

Cheltenham Borough Council

Cabinet – 16 February 2021

Budget Monitoring Report 2020/21 – position as at December 2020

Accountable member	Councillor Steve Jordan, Cabinet Member for Finance and Assets
Accountable officer	Paul Jones, Executive Director Finance and Assets
Accountable scrutiny committee	All
Ward(s) affected	All
Key Decision	Yes
Executive summary	To update Members on the Council's current financial position for 2020/21 based on the monitoring exercise at the end of December 2020. The report covers the Council's revenue, capital and treasury management position. The report identifies any known significant variations (minimum £50,000) to the 2020/21 COVID-19 recovery revised budget which was approved by Council on 16 November 2020.
Recommendations	<ol style="list-style-type: none">1. Cabinet note the contents of this report including the key projected variances to the COVID-19 recovery revised 2020/21 budget approved by Council on 16 November 2020 and the expected delivery of services within budget.2. Cabinet note that these variances have been incorporated into the revised budget 2020/21 for approval by Full Council on 22 February 2021.

Financial implications	As detailed throughout this report. Contact officer: Gemma Bell, gemma.bell@cheltenham.gov.uk , 01242 264124
Legal implications	None specific directly arising from the recommendations. Contact officer: Sarah Farooqi, sarah.farooqi@tewkesbury.gov.uk, 01684 272012
HR implications (including learning and organisational development)	<i>The Council continues to monitor vacancies and recruitment. All recruitment activity decisions are based on a business case outlining the impact on the service delivery and/or loss of income generation if the post were to remain unoccupied. In addition, the Council also continues to monitor its capacity to deliver on key projects.</i> Contact officer: Julie McCarthy julie.mccarthy@cheltenham.gov.uk, 01242 264355
Key risks	As outlined in Appendix 1.
Corporate and community plan Implications	Key elements of the budget are aimed at delivering the corporate objectives within the Corporate Business Plan.
Environmental and climate change implications	None.

1. Background

- 1.1. This report provides the monitoring position statement for the financial year 2020/21 against the COVID-19 recovery revised budget approved by Council on 16 November 2020. The purpose of this report is to notify members of any known significant variations to the revised budgets for 2020/21 and highlight any key issues.
- 1.2. Regular budget monitoring exercises for services are carried out in liaison with Directors and cost centre managers. This identifies any major variations from the current approved budget that are anticipated to occur in the financial year. The current approved budget is the revised budget for 2020/21 agreed by Council on 16 November 2020. Any variations of more than £50,000 to revenue budgets are outlined in this report.

2. Net revenue position

- 2.1. The table below summarises the net impact of the variances identified at this stage in the financial year, projecting the position to the end of the financial year for all budget variances in excess of £50,000, details of which are provided in paragraphs 2.2 to 2.13 below.

Significant budget variances	Overspend / (Underspend) £	Para. Ref.
Saving from Employee costs	(65,000)	2.2

Impact of COVID-19		
Additional Expenditure	(490,000)	2.3 – 2.7
Income Losses	410,000	2.8 – 2.14
Total Impact of COVID-19	(80,000)	
Place & Growth Directorate		
Cemetery & Crematorium	60,000	2.15
Total Place & Growth Directorate	60,000	
People & Change Directorate		
Modernisation Programme	75,000	2.16
Total People & Change Directorate	75,000	
Net Impact of other variances less than £50,000	110,000	
Total projected overspend for the year	100,000	
Contribution from General balances	(100,000)	7.1
Total Forecast Outturn	-	

Saving from Employee costs

- 2.2.** A target saving from employee related costs to be made throughout the Council during the year is embedded within individual service budgets, allocated in proportion to existing service salary budgets. In the revised budget approved in November 2020, the savings target was reduced by £5.4k from £371.70k to £366.3k. An assessment of vacant posts (i.e. staff turnover) and restructures in the first three quarters of the year indicate that there will be a likely surplus of £65k against this target for the financial year. This will continue to be monitored during the remainder of the year and the final position will be reported at service level as part of the Outturn report.

Impact of COVID-19 – Additional Expenditure

- 2.3.** The table below sets out the additional expenditure incurred to the end of December 2020, and projected for the full financial year.

