

Council

27 January 2022

Report of Director of Resources

## **REVENUE BUDGET MONITORING QUARTER 2 2021/22**

### **PURPOSE OF REPORT**

To provide an update on the Council's revenue budget for 2021/22 and to seek approval for virements and the revised budget for 2021/22.

### **RECOMMENDATION**

- 1) That the updated revised revenue budget for 2021/22, including the virements as identified in paragraphs 1.3 to 1.5 of the report, be approved;
- 2) That the forecast underspending of £391,327 for 2021/22 be noted;
- 3) That any underspend at out-turn for 2021/22 be transferred to reserves as follows:
  - the first £100,000 into the General Reserve;
  - the next £200,000 into the Customer Innovation Reserve;
  - the use of any further underspend to be recommended as part of the out-turn report based on priority need.

### **WARDS AFFECTED**

All

### **STRATEGIC LINK**

Effective budgetary control is important to ensure effective management of Council resources, ensuring that key services and priorities can be delivered.

## **1 REPORT**

- 1.1 On 4<sup>th</sup> March 2021 Council set a net revenue budget of £11,015,556 for 2021/22. This was subsequently updated when the revised net revenue budget of £11,315,443 was approved by Council on the 8<sup>th</sup> July. After allowing for all transfers to and from earmarked reserves and all external funding, the bottom line of the budget was a surplus of £20,200.
- 1.2 Since the revised budget was formally approved in July a small number of other budget amendments have since been approved by Council, and there have been some minor virements approved under delegated authority which have impacted directorate totals. These additional approved budget changes are summarised in Appendix 1, and have

the overall effect of increasing the budget by £52,350 which results in a deficit of £32,150. If this deficit is evident at outturn it would be proposed to fund this from the General Reserve, if no other funding is available.

- 1.3 During the year residents have continued to enter into subscriptions for garden waste collections. This has resulted in £142,000 additional income in excess of the current budget. It is proposed to transfer this amount into the Waste Vehicles Reserve to contribute towards the costs when additional or replacement waste vehicles are required. Furthermore, it is proposed to transfer any further surplus in year in garden waste income to reserves unless further unfunded emerging pressures in Waste Services arise.
- 1.4 The costs of local elections in May for the County Council and the Police and Crime Commissioner, are part funded from central government grant of £30,000 with the remaining balance due from those organisations. These costs are expected to be settled in year and, at present, the elections claims are ongoing. The small cost of the Wirksworth and Masson by-election is to be funded from the Elections Reserve and the Ashbourne, Brailsford and Kirk Ireton Neighbourhood Plan referendums from Revenue Grants Unapplied. Appropriate virements will be processed once the election claims are finalised.
- 1.5 The original budget allowed for expenditure of £50,000 to assist with the delivery of the Local Plan. The expenditure was to be offset by a transfer of £50,000 from the Local Plan Reserve. The current situation is that this is unlikely to be required in full during 2021/22. The original budget also anticipated grant funding of £40,000 relating to the Neighbourhood Plans at Brailsford and Ashbourne which progressed and was recognised during 2020/21 within the outturn position. The Regeneration & Policy and Transfers to / (from) Reserves budgets have been updated to reflect the current position. If delivery of these schemes subsequently progress during 2021/22 then the funding will be drawn down from reserves as initially intended and this will not have any impact on the overall surplus / (deficit) for the year.
- 1.6 The overall impact of all budget amendments to date results in a net revenue expenditure of £11,517,357 and an expected deficit of £32,150 for the year to be funded from the General Reserve. The updated rolling revised budget is included in appendix 2.
- 1.7 The full year forecast to March 2022 based on budget monitoring to quarter 2 (September 2021) and decisions of full Council to 14<sup>th</sup> October 2021 indicates an underspend of £391,327 attributable across services to vacancies against the establishment. These arise where services are carrying vacancies. The forecast assumes a 1.75% pay award, however it is uncertain what pay award for 2021/22 will be awarded.

	Original Budget 2021/22	Total in year Budget Amendments	Proposed Revised Budget	Forecast Outturn	Forecast Variance
	£	£	£		
Chief Executive	371,397	10,310	381,707	393,292	11,585
Community and Environmental Services*	3,221,396	200,316	3,421,712	3,354,515	(67,197)
Corporate Services	1,972,854	19,542	1,992,396	1,914,912	(77,484)
Housing	586,350	0	586,350	540,877	(45,473)
Regeneration and Policy	610,792	37,640	648,432	624,271	(24,161)
Regulatory Services*	1,174,825	178,195	1,353,020	1,321,847	(31,173)
Resources	2,780,575	55,797	2,836,372	2,678,948	(157,424)
<b>Net cost of Services</b>	<b>10,718,189</b>	<b>501,801</b>	<b>11,219,990</b>	<b>10,828,663</b>	<b>(391,327)</b>

1.8 It is recommended that any underspend at out-turn for 2021/22 be transferred to reserves as follows:

- the first £100,000 into the General Reserve, to top up the balance to £1m, which is considered necessary to improve financial resilience;
- the next £200,000 into the Customer Innovation Reserve, to be used to fund the costs of a contract extension for the digital transformation team (see the report elsewhere on the agenda for this meeting relating to Resilience, Resources, Priorities);
- the use of any further underspend to be recommended as part of the out-turn report based on priority need.

