



Policy, Finance and Development Committee	Tuesday, 28 June 2022	Matter for Information and Decision
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Report Title: **Budget Monitoring (Q4 2021/22)**

Report Author(s): **Comie Campbell (Head of Finance / Deputy Section 151 Officer)
Rashpal Sohal (Finance Manager)**

Purpose of Report:	This report provides a summary of the overall Council outturn position for the financial year 2021/22, as at the end of the year for both Revenue and Capital.
Report Summary:	The expected final position on the General Fund is a surplus of £315k compared to a budgeted balance position. The expected final position on the HRA is a deficit of £179k, compared to a budgeted balanced position.
Recommendation(s):	A. That the contents of the report and appendix be noted; and B. Approve the creation of new reserves from the Surplus achieved on the General Fund of £140k for the purpose of resourcing the recommendations as set out in the Corporate Peer Challenge and £10k for undertaking a feasibility study on the refurbishment and reopening of public toilets across the borough.
Senior Leadership, Head of Service, Manager, Officer and Other Contact(s):	Tracy Bingham (Strategic Director / Section 151 Officer) (0116) 257 2690 tracy.bingham@oadby-wigston.gov.uk Comie Campbell (Head of Finance / Deputy Section 151 Officer) (0116) 257 2713 comie.campbell@oadby-wigston.gov.uk Rashpal Sohal (Finance Manager) (0116) 257 2705 rashpal.sohal@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:	The report is satisfactory.
Monitoring Officer:	The report is satisfactory.
Consultees:	Senior Leadership Team
Background Papers:	None.
Appendices:	1. Capital Programme (2021/22)

1. Introduction

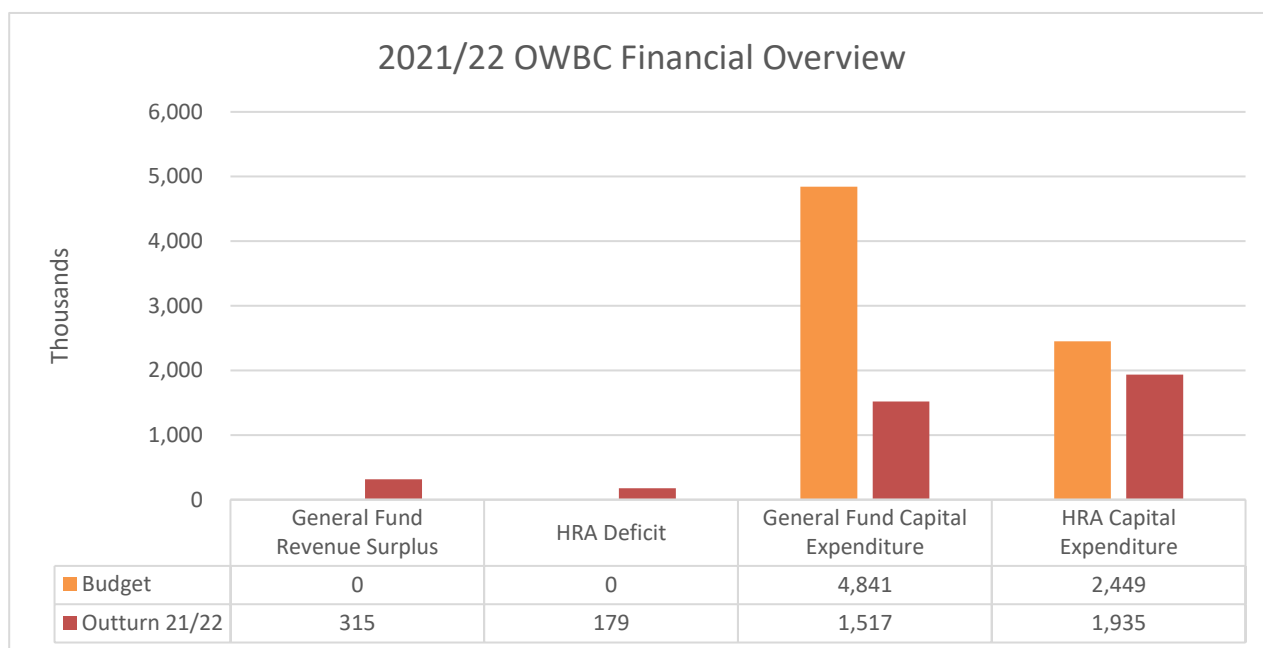
- 1.1 Every year the council is required to produce its financial statements for the year, to set out the financial position of the council and summarise the material transactions. This report provides an overview of the Council's provisional financial outturn for 2021/22, prior to the draft accounts being published on the Council's website in late June/early July. The report also provides PFD with a final budget performance update for the 2021/22 year.
- 1.2 All outturn figures are noted as provisional as they are subject to the external audit and may change. The Audit Committee is due to consider and approve the final accounts in October 2022.

