

Supplementary Committee Agenda



Stronger Council Select Committee Tuesday, 13th October, 2020

Place: Virtual Meeting on Zoom

Time: 7.00 pm

Democratic Services Officer: A Hendry Tel: 01992 564246
Email: democraticservices@eppingforestdc.gov.uk

10.a Quarter 1 Budget Monitoring Report (General Fund) (Pages 3 - 8)

To consider the attached report. This report presents the first four month's (till the end July 2020) of the General Fund Budget Monitoring report for Epping Forest District Council.

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SCRUTINY



Report to Stronger Council Select Committee

Date of meeting: 13 October 2020

Portfolio: Finance and Economic Development – Cllr Philip

Subject: Quarter 1 Budget Monitoring Report (General Fund)

Officer contact for further information: Andrew Small

Democratic Services Officer: Adrian Hendry, 01992 56 4246

Recommendations/Decisions Required:

To note the content of this report and identify any actions for Cabinet.

1. Executive Summary

- 1.1. This report presents the first four month's (till the end July 2020) General Fund Budget Monitoring report for Epping Forest District Council.
- 1.2. Cabinet will consider the same report at its meeting on 19th October 2020 and Stronger Council Select Committee are asked to identify any issues which they would like Cabinet to consider.
- 1.3. The focus on Covid19 related activities and the impact this has had on the normal delivery of Council services has made the production process more complex. Hence, 4 months of performance is reported, as opposed to the normal 3 (one quarter) in order to provide a more up to date understanding of the position.
- 1.4. Covid19 has had a massive impact on the Council, in terms of its focus and in terms of generating cost pressures. Necessarily, the Council had to respond to the impact, but the consequence of this, in financial and service delivery terms, is large variances against the spend and income profiles which were anticipated when the budget was set.
- 1.5. As the majority of the impacts, response and variances have been associated with General Fund services, effort and focus has been focused on understanding the impact in this area for this report. An update on the Housing Revenue Account and Capital will be contained in the next monitoring report.
- 1.6. The ongoing development and spread of the virus and the national response creates considerable difficulty in forecasting an accurate outturn for the current year, as does the uncertainty around the total quantum of Government support that will be received before the 31st March 2021.
- 1.7. At this stage in the year it is highlighted that confidence is low in the forecast outturn and that the final position may vary significantly from that presented here.
- 1.8. However, the summary of the current position is that underspends associated with the restricted ability to deliver on some service areas are offsetting some the income losses associated with Covid19 services and thus the forecast overspend on the General Fund is lower at this stage than had predicted within the Covid19 update reports.

1.9. Finally, although confidence is low, as has previously been reported, the Council has comfortable levels of Balances and Reserves and this means that there is confidence that the Council could cover the in-year impacts on the budget from the Pandemic.

2. Detailed Report

2.1. Appendix A sets out;

- Full year Service Budgets for the current year,
- Profiled Budget up to Month 4,
- Actual Spend and Income up to Month 4
- Variance between Budget and Actual at Month 4
- Forecast Outturn for the full year
- Variance between the Original Budget and the Forecast Outturn

2.2. Although obvious, it is emphasised that the current year is 'non-standard' and this means there are massive differences in some areas between the action the Council had planned to take and what actually happened during the first 4 months of the year.

2.3. For example, the Council was unable to deliver some services because of restrictions, had to re-align resources in other areas to focus on the response effort, had new cost pressures associated with local response impacts but also the wider national economic, social and community impacts and saw significant reductions in income receipts from key income generating services.

2.4. The budgetary consequences of these are significant variances against the base budget in some areas.

2.5. This was a predictable consequence of the response effort and therefore it is important to consider and manage the variances within the broad envelope of the wider budget for this year. A redistribution of resources between budget heads is necessary in order to respond to the impacts of the Pandemic.

2.6. The table in **Appendix A** currently forecasts an overspend on Services of £3.75 million, although it is highlighted that in practice that this could vary significantly.

3. Explanation of key variances

3.1. For the reasons previously stated there are many variances at this stage in the year and it is expected that these are likely to continue. For this reason, only explanations on the most significant are provided below.

