

Finance Monitoring Quarter 2 2020/21

Relevant Portfolio Holder	Councillor David Thain, Portfolio Holder for Corporate Management
Relevant Head of Service	Chris Forrester, Head of Finance and Customer Services
Non Key Decision	

1. Purpose and summary

To report to Executive on the Council's financial position for Revenue and Capital for the financial period April 2020 – September 2020.

2. Recommendations

The Executive Committee is asked to resolve

- 2.1 The current financial position in relation to revenue and capital budgets for the financial period April 2020 – September 2020.

That Executive recommend to Council

- 2.2 Approval of an increase in the 2020/21 Capital Programme of £15k for Digital screens including installation at Arrow Valley Country Park. (see 6.1)
- 2.3 Approval of an increase in the 2020/21 Capital Programme of £6k for an additional passing bay along the main access to the Arrow Valley Country Park. (see 6.2)
- 2.4 Approval of an increase in the 2020/21 Capital Programme of £19.5k for resurfacing of pathway at Arrow Valley Country Park. (see 6.3)

- 2.5 Approval of an increase in the 2020/21 Capital Programme of £10k for the already approved capital Scheme Café and infrastructure Morton Stanley Park towards ensuring all relevant carbon reduction measures are incorporated. (see 6.4)
- 2.6 Approval to increase the management fee payment to Rubicon Leisure by £373k for the second quarter of 2020 only from the COVID-19 funding received from the central government along with confirming the first quarter increase (£170k) also being funded from this same funding stream. This is to offset the shortfalls in income that the company is facing in 2020/21

3. Revenue budgets

- 3.1 This report provides details of the financial performance of the Council for 2020/21. The report reflects the finances across the new strategic purposes to enable Members to be aware of the level of income and expenditure attributed to each area and how this compares to budget. The summary below shows the financial revenue position for the Council for the period April to September 2020/21.
- 3.2 Financial reports are sent to budget holders on a monthly basis. As part of this process a detailed review is undertaken with support from the finance team to ensure that all issues are considered and significant savings or cost pressures are addressed. This report explains the key variances to budget for 2020/21.
- 3.3 The £9.702m original budget as included in the table below is made up of the budget approved in February 2020.

In addition the Latest Budget 2020/21 of £10.181m includes transfers from reserves of £479k which is shown in appendix 2.

**Revenue Budget Summary – Overall Council
Financial Year 2020/21**

Please note figures have been rounded

Strategic Purpose	Original Budget 2020/21	Revised budget 2020/21	Budget to date 2020/21	Actuals to date 2020/21	Variance to date 2020/21	Projected outturn 2020/21	Projected Variance 2020/21
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Aspiration, work & Financial independence	663	679	608	655	47	912	233
Communities which are safe, well maintained and green	4,203	4,534	1,994	1,925	-69	4,489	-45
Enabling the Authority	2,674	2,595	850	940	91	2,875	281
Finding somewhere to live	1,055	1,060	535	398	-137	916	-144
Living independent, active & healthy lives	664	717	92	82	-10	778	62
Run and grow a successful business	444	598	388	937	549	1,299	701
Totals	9,702	10,181	4,466	4,937	471	11,269	1,088
Corporate Financing	-9,702	-10,181	-6,704	-6,714	-9	-10,041	140
Grand Total	0	0	-2,238	-1,776	461	1,228	1,228

Financial Commentary:

It is important to note that the council has received £1,456k in COVID-19 grants in four tranches from central government to date of which £355k has been spent. This means that there is £1,101k remaining which can be used to mitigate some of the overspends/losses as shown above and explained in more detail below as appropriate. The Council has also filled in returns to central government with the expectation that a proportion of the losses the council has experienced detailed on the returns due to COVID-19 will be met by government which should reduce the deficit position detailed above.

There are a number of variances across the strategic purposes. The summary above shows the 2020/21 revenue position for the Council to the end of quarter 2 and the main variations are as a result of the below.

Aspiration, work & Financial independence (£233k overspend)

The strategic purpose includes all costs relating to the support of benefits and the administration and delivery of Council Tax services in the Borough.

- There have been some additional costs required within Benefits subsidy for Benefit payments on B&B's due to the COVID-19 pandemic. There have also not been any court recoveries taking place and none have been projected by the year end to take place. **£323k.**
- Benefits and Revenues have some salary savings due to a pending service review **£89k.**

Communities which are safe, well maintained and green (£45k saving)

These budgets include those relating mainly to Environmental Services, Planning, CCTV and other activities to deliver against the purpose to ensuring an area is a safe and attractive place for the community.