2. Financial Overview

- 2.1 The below chart summarises the overall financial outturn for the Council's main accounts – the General Fund and the Housing Revenue Accounts (HRA).
- 2.2 For the General Fund the position is that the financial outturn was more favourable than predicted in the 2021/22 budget that was approved by Council in February 2021 and as was predicted throughout the year. The main reasons for this are in relation to a prudent approach in managing costs arising on the Covid-19 response and are set out in more detail below.
- 2.3 For the HRA, the position is an outturn deficit compared to a budgeted balanced position.

(Continued overleaf)

Chart 1 – 2021/22 Financial Overview



3. General Fund Summary Position

- 3.1 Overall, there is a net £315K underspend which represents 4% variance of the overall Council Revenue budget. This is a reduction in expenditure of £474k on the position reported to members at Quarter 3, and moves the predicted deficit of £159k to a £315k surplus.
- 3.2 The Council budget for 2021/22 included a budget of £500k for potential additional covid related costs. This amount was set aside as the amount of Covid grant receivable was not known at the time of preparing the budget. Throughout the year the Council used £114k of this budget leaving £386k unused. In total, the Council has received £921k of grant and income which has offset £921k of additional council expenditure in 2021/22.
- 3.3 Without this funding which was received at various points during the year the Council budget would have been overspent by £606k, since Covid expenditure totalled £921k and the overall underspend position set out in this report is £315k (£921k Covid expenditure - £315k underspend 2021/22 = £606k overspend).
- 3.4 The position has therefore enabled release of £86k in Q4 set aside in the budget to fund Covid costs. Previously in Q3 £300K had been released. Aligned with this Council officers have worked hard to make savings in expenditure to reduce the reported Q3 overspend. Examples of key savings are listed below in paragraph
- 3.5 The combination of budget savings and additional income generation has resulted in this movement from Q3 to Q4 from an overspend to an underspend of £315k.
- 3.6 This reduction from Q3 to Q4 has been achieved by a combination of the below key elements;

(Continued overleaf)

1. Further release of COVID provision within Corporate Management budget codes, taking the total to £386k.	(£86k)
2. Saving due to the Council not directly making any support payments to the Leisure Services for specific services.	(£75k)
3. Unanticipated demand in major development applications resulting in additional fees generated and collected.	(£63k)
4. Homelessness – Housing Benefit received for increase in emergency accommodation expenditure in year.	(£64k)
5. Increase in car park income compared to Quarter 3 forecast. It is important to note that due to the delays in implementing the scheme the Council collected £109k less than was originally budgeted.	(£53k)
6. Movement to pension adjustment as part of year end adjustment.	(51k)
7. Finance salaries coded to COVID-19.	(41k)

3.7 It is proposed that the following two earmarked reserves totalling £150k, are set aside from the underspend and approved by the Committee:

- i) £140k is to resource the delivery of recommendations arising from the Corporate Peer Challenge in 2022/23, with a particular focus on enabling matters relating to capacity to be addressed. £60k of the reserve will be used to provide extra capacity for 12 months to support the Revenue and Benefits team to aid recovery of Council Tax/NNDR collection rates which has suffered the affects of staff been seconded over the last two years to support Covid related activites.
- ii) £10k for the purposes of undertaking a feasibility study to consider the viability of a programme of refurbishment and re-opening of the public sites across the borough.

4. Forecast for Each Service Area

4.1 Senior Leadership Team (SLT) - Forecast Underspend (£234K). The forecast underspend relates to two vacant Director posts. The Director (S151 Officer) post was filled in January

2022. The other Director post was still open end of the year, hence the underspend. It was later filled in May 2022.

- 4.2 COVID-19 – Forecast breakeven. Since the Quarter 1 report qualifying expenditure has been recharged to the Covid 19 cost centre see Table 1. The income receivable for Covid related activity has been fully utilised in 2021/22.