	Actual incurred at December 2020 £m	Projected full year costs 2020/21 £m
Public Health - Testing, contact tracing and outbreak planning	0.00	0.00

Housing General Fund – homelessness and rough sleeping	0.231	0.307
Leisure	0.005	0.055
Cultural related	0.000	0.000
Cremation, cemetery and mortuary services	0.119	0.120
Waste Management	0.320	0.399
Finance & corporate - ICT & remote working	0.123	0.136
Shielding / wellbeing hub and food hub	0.185	0.20
PPE	0.063	0.076
Lockdown & compliance/ Reopening High Street Safely	0.094	0.170
Unachieved savings/delayed projects	0.194	0.250
Other	0.00	0.00
Sub-total	1.334	1.713
Less Government grant received (tranches 2 – 4)	(1.535)	(1.535)
Less Specific Lockdown/Reopening High Street grants received	0.00	(0.158)
Less Housing Benefit recovered	(0.133)	(0.177)
Total cost to the Council	(0.344)	(0.157)

2.4. The gross additional costs incurred as a result of the pandemic are £1.334m for the period to December 2020, with an estimated total spend of £1.713m for the financial year. The estimated costs assume continued expenditure throughout the last quarter of 2020/21 because of the further restrictions announced on 30 December 2020 and announcement that these will be in place until 8 March 2021 at the earliest.

2.5. This projected outturn is compared to the revised budget agreed in November 2020 in the table below.

	Projected full year costs – September 2020 £m	Projected full year costs – December 2020 £m	Overspend / (Underspend) £m
Total gross expenditure	2.049	1.713	(0.336)
Less Government grant received (tranches 2 – 4)	(1.536)	(1.535)	0.001
Less Specific Lockdown/Reopening High Street grants received	0.00	(0.158)	(0.158)
Less Housing Benefit recovered	(0.180)	(0.177)	(0.003)
Total cost to the Council	0.333	(0.157)	(0.49)

2.6. When compared to the figures projected based on spend to date for April to September 2020, there is now a forecast underspend of £490k against the budget set aside to fund these pressures in November 2020. The reason for this is a reduction in the projected estimated cost pressure caused by leisure services. In the revised budget, projected additional costs to the Council of directly supporting the leisure services in the town in the 2020/21 financial year were £483k. Following the agreement of this budget, £223k of COVID-19 expenditure recorded against leisure services has been

capitalised as it has been used to enhance the assets in parks and gardens across the town to support new and increase existing revenue streams for the Cheltenham Trust.

- 2.7. Additional grant income has also been received since the agreement of the revised budget in November 2020 as a result of Cheltenham being placed in Tier 4 restrictions on 31 December 2020 and then a subsequent national lock down on 4 January 2021.

Impact of COVID-19 – Income Losses

- 2.8. The following table shows the actual irrecoverable losses to the end of December 2020, and projected for the full financial year.

	Irrecoverable losses to December 2020 £m	Projected Irrecoverable losses for the year 2020/21 £m
Sales, fees and charges (SFC)		
Off-street car parking	1.940	2.908
Sponsorship and advertising income	0.190	0.220
Recreation and sport	0.196	0.273
Development Control	0.00	0.024
Cremation, cemetery and mortuary services	0.275	0.266
Building control	0.102	0.099
Trade waste	0.157	0.215
Recycling	0.098	0.075
Green Waste	0.035	0.032
Regulatory services	0.105	0.135
Central services to the public	0.192	0.219
Other	0.034	0.046
Sub-total	3.324	4.512
Less estimated Government compensation	(2.217)	(2.956)
Total cost to the Council from lost SFC	1.107	1.556
Commercial Income		
Commercial property rental	0.135	0.180
Investment income	0.126	0.167
Sub-total	0.261	0.347
Total Income losses to be incurred by the Council	1.368	1.903

- 2.9. This projected outturn is compared to the revised budget agreed in November 2020 in the table below.

	Projected Irrecoverable losses for the year 2020/21	Projected Irrecoverable losses for the year 2020/21	Overspend / (Underspend) £m

	September 2020 £m	December 2020 £m	
Projected irrecoverable losses from SFC	3.496	4.512	1.02
Less estimated Government compensation	(2.216)	(2.956)	(0.74)
Projected irrecoverable losses from Commercial Income	0.218	0.347	0.13
Total projected income losses to be incurred by the Council	1.498	1.903	0.410