The variances to report are:

- There is a saving within the Anti-Social behaviour team budgets due to salary vacancies which are being addressed in a service review. The underspend, however, will be offset against the overhead recharge to the HRA (shown in enabling services) due to the service being 100% attributable to the HRA of **£135k.**
- Bereavement services have received less income than expected from burial fees going in to the second quarter of **£51k** due to the pandemic restrictions that have been in force stopping some service items such as cremated remains burials. It is therefore projected this will continue for the foreseeable future and projected shortfall in income will be **£121k** by the end of the financial year 2020/21.
- Building Control have seen an increase in activity in the local construction sector after the initial lockdown in quarter 1 with a significant upturn in demand once matters normalised. This appears to have plateaued and introduced a false peak. Some concern is felt regarding the negative effect of any future local lock down. Whilst the sector is expected to continue the winter months often see a decrease in demand. The forecasted shortfall in income is projected therefore at **£20k.**
- Core Environmental operations have an underspend in quarter 2 due the strategic routes teams having low vehicle costs as a result of restricted work due to COVID-19 **£60k.**

Enable others to work/do what they need to do (to meet their purpose) (£281k overspend)

All support services and corporate overheads are held within the enabling purpose. These include IT, HR, Finance, Management team and other support costs.

- There is an overspend within Accounts and Financial Management due to additional resources required due to the pressures of Covid on projects like the implementation of the new ERP system of conducting the council audits remotely. These require greater resources than would have been the case if officers were still on site. **£50k.**
- There is an underspend within Asset & Property Management due to sites being closed as a result of COVID-19 and therefore savings are materialising on utility budgets and small operational budgets **£84k**

- There is a variance in Corporate services which is mainly due to a vacancy management factor target to be met. This will be reallocated from other services by quarter 3. See savings monitoring at point 4 to this report **£250k.**
- Corporate services also have an overspend due to higher than originally budgeted for pension costs. Officers are currently looking into how this deficit can be mitigated **£313k.**
- Customer Services have savings on salaries and secondments, and this is currently being reviewed **£91k.**
- Election & Electoral Services have one off saving due to the local election not taking place **£66k.**
- Human resources also have underspends on salaries which will be reviewed going into the third quarter of 2020/21 **£76k.**
- Training and organisational development have underspend on the corporate training budget due COVID-19 having had a direct impact on the ability to continue with all training, some training was paused and we are currently reviewing how we will continue to provide the necessary training in light of the pandemic, including moving to remote training as appropriate **£25k**

Finding somewhere to live (£144k saving)

The costs associated with homeless prevention, housing strategy and land charges are all included in this strategic purpose. It is worth noting that these costs solely relate to those charged to the General Fund not the Housing Revenue Account

- Within Homelessness Services there has been a review of the budget and grant received which has resulted in a projected saving that will also be factored into next years budgets **£144k.**

Living independent, active & healthy lives (£62k overspend)

There are a number of budgets relating to the delivery of the strategic purpose including Lifeline and Community Transport.

- There is a shortfall in income within community transport/Dial-a-ride and shop mobility due to the impact of COVID-19 **£112k.**
- Parks and events have savings as events have not taken place also due to COVID-19 along with some temporary salary savings **£59k.**

Run and grow a successful business (£719k overspend)

The budgets within the strategic purpose include the management fee to Rubicon Leisure, economic development, all licenses and costs associated with the town and other Properties within the Borough.

- Business development have seen reduced income from their learning online services and Civic suite hire which is a due to the Impact of COVID-19 **£57k**
- In Economic & Tourism development there is a projected overspend by year end due to some additional costs following the closure of the Rubicon Business centre. There is also a shortfall in income at the other business centres projected **£69k.**

- Licences has a shortfall of income in the first and second quarter of 2020/21 **£63k**.
- There is currently a variance within the client payment to Rubicon Leisure of **£373k** to quarter 2. This is as a result of the net loss of income following the forced closure of the sites due to the Government legislation during the Covid pandemic. The Shareholder Committee receives financial and performance reports to enable the Council to understand the Company financial position. Weekly reviews of the cash flow position are undertaken by Rubicon Leisure and the request from the Council is the most up to date and timely figure that can be assessed. The Company requires the funding to enable it to continue to pay its suppliers and employers and therefore ensure sufficient funds are available.

Corporate Financing (£140k overspend)

- It is expected that additional costs will be incurred for a Levy payment to the Worcestershire Pool due to the growth of Business Rates in the area from what we had predicted in the initial Government Return at the start of the year. Some of this will be re-distributed back to the Council which would not have been the case if we weren't part of a pooling arrangement.