Table 1 - 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	734
Supplies and Services	187
Costs Related to COVID-19 Support	921
Grants/Income to be Received	(921)
Income Related to COVID-19 Support	(921)
Net COVID-19 Costs	0

- 4.3 The Council received various Covid related grants throughout the year to meet loss of income up to June for fees and charges and to support the recovery of the Council Services. Grants to fund council costs were received throughout the year for administering the various schemes for Covid grant payments to business. Funding was also received for the Council administering payments for the Test and Trace scheme.
- 4.4 A summary of the overall General Fund Budget and Actual Outturn at service level is set out in Table 2.

Table 2 - General Fund Budget Monitoring

Service	Revised Budget 2021/22	Forecast Outturn	Variance
	£	£	£
Senior Leadership Team	471,500	237,456	(234,044)
Covid 19 Funding	0	0	0
Finance & Resources (Including Corporate Budgets)	3,373,725	3,029,580	(344,145)
Law & Democracy	165,060	307,375	142,315
The Built Environment 1 & 2	966,600	1,106,301	139,701
Community & Wellbeing (inc Depot)	941,466	778,052	(163,414)
Customer Service & Business Transformation	1,343,300	1,449,631	106,331
HRA Recharge	(1,195,000)	(1,195,000)	0
Capital Financing	1,015,000	1,053,000	38,000
	7,081,651	6,766,396	(315,255)

- 4.5 Finance and Resources – Actual Underspend (£306k). This forecast underspend is a net result of variances across the service (£344k) + £38k overspend on capital financing. The most significant ones are set out in the table below.

Service	Variance £'000	Reason for variance
Corporate Management	(386)	Total release of COVID provision.
Corporate Management Non-Financial	61	An increase in the Council pension lump sum contributions.
Council Tax & NNDR	(19)	Court cost income better than expected.
Net cost of Benefit	(14)	Movement on provision for bad debt due to increased collection rate to previous year.
Car Parks	109	Forecast non-achievement of income due to delayed implementation of the new car parking charges system.
Bushloe House Offices and Grounds	(48)	Gas actual was lower this year than previous year where there was a catch up invoice, the budget now is amended in 22/23 to correctly show this.
	(9)	Other underspends through out the service area.
Total	(306)	

- 4.6 Law & Democracy – Actual Overspend £142K. This forecast overspend mainly relates to an incorrect budget of £550k which should have been £250k for the year. This aside, this service area has been (overspend £142k – net incorrect budget £300k) £158k favourable.

Service	Variance £'000	Reason for variance
Selective Property Licensing Scheme	302	Incorrect budget on selective property licencing of £550k, this has been addressed in budget gap work. Actual income £198k
Licensing Service/ Legal & Admin Service	(48)	Salary savings.
Legal & Admin Service	(16)	Legal fees income received favourable to budget.
Environmental Health Administration / Enforcement	(56)	Vacant position saving due to recruitment difficulties. Harborough are currently assisting with this work on temporary measures.
Taxi Licences	43	Taxi Licences income adverse to budget by £34k, with licence refunds £5k.
Register of Electors	(22)	Postage recharge budget release of £16k, with other small savings through other budget codes.
Law & Governance	(50)	COVID-19 funding reallocation for staffing costs.
	(11)	Other underspends through out the service area.

Total	142	
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4.7 The Built Environment – Actual Overspend £140K. The main factors contributing to the department’s net overspend are set out in the table below.

Service	Variance £'000	Reason for variance
Building Regulations Chargeable Account	46	Building inspection and application fees income not achieved.
Planning Control / Economic Development / Building Control section	106	Overspend relates to 4 agency staff covering current vacancies till the end of March 22. There is currently a national shortage in Planning recruitment.
Planning Control	(81)	There were £(10k) saving on plants and tree works, further £(7k) savings on legal and professional services. Planning application fees income along with other fees and charges was £(64k) favourable to budget.
Private Housing	26	There was £17k of invoices for Lightbulb paid in 21/22 but for 20/21. This is timing differences at year end. There are no further invoices outstanding for 21/22.
Homelessness	38	Number of people in need of assistance has drastically increased because of the Covid-19 pandemic.
Belmont House Hostel	29	There was income in the budget that due to a change in occupation levels of this hostel will no longer will be achievable. This is due to Covid. Budget 22/23 will reflect this.
	(28)	COVID-19 funding reallocation staffing
	4	Other underspends through out the service area
Total	140	

4.8 Community & Wellbeing – Actual Underspend (£163K). The forecast underspend in this department is mainly due to the items set out in the table below.

Service	Variance £'000	Reason for variance
Community Development	(14)	14k of promotions budget released as no external events held this year.
Community Development	33	Redundancy costs, with small overspend on salaries.
Health Promotion	(20)	SLM grant, Active Families & Steady Steps funding received within year. Surplus in-year.