3.2. Business Support (£664,358 forecast Overspend) – the single largest factor, is an assumed requirement at this stage to provide an additional £500,000 towards the corporate Bad Debt Provision as the impact of the pandemic is likely to make general outstanding debts owed to the Council less collectable. Additional cost pressures have also been experienced due to the additional capacity required to manage Covid19 impacts, such as the ICT demands of homeworking and understanding the financial impact. Additional one-off costs are also anticipated on Legal Services as part of moving towards a fully shared service. However, the spending pressures in Business Support are being partially offset by savings in other areas.

- 3.3. Commercial and Regulatory (£1,116,147 forecast Underspend) – the dominant factor is a positive variance of £1.3 million on Land and Property, driven by additional income from the Council's acquisition of premises in Loughton High Street; this occurred after the budget had been prepared, so the income is in addition to the base budget. In contrast, a forecast overspend of £353,710 is expected on Regulatory Services, due to a shortfall in Building Control income as a consequence of the pandemic.
- 3.4. Contracts and Technical Services (£3,572,418 forecast Overspend) – the large projected overspend is due to two well documented financial pressures. Firstly, Car Parking (£835,794) with lower income resulting from lower demand for parking provision, due to changes in working and shopping habits as a result of the Pandemic. The introduction of a temporary 20 pence charge has helped increase take-up, but commuter long stay parking is still particularly low and will potentially remain so, for the foreseeable future. And secondly, Leisure Facilities (£2,867,030), which is the largest single Covid19 related cost. The viability of the Places for Leisure contracts has changed dramatically, both during lockdown and during the subsequent period of restriction in how these centres can be used. For now, the Council is working with the contractor to share the losses on an open book basis, pending clarity emerging on whether operations will return to normal and within what timeframe.
- 3.5. Customer Services (£247,955 forecast Underspend) – the single largest factor in the forecast underspend is a better than expected Subsidy recovery rate on Rent Allowances; a 99.04% recovery rate is now expected compared to an original budget assumption of 97.46% (impact £307,066). This is added to by savings on delayed elections and some staff vacancies, although there are some spending pressures on Housing Benefits (staffing) and Local Taxation due to the Pandemic.
- 3.6. Planning (£836,810 forecast Overspend) – the underlying pressure is dominated by the Development Control cost centre, which is anticipating an overspend of £716,050, driven by a major reduction in income from Planning Fees due to the Pandemic.
- 3.7. Qualis Income (£1,557,071 forecast Overspend) – forecast income from Qualis is now significantly lower than that assumed within the original budget. The Pandemic occurred at a critical time for the development of Qualis Business Plan as, necessarily, the organisation was required to focus on managing the impacts of the virus. The consequential delay in getting to a point where Qualis could implement its Business Plan, the Covid19 related impacts on property prices and the reductions in the capital financing costs have all had an impact on the base budget assumptions.

When the budget was developed the Qualis related income was flagged as being dependent on key actions taking place during the year in order to deliver this income stream. Prudently, contingency was built into the budget plans should any slippage occur. This included a large contingency provision and the central control over the release of funding for some service investment activities until there was confidence that the targeted income had been achieved. Given the unknown nature of the pandemic this caution has proved fortuitous and enables the Council to accommodate the reduced Qualis income associated with the Pandemic delays.

- 3.8. Government Support (£3,447,032 forecast Underspend) – the Government has introduced a range of funding support streams and continues to consider its position in relation to on-going support. However, as it stands, the amount of expected support is approximately half of the cost of the Pandemic on the Council. Thus far the Government has provided £1.577 million in general un-ringfenced support. It has also introduced an income loss compensation scheme, under which the Government has undertaken to cover 75% of council's income losses, but only after councils meet the first 5% of budgeted losses themselves. It is currently estimated that this will cover £1.87 million of Epping Forest District Council's income losses, but this may vary as actual income losses change. The Government continues to collect data on the actual costs of Covid19

to individual councils via monthly returns. Whilst not certain, it is hoped that the Government will use this information to provide further support to the sector.