1.9 It is proposed that any further cost pressures which cannot be met from existing reserves be financed within the current total budget by virement against forecast underspend. Contributions from the General Reserve should only be required if the forecast outturn position is an over-spending, which seems unlikely for 2021/22.

## **2 RISK ASSESSMENT**

### **2.1 Legal**

The Council has a legal duty to set a balanced budget and has a general duty to act in the public interest in managing the custody of public funds. The accounts have been prepared by qualified personnel using accepted principles to ensure proper accountability. The legal risk is therefore low.

### **2.2 Financial**

The financial details are set out in the body of the report.

Significant risks within the revenue budget include:-

- Uncertainties relating to business rates income, which can be very volatile, especially since the coronavirus pandemic. This risk is assessed as High.
- Uncertainties relating to collection of council tax income and growth in the tax-base, which has been impacted by the coronavirus pandemic. This risk is assessed as Medium to High.
- Income from sales, fees and charges not being achieved. The Council has no direct control over, for example, the level of car parking income, which is affected by factors such as the weather. Some income streams, notably stall market income, have been impacted during the coronavirus pandemic. Income from fees and charges is significant to the Council's financial position and, therefore, this financial risk is assessed as Medium to High.
- Uncertainty due to the value of income from disposal of recycling material (though this is mitigated somewhat by the establishment of a reserve). Given the volatility in the current markets for recyclable materials, this financial risk is assessed as High.
- The current value of a number of Earmarked Reserves may not be adequate to meet all medium term objectives. The General Reserve has fallen below the desired balance (so this report recommends a top up), and the Customer Innovation Reserve is unable to meet current commitments for digital transformation (so this report recommends a top up). Other reserve levels will

be reviewed as part of the report on the Proposed Revenue Budget for 2022/23 and in an updated Medium Term Financial Strategy, both of which will be presented to Council in March. At the current time, a significant revenue underspend is anticipated but not guaranteed. This financial risk is assessed as Medium.

### **3 OTHER CONSIDERATIONS**

- 3.1 In preparing this report, the relevance of the following factors has also been considered: prevention of crime and disorder, equalities, environmental, climate change, health, human rights, personnel and property.
- 3.2 No detailed climate change assessment required on the increase to the revenue budget. The amendments to the budget have already been approved by members (as per the minute numbers shown in Appendix One) and include two items related to positive Council action around climate change.

### **4 CONTACT INFORMATION**

- 4.1 Karen Henriksen (Director of Resources) [Karen.henriksen@derbyshiredales.gov.uk](mailto:Karen.henriksen@derbyshiredales.gov.uk)
- 4.2 Paul Frith (Financial Services Manager) [Paul.frith@derbyshiredales.gov.uk](mailto:Paul.frith@derbyshiredales.gov.uk)

### **5 BACKGROUND PAPERS**

- 5.1 None

### **6 ATTACHMENTS**

Appendix 1: Approved Budget Changes since Revenue Monitoring Report (8<sup>th</sup> July 2021)