Recreation & Leisure	(47)	Salary savings to forecast due to a position being externally funded
Swimming Pools & Leisure Centre	13	Adjusted leisure centre income reviewed and amended accordingly in Q4.
Garden Waste Collection	(119)	Increase in income in garden waste permits. These are done to Apr 21-Mar 22.
Brocks Hill	(12)	Savings through all the budget codes in this area, largest saving in the play area maintenance budget code of £3k.
	3	Other underspends through out the service area
Total	(163)	

4.9 Customer Services and Business Transformation – Actual Overspend £106K. This service area includes Customer Services, System Support, IT, Communications and Marketing, Projects and Procurement and Customer Service Improvement. The overspend is due to the following items set out in the table below.

Service	Variance £'000	Reason for variance
Systems Administration	33	Specialised staff to support IT Transition with infrastructure engineer.
Systems Administration	81	Accounting adjustment due to historical inability to capitalise staff costs.
Customer Service Improvement	39	This variance relates to the cost of the Welland Procurement Service that was not budgeted for.
Customer Service Improvement	15	Variance is as a result of forecast additional staff costs in the service.
Customer Service	13	Increase in additional laptops costs and software costs.
Customer Services	(46)	Underspend is as a result of the closure of the Customer Service Centre.
Telephones	49	Forecast increase in telephone services costs. This is due to COVID and the redirection of calls and non-geographic dialling contract under previous partner.
	(81)	COVID-19 funding reallocation (£9k staffing, £49k telephones and £13k laptop costs).
	3	Other costs across the service area.
Total	106	

5. Housing Revenue Account (HRA)

- 5.1 The Housing Revenue Account opening balance as at 1st April 2021 on its main reserve was £1.331m. In 2021/22 the account has a budget deficit of £179K leaving an estimated HRA Reserve balance of £1.152m at 31st March 2022.
- 5.2 The position on the account as the end of year is set out in Table 4 below.

Service	Original Budget 2021/22 £000	Committed to Date 31 March 22 £000	Variance £000
Housing Revenue Account	(3,524)	(3,238)	286
Supervision and Management			
Estate Management	1,690	1,560	(130)
Churchill Close	(8)	(4)	4
Marriott House	4	5	1
William Peardon Court (Kings Drive)	6	13	7
Communal Services	78	65	(13)
Total Supervision & Management	1,769	1,639	(130)
Repairs & Maintenance	1,039	1,275	236
NET COST OF SERVICES	(716)	(324)	392
Capital Charges	625	503	(121)
Appropriations	91	0	(91)
(Surplus) / Deficit	0	179	179
Reserve Balance B/Fwd	(1,139)	(1,331)	
(Surplus) / Deficit for Year	0	179	
Reserve Balance C/Fwd	(1,139)	(1,152)	

Service	Variance £'000	Reason for variance
Depreciation	320	Depreciation £320k is based on the asset values and useful life from most recent annual accounts after allowing for an increase of 3% for an increase in asset base
Bad debts provision	(65)	The provision set aside for bad debts has not wholly been required again this year saving (£65k)
Council Tax on empty properties	38	Council Tax on void properties has now been caught up during 21/22 resulting in a £38K overspend against expected spend this year.
Estate Management	(95)	Workloads salary apportionments have been reassessed and apportioned between homelessness and HRA (95K)
Estate Management	(20)	Hired staff budget has been not required this year after the new housing structure has been implemented (20K)
Estate Management	27	Implementing software maintenance costs regarding Orchard.
Estate Management	(25)	Recharge between HRA and General fund has decreased to after a reduction in support from CS Team (25K)
Repairs & Maintenance	(33)	Salaries charged to capital has resulted in (£33K) being saved in the main Revenue Account
Repairs & Maintenance	262	It has been a year of catch up after finally coming out of pandemic restrictions. Responsive repairs have now caught up resulting in an overspend of £262K.
Capital Charges	(122)	Based on the capital programme and current borrowing requirement interest will not reach the levels budgeted for. It was anticipated taking out new borrowing to fund new projects, which didn't happen. Secondly, it was cheaper short term loans rather than long term.
Appropriations	(91)	Not required due to slippage in 20/21 causing a reassessment of the appropriations.
	(17)	Other underspends through out the service area
Total	179	

5.3 The financial year 2021/22 has seen the Council consolidating its position after coming out of lockdown re-assessing its staffing structure and catching up on the backlog of repairs and maintenance caused by the inability to enter properties to do work. This has meant an in year deficit greater than budgeted however this was the converse of the surplus created by the underspend of 2020/21 and leaves the Council's HRA reserve broadly in line with expectations at the time of setting the budget.