4. Outlook and Financial Planning Implications

- 4.1. Including Qualis and the Government funding announced to date the net position on the General Fund before Council Tax, Business Rates and Financing costs, is a overspend of £1.862 million. This represents the cost of Covid19 in the current year, which is either not offset by service-related savings, or not met by the Government.
- 4.2. It is still expected that this number will vary significantly because of the challenges associated with predicting the true cost of the global event, the impact of which is continually changing.
- 4.3. It is expected that there will also be impacts on Council Tax, Business Rates and Financing costs which will add to the numbers presented above. The Government has indicated that there may be further assistance with these items, which could be contained in the Government's spending review announcement.
- 4.4. The Council started the current year with unallocated General Fund Balances of £7.759 million. It seems inevitable that there will be an unfunded impact in the current year and therefore the Council will need to call upon a proportion of these balances.
- 4.5. Through good financial planning, the Council is in a position where it has adequate balances and therefore expects it can accommodate the cost in the current year without the need for emergency actions.
- 4.6. However, a greater focus of budget management is a requirement of the current situation and all budget managers are being reminded to keep close control on spending.
- 4.7. Alongside managing the current budget, the development of the budget for 2021/22 and the medium-term financial plan is also underway. This is expected to be equally problematic, as this will require an understanding of the possible on-going impacts associated with the virus, the requirements placed on councils to manage the impacts and the extent to which the Government is able and prepared to continue to support councils financially.
- 4.8. These issues will be highlighted in more detail in future reports.

5. Resource Implications

- 5.1. These are contained within the body of this report.

6. Legal and Governance Implications

- 6.1. None contained within this report.

7. Safer, Cleaner and Greener Implications

- 7.1. None.

8. Consultation Undertaken

- 8.1. None.

Epping Forest DC Forcast Accounts 2020/21

APPENDIX A

@ 31 July 2020 (Month 4)

General Fund

Service Area	Activity	Full Year Budget £'s	Net Expenditure			Forecast £'s	Variance £'s
			Budget (M4) £'s	Actual £'s	Variance £'s		
Business Support	Accommodation	909,840	145,692	62,145	(83,547)	860,222	(49,618)
	Business Support	1,637,060	565,259	463,067	(102,192)	1,424,850	(212,210)
	Cost Centres - Business Support	161,690	53,841	26,401	(27,440)	161,420	(270)
	Finance Support Services	804,040	265,287	315,446	50,160	1,001,295	197,255
	ICT	2,895,130	1,668,490	1,798,008	129,518	3,302,630	407,500
	Other Activities	1,267,060	(6,463)	(4,127)	2,336	1,235,442	(31,618)
	Other Support Services	1,645,310	522,812	558,260	35,448	1,998,629	353,319
	Sub-Total	9,320,130	3,214,917	3,219,200	4,283	9,984,488	664,358
Community & Partnerships	Community, Health & Wellbeing	233,920	68,080	(123,673)	(191,753)	281,564	47,644
	Community & Partnership	73,280	(31,767)	(7,008)	24,759	31,695	(41,585)
	Community & Partnership Support Services	251,850	83,863	107,202	23,339	288,500	36,650
	Cost Centres - Community & Partnerships	1,346,500	463,550	454,903	(8,647)	1,309,366	(37,134)
	Museum, Heritage & Culture	659,120	195,538	183,638	(11,900)	643,890	(15,230)
	Voluntary Sector Support	296,320	17,863	16,020	(1,843)	296,530	210
	Sub-Total	2,860,990	797,128	631,082	(166,047)	2,851,545	(9,445)
Commercial & Regulatory	Commercial & Regulatory Support Services	550,160	195,050	192,046	(3,004)	686,900	136,740
	Cost Centres - Commercial & Regulatory	1,723,690	572,630	430,759	(141,871)	1,670,578	(53,112)
	Emergency Planning & Other	75,130	25,793	(1,293,663)	(1,319,456)	95,360	20,230
	Environmental Health	215,840	97,142	6,997	(90,145)	199,860	(15,980)
	Land & Property	(6,554,520)	(3,275,133)	(3,579,983)	(304,850)	(7,861,345)	(1,306,825)
	North Weald Centre	(7,370)	(92,537)	(88,944)	3,593	(10,210)	(2,840)
	Private Sector Housing	(115,570)	(17,763)	30,486	48,250	(363,640)	(248,070)
	Regulatory Services	(833,780)	(271,177)	(120,688)	150,488	(480,070)	353,710
	Sub-Total	(4,946,420)	(2,765,996)	(4,422,991)	(1,656,995)	(6,062,567)	(1,116,147)
Contracts & Technical Services	Car Parking	(939,470)	(411,048)	89,240	500,288	(103,676)	835,794
	Contracts & Technical Support Services	1,411,790	518,130	470,563	(47,567)	1,399,525	(12,265)
	Cost Centres - Contracts & Technical	1,222,830	406,343	357,561	(48,782)	1,166,420	(56,410)
	Land Drainage/Sewerage	107,200	38,133	14,231	(23,902)	112,490	5,290
	Leisure Facilities	(1,464,820)	(245,237)	249,845	495,082	1,402,210	2,867,030
	Parks & Grounds	652,840	33,280	18,528	(14,752)	654,740	1,900
	Waste Management	4,268,970	974,642	2,234,599	1,259,957	4,200,049	(68,921)
	Sub-Total	5,259,340	1,314,243	3,434,567	2,120,324	8,831,758	3,572,418