Appendix 2 – Updated Revised Budget 2021/22

## Appendix 1 – Approved Budget Changes since Revenue Monitoring Report (8<sup>th</sup> July 2021)

Sum of Amount			Type	Supplemental	
Directorate	Member Approval	Reason for Virement	Virements	Budget	Grand Total
<b>Community and Environmental Services</b>					
☐ Environmental Services	☐ 2 Council 27/7/2021	Waste Services increased HGV Pay	150,848		150,848
	2 Council 27/7/2021	Reduction in recycling credits	55,000		55,000
	2 Council 27/7/2021	Free parking after 2pm (Sept 21)	45,325		45,325
	☐ 3 Council 14/10/2021	Independent review into the waste contract		20,000	20,000
	☐ Delegated Authority 28/09/2021	Settlement of 20/21 Covid Freedom Leisure	8,691		8,691
<b>Community and Environmental Services Total</b>			<b>259,864</b>	<b>20,000</b>	<b>279,864</b>
<b>Regeneration and Policy</b>					
☐ Regeneration and Policy	☐ 1 Council 8/7/2021 a	Contribution towards vision Derbyshire		32,350	32,350
<b>Regeneration and Policy Total</b>				<b>32,350</b>	<b>32,350</b>
<b>Regulatory Services</b>					
☐ Regulatory Services	☐ 3 Council 14/10/2021	Feasibility study into the technical and financial viability of ground mounted solar photovoltaic arrays on Council land	30,000		30,000
	3 Council 14/10/2021	Activities in relation to supporting area wide emissions reductions	11,700		11,700
<b>Regulatory Services Total</b>			<b>41,700</b>		<b>41,700</b>
<b>Transfer from Reserves</b>					
☐ Transfer from Reserves	☐ 2 Council 27/7/2021	Waste Services increased HGV Pay	(150,848)		(150,848)
	2 Council 27/7/2021	Reduction in recycling credits	(55,000)		(55,000)
	2 Council 27/7/2021	Free parking after 2pm (Sept 21)	(45,325)		(45,325)
	☐ 3 Council 14/10/2021	Climate Change activity funded from General Reserve (Council 14/10/21 AI10)	(41,700)		(41,700)
	☐ Delegated Authority 28/09/2021	Settlement of 20/21 Covid Freedom Leisure	(8,691)		(8,691)
<b>Transfer from Reserves Total</b>			<b>(301,564)</b>		<b>(301,564)</b>
<b>Grand Total</b>			<b>0</b>	<b>52,350</b>	<b>52,350</b>

## Appendix 2 – Updated Revised Budget 2021/22

	Original Budget 2021/22 £	Total in year Budget Amendments £	Proposed Revised Budget £	Forecast Outturn	Forecast Variance
Chief Executive	371,397	10,310	381,707	393,292	11,585
Community and Environmental Services*	3,221,396	200,316	3,421,712	3,354,515	(67,197)
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<b>Net cost of Services</b>	<b>10,718,189</b>	<b>501,801</b>	<b>11,219,990</b>	<b>10,828,663</b>	<b>(391,327)</b>
<b>Non Service Items:</b>					
Interest on Balances	(37,000)	0	(37,000)	(37,000)	0
Borrowing Interest Paid	225,150	0	225,150	225,150	0
Statutory Debt Repayment	100,849	0	100,849	100,849	0
Loan Premium Due	110,924	0	110,924	110,924	0
Income from Investment Properties	(102,556)	0	(102,556)	(102,556)	0
<b>Net Revenue Expenditure</b>	<b>11,015,556</b>	<b>501,801</b>	<b>11,517,357</b>	<b>11,126,030</b>	<b>(391,327)</b>
<b>Transfers to / (from) Reserves</b> (as detailed in Appendix 6)	<b>(4,419,167)</b>	<b>(469,651)</b>	<b>(4,888,818)</b>	<b>(4,888,818)</b>	<b>0</b>
<b>Funding Requirement</b>	<b>6,596,389</b>	<b>32,150</b>	<b>6,628,539</b>	<b>6,237,212</b>	<b>(391,327)</b>
<b>Funded by External Funding</b>					
Retained Business Rates including S31					
Grant Payments to and from Pool	(2,868,832)	0	(2,868,832)	(2,868,832)	0
Business Rate Collection Fund (Surplus)/ Deficit	3,949,040	0	3,949,040	3,949,040	0
CT Collection Fund (Surplus)/ Deficit	80,418	0	80,418	80,418	0
New Homes Bonus	(397,613)	0	(397,613)	(397,613)	0
Rural Services Delivery Grant	(420,990)	0	(420,990)	(420,990)	0
Lower Tier Services Grant	(71,358)	0	(71,358)	(71,358)	0
Other Government Grants	(294,083)	0	(294,083)	(294,083)	0
<b>Total External Funding</b>	<b>(23,418)</b>	<b>0</b>	<b>(23,418)</b>	<b>(23,418)</b>	<b>0</b>
Total Council Tax Requirement (inc Parishes)	(8,399,207)	0	(8,399,207)	(8,399,207)	0
Town and Parish Precepts (As detailed in Appendix 9)	1,826,236	0	1,826,236	1,826,236	0
<b>District Council Tax Requirement</b>	<b>(6,572,971)</b>	<b>0</b>	<b>(6,572,971)</b>	<b>(6,572,971)</b>	<b>0</b>
<b>Total (Surplus)/Deficit</b>	<b>0</b>	<b>32,150</b>	<b>32,150</b>	<b>(359,177)</b>	<b>(391,327)</b>
Projected Surplus/ (Deficit) Recommended Transferred to / (from) General Reserve		(32,150)	(32,150)	0	32,150
Projected Surplus/ (Deficit) For Transfer to Reserves		0	0	359,177	359,177
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>