- 2.10.** The increase in the projected irrecoverable loss in income between September and December 2020 of £410k is mainly due to movements in three areas: car parking income, trade waste and commercial income.
- 2.11.** Car parking - There was a loss in car parking income of £1.940m for April to December 2020, equivalent to 57% of the profiled budget for the nine month period. This compares to a 66% loss against the profiled budget for the first six months of the year, reflecting the recovery of activity in the run up to Christmas. The projected loss for the year has increased from £2.115m to £2.908m between September and December 2020. The increase is because the profile for January to March assumes that an additional £968k of income will be lost from car parking, which is equivalent to 87% of the remaining budget for 2020/21. This reflects the Government announcement that lock down measures will remain in place until early March 2020.
- 2.12.** Following the events of the last twelve months, there is a risk that this income may not recover to past levels, as consumer and working behaviours may change permanently, as more people continue to work and shop from home in the future. Assuming an estimated income level of 80% of budget continues going forward, there will be a loss of circa £900k in 2021/22 and beyond, creating a shortfall in the medium term financial strategy which will need to be met from new income streams or reduced spending.
- 2.13.** Trade Waste – The projected loss of income from trade waste in 2020/21 has increased from £108k to £215k. In the revised budget from November, it was assumed that normal income levels would begin to be achieved from October onwards. Due to the lockdown and restrictions since September, no income was achieved between November and December and the forecast assumes that trade will return to 75% of the budget profile from February onwards.
- 2.14.** Commercial Income – The November budget assumed that projected losses from commercial property income would be £50k for 2020/21. In the period April to December 2020, £135k of income had been lost. The revised projection assumes that losses will continue at the same rate through the last quarter of the year. The Central Government compensation scheme does not include commercial income generated from investments and commercial property.

Cemetery & Crematorium

- 2.15.** It is anticipated that the Cemetery and Crematorium budget will report a £60k variance by the end of the 2020/21 financial year. This is due to additional expenditure on premises, supplies and services and fluctuations in income generated against the base budget following the opening of the new crematorium in March 2019. Due to the opening of the new site and the impact of COVID-19 on both income and expenditure related to the Crematorium, it has been difficult to determine what base budget the service requires in the longer term. Work is ongoing with the Bereavement Services Manager to review ongoing spend requirements and identify income generating opportunities for the service to build longer term confidence in the base budget.

Modernisation Programme

- 2.16.** It is anticipated that the Modernisation Programme budget will report a £75k variance by the end of the 2020/21 financial year. This is because the pace of the programme has increased in 2020/21 and costs have been incurred to progress the technology work stream and drive forward organisational design and development work. The Finance team are currently working closely with the team to review the profiling of spend and budget for the programme across the Medium Term Financial Strategy.

3. Treasury Management

- 3.1.** Borrowing Costs are in line with the revised budget. This includes both short term (temporary borrowing), long term and brokerage costs.
- 3.2.** Investments as of 31 December 2020 are forecast to come in on budget based on performance so far.

4. Capital

The Capital Programme

- 4.1.** A monitoring exercise has been carried out to ensure that revised capital programme, approved by Council on 16 November 2020, are being delivered as planned within allocated capital budgets, some of which are timetabled to straddle two or more financial years.
- 4.2.** There are no significant variance against any current capital programmes or projects with the exception of the £223k of costs funded by the Council to enhance the green space assets operated by the Cheltenham Trust which have been capitalised since November 2020. The additional capital spend will be funded within the existing capital programme.
- 4.3.** The full four year capital programme, including the forecast spend in 2020/21 will be presented as part of the Medium Term Financial Strategy to February Council.

5. Council tax and Business rates collection

- 5.1.** The monitoring report for the collection of council tax and business rates (NNDR) income is shown in Appendix 2. This shows the position at the end of December 2020 and the projected outturn for 2020/21.

6. Sundry debt collection

- 6.1.** The monitoring of aged sundry debts and recovery is shown at Appendix 3.

7. Conclusion

- 7.1.** The impact on the general fund of the variances reported above is that there is a forecast net overspend against the budget of £100,000 for 2020/21. This will be met from a contribution from General Fund balances at year end.
- 7.2.** The continued impact of the changes in government funding arrangements and the economic climate present particular concerns for the Council's budgets. It is clearly important to ensure that budgets continue to be closely monitored over the coming months with a view to taking action at a future date, if necessary, in order to ensure that the Council delivers services within budget.

7.3. It will be for Cabinet and Council to decide in June 2021, when the financial outturn is finalised, how to apply any potential savings. However it is recommended that any underspend identified on outturn be transferred firstly to the Budget Deficit (Support) Reserve and secondly to support general balances, bearing in mind the need to keep the level of reserves robust and the uncertainty surrounding future budget funding gaps, as outlined in the Council’s Medium Term Financial Strategy.

8. Consultation

8.1. The work undertaken to produce this report has involved consultation with a wide number of services and cost centre managers.