4. Savings Monitoring

The medium-term financial plan included £467k of savings identified to be delivered during 2020/21 the breakdown of these savings is attached at appendix 3. £45k of these identified savings is in relation to reductions in enabling costs.

To quarter 2 £169k identified savings have been realised against the budgeted April to September savings of £234k.

In addition to the above officers have been required to find further savings throughout the financial year 2020/21 to meet the vacancy factor (£205k) and the enabling services (£45k) targets. At quarter 2 additional savings (above those identified) have been realised of £159k.

5. Cash Management

5.1 Borrowing

As at the 30th September 2020 there is no short term borrowing and £103.929m in long term borrowing with associated costs in the quarter of £888k. All long term borrowing costs relate to the HRA.

An interest payable budget has been set of £341k for 2020/21 due to expenditure relating to current capital projects.

5.2 Investments

As of the 30th September 2020 we had placed £9.250m in investment accounts to generate an income for the Council.

An interest receivable budget has been set of £209k for 2020/21 for any investments we make.

6. Capital Budgets

**Capital Budget Summary – Overall Council
Financial Year 2020/21**

Please note figures have been rounded

Strategic Purpose	Original Budget 2020/21 £'000	Revised budget 2020/21 £'000	Budget to date 2020/21 £'000	Actuals to date 2020/21 £'000	Variance to date 2020/21 £'000	Projected outturn 2020/21 £'000	Projected Variance 2020/21 £'000
Communities which are safe, well maintained and green	3,447	8,796	4,637	3,110	-1,527	7,555	-1,241
Enabling the Authority	55	392	210	123	-87	392	0
Living independent, active & healthy lives	40	1,837	947	200	-747	741	-1,096
Run and grow a successful business	250	500	112	75	-37	426	-74
Totals	3,775	11,508	5,897	3,508	-2,389	9,907	-2,411

Financial Commentary:

Communities which are safe, well maintained and green

These budgets include those relating mainly to Environmental services – Fleet replacement, Finance and Customer Services – Regeneration fund and Planning, Regeneration and Leisure Services to deliver against the purpose ensuring an area is both safe and attractive for the community.

The main variances for this strategic purpose relate to the following projects.

- One of the main projects within this strategic purpose is the capital budget for the Vehicle replacement. Whilst some spend has commenced there are final specifications with service areas for remaining vehicle orders to be placed.
- The capital budget for the removal of 5 weirs through Arrow Valley Park has been delayed due to Covid-19 and it is therefore expected this will not commence until the early part of 2021/22.
- There are number of S106 schemes that are also unspent mainly due to the delay from the impact of Covid-19 along with not being able to appoint contractors. It is projected and hoped that these

schemes will now commence in the third and fourth quarter of 2020/21 and it maybe also requested carry the budgets forward into the New financial year.

Enabling the Authority

These budgets include those relating mainly to Environmental services – Computer Systems and Finance and Customer Services – New Enterprise systems to deliver robust and efficient enabling services.

- The variance for this quarter relates to the Fleet management computer system and the Environmental Services Computer system. Suitable systems are being finalised prior to procurement taking place via a Framework.

Living independent, active & healthy lives

There are a number of budgets relating to the delivery of the strategic purpose including Funding for Disabled Facilities Grants, CCTV and Home repairs Assistance.

- The main underspend relates to the Disabled Facilities grant budget (DFG's) there has been little activity on this project in the first quarter and Second quarter of 2020/21 due to the COVID-19 pandemic.

Run and grow a successful business

- This capital budget is for the public buildings project which has commenced in the first and second quarter of 2020/21. This is projected to be spent by year end however, it will be reviewed at quarter three to ensure the planned works are on track due to buildings being on limited openings.

6.1 Digital Screens – Arrow Valley Country Park

The request for the approval of an increased budget at 2.1 is to provide two digital screens for Arrow Valley Country Park to promote integral activity and facilities for RBC (Events/Facilities/location). Also to offer digital advertising, marketing and promotion opportunities to local businesses and Rubicon.

The importance of parks has never been more evident than during 2020 with the beneficial impact and opportunity that our parks and open spaces have offered during the pandemic. This digital media will provide key information to those visiting the 900-acre park highlighting and promoting facilities, accessibility through the park, cycling and walking routes, annual and regular events and activities. This will also offer instant information what can be visited within the park and encourage interest from a wider audience to improve and increase outdoor activity and therefore mental health and wellbeing.

