forecast to be received in 2021/22 making a total of £504k to date.

Table 1 - Selective Licencing

	Year 1	Year 2	Year 3	Year 4	Year 5	
	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Estimated Income	254	250	194	0	0	698

3. Actions

3.1 The Senior Leadership Team will need to look at opportunities and put in place actions to make savings to reduce this forecast £335k overspend.

3.2 Agency costs are being reviewed. Generally agency staff cover whilst recruiting to vacant

posts especially where the Council has a statutory obligation to provide a certain service. Some job post although advertised, are very difficult to recruit to which has resulted in the extended stay of agency or staff on short term fixed term contracts.

3.3 Various additional temporary staff either agency or on fixed term contracts staffing costs have been fully covered by specific Covid related grants. Also as previously mentioned savings in the Senior Leadership team have offset some temporary additional staffing costs.

3.4 The forecast position of each department is set out in the paragraphs below

4. Forecast for Each Service Area

4.1 **Senior Leadership Team (SLT) - Forecast Underspend (£230K).** The forecast underspend relates to two vacant Director posts. The Director (S151 Officer) post is due to start at the end of January 2022. Recruitment for the other Director post is subject to review. Currently the staffing underspend in this area is offsetting some short term agency cost across the Council whilst posts are being recruited to.

4.2 **COVID-19 – Forecast breakeven.** Since the Quarter 1 report qualifying expenditure has been recharged to the Covid 19 cost centre see **Table 2**. The forecast is to breakeven although it is still possible Covid 19 related expenditure exceeds the amount of grants receivable.

Table 2 - Summary General Fund and COVID 19 Monitoring

General Fund Budget Monitoring 2021/22	Covid 19 Forecast by 31.03.2022
	£'000
Salaries and Agency Staff Costs	526
Supplies and Services	180
Costs Related to COVID-19 Support	706
Estimated Grants/Income to be Received	(706)
Net COVID-19 Costs	(0)

4.3 The Council receives various Covid related grants to meet the additional costs incurred due to the Covid 19 pandemic. The levels of funding has reduced in 2021/22 but there are still residual additional costs the Council has to meet to deliver its services and support. Grants received so far include COVID-19 Section 31 grant and containment funding.

4.4 The Council has also submitted a claim for the lost fees and charges for Quarter 1 (April to June 2021) of this financial year. This income claimed will not meet the full cost of lost income and is only up to the end of June 2021. Covid 19 restrictions in England ended on 19th July 2021 but currently there is no provision to claim from the end of June 2021 to the 19th July 2021.

4.5 The Council has continued to administer the payment of Government Covid 19 Restart and Additional Support grants to local business throughout the year which has required additional staffing or existing staff being redirected from their main job role to assist. Over £1.458 million Restart Grant and £963k Additional Restrictions Grant has been paid out by

the Council to qualifying business so far.

- 4.6 **Finance and Resources – Forecast Overspend £26K.** This forecast overspend is a net result of variances across the service. The most significant ones are set out in the table below.

Department	Variance £'000	Reason for variance
Corporate Management	-291	Reduction in provision for certain commercial commitments
Corporate Management Non-Financial	94	An increase in the Council pension lump sum contributions - £53K which exceeds the budget. An expected non-achievement of investment income interest of £41K. This budgeted income target will need to be reviewed for 2022/23.
Finance	19	Forecast increase in staffing costs relating to Senior Finance Agency staff support to meet Audit recommendations, statutory finance requirements and cover for Finance Manager post which has now been recruited to.
Car Parks	155	Forecast non-achievement of income due to delayed implementation of the new Car parking charges system. The Quarter 3 budget monitoring will give an opportunity for a more accurate estimate of car parking income once the new car parking charges have been in operation for a period of time.
Facilities Management	41	Forecast increase in staff costs due to salary increases and an additional post in the service. These costs will be offset against future car parking income.
Across all of the Finance and Resources Service Area	8	Minor overspends and underspends across the service area
Total	26	

- 4.7 **Law & Democracy – Forecast Overspend £284K.** This forecast overspend mainly relates to significant reduction of £300K in the income expected from the Selective Licensing Scheme.

- 4.8 **The Built Environment – Forecast Overspend £84K.** The main factors contributing to the department's net overspend are set out in the table below.

Service	Variance £'000	Reason for variance
Planning	147	Forecast increase in agency costs to cover two vacant hard-to-fill posts in the service.
Building Control	16	Forecast reduction in Building Control income

Economic Development	-83	Additional staff capitalisation income due to officer time being charged to capital projects in the borough - specifically the move to new Council Offices
Across all of the Built Environment Service Area	4	Minor overspends and underspends across the service area
Total	84	

4.9 **Community & Wellbeing – Forecast Overspend £44K.** The forecast overspend in this department is mainly due to the items set out in the table below.

Service	Variance £'000	Reason for variance
Mechanics Workshop	29	Water Bill Backdated Oct19 - Aug21
Grounds Maintenance	10	Grounds Maintenance Equipment
Swimming Pool and Leisure Centre	25	Forecast reduction in income expected from the leisure centre
Recycling Collection	-20	Staffing underspend due to vacancies throughout the year
Total	44	

4.10 **Customer Services and Business Transformation – Forecast Overspend £126K.** This service area includes Customer Services, System Support and Transformation Services including the newly-created in-house IT team. The forecast overspend is due to the following items set out in the table below.