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Appendices	<ol style="list-style-type: none"> 1. Risk Assessment 2. Council Tax and NNDR collection to 31 December 2020 3. Aged Debt Report as at 31 December 2020
Background information	<ol style="list-style-type: none"> 1. Section 25 Report – Council 17 February 2020 2. Final Budget Proposal for 2020/21 – Council 17 February 2020 3. COVID-19 Recovery Revised Budget 2020/21 – Council 16 November 2020

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	I	L	Score	Control	Action	Deadline	Responsible Officer	Transferred to risk register
CR3	If the Council is unable to come up with long term solutions which close the gap in the medium term financial strategy then it will find it increasingly difficult to prepare budgets year on year without making unplanned cuts in service provision.	Cabinet	01/09/2010	5	3	15	Reduce	The budget strategy projection includes 'targets' for work streams to close the funding gap which aligns with the council's corporate priorities.	Ongoing	ED Finance and Assets	01/09/2010
CR105	If the Budget Strategy (Support) Reserve is not suitably resourced insufficient reserves will be available to cover anticipated future deficits resulting in the use of General Balances which will consequently fall below the minimum required level as recommended by the Section 151 Officer in the council's Medium Term Financial Strategy	ED Finance and Assets	01/04/2016	5	4	20	Reduce	The MTFS is clear about the need to enhance reserves and identifies a required reserves strategy for managing this issue. In preparing the budget for 2020/21 and in ongoing budget monitoring, consideration will continue to be given to the use of fortuitous windfalls and potential future under spends with a view to strengthening reserves whenever possible.	Ongoing	ED Finance and Assets	01/04/2016
1.02	If income streams from the introduction of the business rates retention scheme in April 2013 are impacted by the	ED Finance and Assets	14/09/12	5	4	20	Accept & Monitor	The Council joined the Gloucestershire pool to share the risk of fluctuations in business rates	Ongoing	ED Finance and Assets	14/09/12

	loss of major business and the constrained ability to grow the business rates in the town then the MTFS budget gap may increase.							revenues retained by the Council. The Gloucestershire S151 Officers continue to monitor business rates income projections and the performance and membership of the pool / pilot. Work with members and Gloucestershire LEP to ensure Cheltenham grows its business rate base.			
1.03	If the robustness of the income proposals is not sound then there is a risk that the income identified within the budget will not materialise during the course of the year.	ED Finance and Assets	15/12/10	4	4	16	Reduce	Robust forecasting is applied in preparing budget targets taking into account previous income targets, collection rates and prevailing economic conditions. Professional judgement is used in the setting / delivery of income targets. Greater focus on cost control and income generation will be prioritised to mitigate the risk of income fluctuations.	Ongoing	ED Finance and Assets	15/12/10
1.07	If the assumptions around government support, business rates income, impact of changes to council tax	ED Finance and Assets	13/12/10	5	3	15	Reduce	Work with Publica and countywide CFO's to monitor changes to local government financing	Ongoing	ED Finance and Assets	13/12/10

	discounts prove to be incorrect, then there is likely to be increased volatility around future funding streams.							regime including responding to government consultation on changes Business Rates and the Fair Funding review. The assumptions regarding government support have been mitigated to a certain extent by the acceptance of a multi-year settlement agreement.			
New corporate risk	If government support to compensate this Council for the impact of COVID-19 is insufficient, greater reliance will be placed on the use of reserves, service reduction and asset sales.	ED Finance and Assets		5	3	15	Reduce	The Council will continue to lobby for additional resource, as promised by Central Government from the outset of the pandemic. Work programmes are underway to review service provision, capital programmes and rationalisation of assets.	Ongoing	ED Finance and Assets	To be added to the risk register

Guidance

Types of risks could include the following:

- Potential reputation risks from the decision in terms of bad publicity, impact on the community or on partners;
- Financial risks associated with the decision;
- Political risks that the decision might not have cross-party support;
- Environmental risks associated with the decision;
- Potential adverse equality impacts from the decision;
- Capacity risks in terms of the ability of the organisation to ensure the effective delivery of the decision
- Legal risks arising from the decision

Remember to highlight risks which may impact on the strategy and actions which are being followed to deliver the objectives, so that members can identify the

need to review objectives, options and decisions on a timely basis should these risks arise.

Risk ref

If the risk is already recorded, note either the corporate risk register or TEN reference

Risk Description

Please use “If xx happens then xx will be the consequence” (cause and effect). For example “If the council’s business continuity planning does not deliver effective responses to the predicted flu pandemic then council services will be significantly impacted.”

Risk owner

Please identify the lead officer who has identified the risk and will be responsible for it.

Risk score

Impact on a scale from 1 to 4 multiplied by likelihood on a scale from 1 to 6. Please see risk [scorecard](#) for more information on how to score a risk

Control

Either: Reduce / Accept / Transfer to 3rd party / Close

Action

There are usually things the council can do to reduce either the likelihood or impact of the risk. Controls may already be in place, such as budget monitoring or new controls or actions may also be needed.

Responsible officer

Please identify the lead officer who will be responsible for the action to control the risk.

For further guidance, please refer to the [risk management policy](#)

Transferred to risk register

Please ensure that the risk is transferred to a live risk register. This could be a team, divisional or corporate risk register depending on the nature of the risk and what level of objective it is impacting on.