6. Capital Programme

6.1 The 2021/22 Capital Programme was set at Full Council in February 2021 and amended in December 2021. **Table 3** shows a summary of the 2021/22 capital programme and the full capital programme is shown in **Appendix 1**.

Table 3 - Capital Programme Summary

Fund	Revised Budget 2021/22	Spend To Date	Variance to Budget
	£'000	£'000	£'000
General Fund	4,841	1,517	(3,324)
Housing Revenue Account	2,449	1,935	(514)
Total	7,290	3,452	(3,838)

6.2 In Quarter 3, the Modular Homes Development (£3.8M) and Oadby Pool (£6.415M) projects were removed from the programme due to concerns regarding the affordability of the Councils overall capital programme, before the LGA Financial Health Check that was undertaken in 2021. New schemes updated in the Capital Programme in-year include the New Council Offices (£1.8M), ICT Transition (£750K), and Housing Development (£500K), and Pay & Display (£95K).

6.3 In Quarter 4, a new grant-funded scheme LAD2, which covers the implementation of energy efficiency measures to residential properties, was included at £305.2k, utilising government grant funding. Work done under the LAD2 scheme in 21/22 was largely surveys for eligible properties, with the bulk of the grant expecting to spend in 22/23.

6.4 ICT budgets relating to Steria, and other existing IT budgets have been repurposed to support the new in house IT service. This consists of the IT replacement programme (£30.2k), Server/Network hardware replacement (£11k), Windows server migration (£5k) and data centre (£10k). The Council offices refurbishment (£31.2k), Bushloe House car parking resurfacing (£28k) and Brocks Hill car park drainage (£4k) were originally proposed to be removed but will be carried forward to 2022/23. Finally, HR Software (£10k) was removed, as this project costs were not eligible for capitalisation once they were reviewed.

6.5 Although the New Council Office and Housing Development schemes were added to the 21/22 capital programme, disruptions caused by the pandemic mean that both of these projects will slip into 22/23.

6.6 Lower than anticipated take-up of the Private Sports Grants scheme (£195K) has resulted in the decision to transfer the funding to the Sports Facility Improvement Programme, in order to fund an expanded programme of works in 22/23.

- 6.7 The pitch improvement scheme (£80K) was delayed due to the pandemic, and due to the need to wait for the end of the football season, as was the Brocks Hill Additional Play Equipment (£82K). The Coombe Park Pavilion Extension project (£170K) is on hold pending the receipt of the relevant S106 funding from the Cottage Farm development.
- 6.8 Replacement of vehicles (£69K) was delayed pending the fleet review. Wigston Town Centre Car Park Redevelopment (£100K) was reallocated as match funding for a bid to the Levelling Up Fund. General Fund Slippage for the 2021/22 of £3.324m and previous years slippage has been carried forward to the 2022/23 Capital Programme.
- 6.9 Full implementation of the 21/22 HRA capital programme was delayed due to the need to catch up on work from the 20/21 programme, delayed by the pandemic. It is envisaged that the backlog will be completed in 22/23 without impacting the 22/23 programme. The HRA slippage of £514k has been carry forward to 2022/23 Capital Programme.

7. Improvements in Financial Management

- 7.1 Ensuring financial sustainability remains a key challenge for the Council. The Council is aware of this and in response has recently taken positive steps to stabilise the financial position of the organisation.
- 7.2 In 2021, the Local Government Association were invited in to undertake a financial health check and a number of recommendations were made which have now been implemented. The final recommendation outstanding is linked to the development of a new Medium Term Financial Strategy and is timetabled for September 2022
- 7.3 Building on this progress and following appointment of a new Section 151 Officer, further work is being undertaken to improve the financial management approach and culture. Improvements currently scoped include (but are not limited to):
- Adoption of the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code and a self-assessment against
 - A skills and competency assessment and training for budget holders on budget management and financial decision making;
 - Development of an annual training programme on finance and financial decision making for members;
 - A Service Level Agreement for budget monitoring to ensure that budget holders (managers and Head of Service) understand and play their role in managing the organisation's finances;
 - Improvements to the way in which forecasts are made, so that budgetary and in-year forecasts are as accurate as possible;
 - A review of the financial monitoring process and reports;
 - A review of the budget monitoring approach and timetable.
- 7.4 Further progress updates will be provided to members as part of the quarterly budget monitoring updates provided to PFD.