Service	Variance £'000	Reason for variance
Systems Administration	86	These IT staffing costs will be reviewed later in the year and possibly may be capitalised
Customer Service Improvement	18	Variance is as a result of forecast additional staff costs in the service
Customer Service	41	Forecast increase in telephone services cost due to calls being redirected whilst staff work from home since the Covid situation.
Customer Services	-32	Underspend is as a result of the closure of the Customer Service Centre
Across all of the Customer Services and Business Transformation Service Area	13	Minor overspends and underspends across the service area
Total	126	

4.11 A summary of the overall General Fund Budget and Forecast Outturn at service level is set out in **Table 3** and **Table 4**.

Table 3 - General Fund Budget Monitoring

Service	Revised Budget 2021/22	YTD	Forecast Outturn	Variance
	£	£	£	£
Senior Leadership Team	471,500	115,370	241,275	(230,225)
Finance & Resources (Including Corporate Budgets)	2,756,625	3,412,908	2,782,508	25,883
Law & Democracy	165,060	220,688	449,438	284,378
The Built Environment 1 & 2	966,600	51,799	1,051,070	84,470
Community & Wellbeing (inc Depot)	1,521,166	611,915	1,565,466	44,300
Customer Service & Business Transformation	1,343,300	623,656	1,469,000	125,700
HRA Recharge	(1,195,600)	(597,800)	(1,195,600)	0
Capital Financing	1,053,000	526,500	1,053,000	0
	7,081,651	4,965,036	7,416,157	334,506

Table 4 – Shows the actual Council expenditure is less than income received. Income Loss then puts the Council in to an overspend position.

Summary - General Fund Budget Monitoring

	£'000
Income Loss	455
Subtotal	<u>455</u>
Overspend	110
SLT Salary Savings	<u>-230</u>
Net Saving excluding income loss	<u>-120</u>
Overspend at Quarter 2	<u><u>335</u></u>

5. Capital Programme

5.1 The 2021/22 Capital Programme was set at Full Council in February 2021 and amended in September 2021. **Table 5** shows a summary of the 2021/22 capital programme and the full capital programme is shown in **Appendix 1**.

Table 5 - Capital Programme Summary

Fund	Original Budget 2021/22	Revised Budget 2021/22	Spend To Date	Variance to Budget
	£'000	£'000	£'000	£'000
General Fund	14,129	4,610	1,393	(3,217)
Housing Revenue Account	2,449	2,449	2,014	(435)
Total	16,578	7,059	3,407	(3,652)

6. Housing Revenue Account (HRA)

- 6.1 The Housing Revenue Account ended the 2020/21 financial year with a balance on its main reserve of £1.339m. In 2021/22 the account has been forecast to have a budget deficit of £74K leaving an estimated HRA Reserve balance of £1,265m.
- 6.2 The position on the account as the end of Quarter 2 is set out in **Table 6** below.

Table 6 - HRA Position Qtr. 2

	Original Budget 2021/22	Forecast Outturn 2021/22
	£'000	£'000
Net Cost of Services on the HRA	(716)	(491)
Capital Charges	625	565
Revenue Contributions to Capital Appropriations to Earmarked Reserves	91	0
	0	74
Actual Balance b/f HRA a/c	(1,139)	(1,339)
Budget Deficit in the Year	0	74
Balance c/f HRA a/c	(1,139)	(1,265)

7. Treasury Management

- 7.1 The details of all borrowing and investment transactions for the first two quarters of 2021/22 see **Appendix 2** for Borrowing details

Borrowing

- 7.2 **Long Term** - The Authority is able to borrow on a long term basis from the Public Works Loans Board (PWLb). At the beginning of the year the value of the outstanding loans was £20.245m, comprising £15.095m relating to the HRA, and £5.108m relating to the general

fund. £42K of principle has been repaid in year to date, and no additional long-term borrowing was undertaken, leaving the balance at £20.203m. No additional long-term borrowing is expected.

7.3 **Short Term** (Less than 365 days in duration) - There was £13.5m of short-term borrowing outstanding at the start of the year, taken out in lieu of long-term borrowing, plus £1.006m of long term borrowing reclassified to short-term, as the time until maturity fell under 365 days. The £13.5m was refinanced at the end of August until late February. An additional £2.5m of short-term borrowing is estimated this year, in order to finance the capital program.

7.4 **Investments**

During 2021/22, the Council is often in a position where it often has temporary cash surpluses to invest. When considering investments the Council must consider the following factors;

- Security – the Authority has a counterparty list, based on credit ratings, within its Investment Strategy that is approved prior to the commencement of the financial year. The current list and basis of approval is attached at Appendix C;
- Liquidity – because of the fluctuation of cash flows, there is always a need to have a mix of investments that are realisable when required;
- Yield – probably the least important consideration as often higher yields mean greater risks.

Given the current economic climate, and the attendant volatility and uncertainty in the financial markets, security has to be the most important factor of the three listed above.

For 2021/22 surplus cash was invested in the following ways.

Special Interest Bearing Account – This account is held with National Westminster Bank plc. It can be used for deposits up to £5 million and pays interest at 0.01%.

Money Market Deposits – Used for larger amounts, up to £1.5 million. The list of institutions approved for investment was agreed at Committee on 16 March 2021 and is included again for reference in **Appendix C**. The investments fall into two categories;

- Money on Call – These investments run for a minimum of 7 days after which they can be recalled at any time. Interest rates are variable and can fluctuate during the life of the investment;
- Fixed Deposits – Investments which mature at a pre-arranged date. The interest rate is fixed for the life of the investment.

7.5 The total interest received for the half year to 30 September 2021 on temporary investments amounted to £1,990 (2020/21 £14,290).