Service Area	Activity	Net Expenditure					
		Full Year Budget	Budget (M4)	Actual	Variance	Forecast	Variance
		£'s	£'s	£'s	£'s	£'s	£'s
Customer Services	Cost Centres - Customer Services	2,316,080	768,457	827,780	59,324	2,583,770	267,690
	Customer Support Services	1,878,660	611,186	548,845	(62,341)	1,732,960	(145,700)
	Elections	291,550	17,330	(120,654)	(137,984)	137,340	(154,210)
	Housing Benefits	(695,870)	6,318	143,933	137,614	(1,070,605)	(374,735)
	Local Taxation	(516,200)	(191,732)	(1,523,566)	(1,331,835)	(314,360)	201,840
	Member Activities	420,460	108,876	94,288	(14,588)	377,620	(42,840)
	Sub-Total	3,694,680	1,320,435	(29,373)	(1,349,808)	3,446,725	(247,955)
Housing & Property	Cost Centres - Housing & Property	546,890	182,400	153,058	(29,342)	520,370	(26,520)
	Facilities & Depot Management	636,860	103,274	71,028	(32,245)	734,910	98,050
	Homelessness	(338,090)	(409,717)	(448,143)	(38,427)	(346,070)	(7,980)
	Housing Policy				-		-
	Housing & Property Support Services	426,190	220,653	107,648	(113,005)	323,716	(102,474)
	Sub-Total	1,271,850	96,610	(116,409)	(213,019)	1,232,926	(38,924)
Planning	Cost Centres - Planning Services	1,535,400	510,757	538,329	27,572	1,616,610	81,210
	Local Plan Implementation	1,169,390	(51,963)	(544,990)	(493,027)	1,254,050	84,660
	Planning & Development	(1,256,300)	(464,883)	(250,233)	214,651	(520,510)	735,790
	Planning Support Services	493,560	164,520	142,813	(21,707)	428,710	(64,850)
	Sub-Total	1,942,050	158,430	(114,082)	(272,512)	2,778,860	836,810
Chief Executive	Chief Executive Support Services	1,231,670	359,497	354,224	(5,273)	1,226,699	(4,971)
	Corporate Activities	49,560	9,380	36,402	27,022	76,582	27,022
	Other Activities	595,680	-	68,384	68,384	664,064	68,384
	Sub-Total	1,876,910	368,877	459,011	90,134	1,967,345	90,435
General Fund Total		21,279,530	4,504,645	3,061,004	(1,443,641)	25,031,080	3,751,550
Qualis Income		(2,771,398)	(57,000)	(57,000)	-	(1,214,327)	1,557,071
Government Support:							
Main Government Grant		-	-	(1,577,032)	(1,577,032)	(1,577,032)	(1,577,032)
SFC Compensation		-	-	(720,000)	(720,000)	(1,870,000)	(1,870,000)
		18,508,132	4,447,645	706,972	(3,740,673)	20,369,721	1,861,589