This will link in with the Community Priority to improve health and wellbeing by providing a high quality service which will enable increased engagement with the community and encourage the use

of the parks by promoting its assets, activities and events using digital technology. This also links with the Communities which are Safe, Well Maintained and Green by providing the opportunity for visitors both within the Borough and outside the Borough to understand what the park has to offer within a safe and well maintained environment. The use of new digital technology would also provide a platform for advertising local business as well as promoting key information for other services within the Council.

6.2 Passing bay – Arrow Valley Country Park

The request for the approval of an increased budget at **2.2** is to add a second passing bay to the main access road to the Arrow Valley Country Park. Unfortunately, damage has been caused to the grass verges as cars have to mount this to pass each other. Hardcore has had to be purchased and compacted down to prevent cars "bottoming out". The park is getting increasing use, this would remove the need for regular topping up of the hardcore as it gets dispersed and improve the flow of traffic in and out of the park.

As one of the towns premier leisure facilities improved access and an enhanced user experience encourages people to revisit. A better flow of traffic will help ease access and egress problems that can occur at busy times

6.3 Resurfacing pathway – Arrow Valley Country Park

The request for the approval of an increased budget at **2.3** is to resurface pathways at Arrow Valley Country Park (Lake). The footpath known as 'Shakespears Bank' at Arrow Valley Country Park (Lake) requires resurfacing along its length as it has become a medium risk in a high footfall area. This pathway is the narrowest path route around the lake and with increase in numbers exercising and using the park through the Pandemic and likelihood of increase usage in the future this is a high priority.

Evidence is available on the Parks Public Sector Software system which is used to record digital risk assessment and inspections of our parks and open spaces. This includes photographs and risk scores over a 5-year period. This location has been patch repaired throughout this period and now is at a point where it requires complete resurfacing.

This provides a link into Clean and Green strategic purpose to encourage the community to use our parks that are safe and minimise risk within a natural setting to encourage mental and physical health and wellbeing. This will enhance the aesthetic surroundings of the lake and country park and improve accessibility and user experience for wheelchairs and buggies and those with mobility issues. This will be monitored by the parks inspection team to continue to ensure safety within the park.

6.4 Café and infrastructure works Morton Stanley – Green element.

The request for the approval of an increased budget at **2.4** is due to the Parks team are working closely with the Climate Change Officer and the BEIS funded Midlands Energy Hub in the design of the new Morton Stanley Café, to reduce carbon emissions associated with the development. This includes considering embodied energy in the materials used, minimising the energy and water usage and maximising onsite renewable generation on site where appropriate. The final design is in

the process of being produced and will be agreed in consultation with both the Portfolio Holder for Leisure and the Portfolio Holder for Climate Change.

The procured costs of delivering the café are very close to the total budget predicted by the feasibility study and the Parks team would like to increase the budget by £10k as contingency spend, to ensure that all relevant carbon reduction measures can be incorporated.

For example, incorporation of an air-source heat pump (ASHP) as the heating source (cost to be confirmed but estimated £6k) with roughly 60% savings in both carbon emissions and energy costs. ASHP use electricity, but unlike electric heating, well-designed systems get around two-thirds of the required heat energy from the air. If the electricity is supplied from renewable sources, then the carbon emissions decrease to zero.

The additional 4K would support the contingency cost of the total project and subject to the final design and build agreed with all parties (Engineering, Leisure, Climate Change, Planning) and contractors.

(The most cost effective way for the electricity to the café to be supplied by renewable electricity is for the operators of the café to be required to contract directly with a renewable energy supplier, enabling the development of renewable energy at scale in the most appropriate places, as opposed to onsite solar which would be at risk of vandalism and of the council being held liable for electrocution of trespassers climbing on the single storey roof.

7. Housing Revenue Account

Appendix 1 details the financial position for the Housing Revenue Account (HRA) for the period April 2020 – September 2020.

8. Earmarked Reserves

The position as at 30th September 2020/21 is shown in Appendix 2.

9. General Fund Balances

The General Fund Balance as at the 31st March 2020 was £1.599m. A balanced budget was approved in February 2020 to include identified savings which have been built into individual budget allocations. This also included a planned return to balances for 2020/21 of £82k. The current level of balances will therefore increase to £1.681m with recommended level of balances of £750k.

10. Legal Implications

No Legal implications have been identified.

11. Service/Operational Implications

Managers meet with finance officers on a monthly basis to consider the current financial position and to ensure actions are in place to mitigate any overspends.

12. Customer / Equalities and Diversity Implications

No direct implications as a result of this report.

13. Risk Management

The financial monitoring is included in the corporate risk register for the authority.

APPENDICES

Appendix 1 - HRA April – September 2020/21

Appendix 2 - Earmarked Reserves 2020/21

Appendix 3 - Savings Monitoring 2020/21

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