

Title: Q1 Budget Report

Lead Officer: Andrew Rollins

Portfolio Holder: Richard Hales

Public report

Wards of the District directly affected: All

Contrary to the policy framework: No

Contrary to the budgetary framework: No

Key Decision: Yes

Included within the Forward Plan: Yes

Equality Impact Assessment Undertaken: N/A

Consultation & Community Engagement: N/A

Final Decision: Yes

Accessibility checked: Yes

Officer/Councillor Approval

Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	03/09/2021	Chris Elliott
Head of Service	03/09/2021	Mike Snow
CMT		
Section 151 Officer	03/09/2021	Mike Snow
Monitoring Officer	03/09/2021	Andrew Jones
Finance	03/09/2021	Andrew Rollins
Portfolio Holder(s)	03/09/2021	Richard Hales

1. Summary

- 1.1 This report provides an update on the current financial position as at 30th June 2021, both for the current year 2021/22 at the end of Quarter 1, and for the medium term through the Financial Strategy. Key variances and changes are highlighted to inform members, with some recommendations also being put forward for their consideration.

2. Recommendations

Cabinet are recommend to approve or to note as appropriate: -

- 2.1. The latest current year Financial position for both Quarter 1 (General Fund £69k Favourable and Housing Revenue Account £1.035m Favourable) and forecast for the year (General Fund £440k Favourable and Housing Revenue Account £30k Favourable), with the key variations that drive these positions.
- 2.2 To note the updated profile of Budget Saving schemes originally approved in December 2020.
- 2.3 That Cabinet notes the impact that on the Medium Term Financial Strategy (MTFS) due to changes noted in the report, and how these changes are expected to be accommodated.
- 2.4 That Cabinet approves the payment of £66,791 to Bishops Tachbrook Parish Council in lieu of the impact on the parish boundary changes for the period [2017/18](#) to [2019/20](#), funded from the [2021/22](#) Contingency Budget.
- 2.5 That Cabinet notes the appropriate use of delegated powers as provided by CE(4) in the Scheme of Delegation in respect of matters relating to financial assistance with burial fees and site "clear-up", details of which can be found at Appendix 3. The costs will be covered from the Council's Contingency Budget.
- 2.6 To note the use of Chief Executive Emergency powers to enable Housing Rent arrears software to be procured and implemented, to be funded initially in the HRA by the HRA Capital Investment Reserve, with a view of becoming self-funding during the year.

3. Reasons for the Recommendations

3.1 Current year variances

- 3.1.1 General Fund Financial Position as at 30th June (Q1)

Variations have been identified by the Accountancy Team in conjunction with the relevant budget managers, giving a favourable variance of £69k as at 30th June, with a forecast favourable variance for 2021/22 of £440k. A summary of this is provided below:

2021-22				
Service	Variation Description	Q1 Variation £'000	Forecast Full Year Variation £'000	Rec / Non-rec
General Fund	Staffing	£223 A	£100 F	Non-rec
Assets	Delays to PPM works	£385 F	-	Non-rec
	Riverside House L4 closure savings	£48 F	-	Non-rec
	Bereavement Activity reduced	£50 A	£150 A	Non-rec
Cultural Services	Closure of Concessions	£11 A	£100 A	Non-rec
	Arts staff Furlough	£18 F	£24 F	Non-rec
Development Services	Development Control Income	£33 F	-	Non-rec
	Building Control Income	£54 F	-	Non-rec
Finance Housing Services - GF	FMS	£57 A	£57 A	Non-rec
	B&B Accommodation	£100 A	£200 A	Non-rec
Strategic Leadership	COVID-19 Other Costs - Cleaning	£28 A	£100 A	Non-rec
	COVID Contingency	-	£923	Non-rec
TOTAL		£69 F	£440 F	

3.1.2 Salary Vacancy Factor Process

3.1.2.1 As part of budget setting this year, a change in the process for forecasting salaries was introduced.

3.1.2.2 For the last few years, salary budgets have been set with a 'vacancy factor' of 2.75% built in, with the aim of reflecting reductions in salary spend as a result of gaps in establishments throughout the year occurring during the recruitment process.

3.1.2.3 An example of how this was implemented is below:

Post	Grade	Total Cost (Inc. Pension)	Vacancy Factor	Total Budget
Mr X	D	£45,219	£1,244	£43,975

3.1.2.4 As can be seen from the above, if the establishment remained complete throughout the year, there would be a shortfall in budget of £1,244. Conversely, if there was a gap due to a person leaving and their replacement not starting straight away, the vacancy factor may have been too small to reflect this effectively. This process worked best where there were larger teams, where turnover in staff was more likely to occur.

- 3.1.2.5 It was also found, having reviewed the data from the last few years as part of budget setting, that 2.75% as a vacancy factor was low, with the Council averaging a 4% gap in their establishment year on year.
- 3.1.2.6 In order to reflect more accurately that there will be savings due to gaps in establishments throughout the year, but ensure where establishments are complete they are correctly budgeted for, we have now moved to a centralised method of capturing these savings.
- 3.1.2.7 Vacancy Factor Budgets have been established within each portfolio. These have been set at 3.5% of the staffing establishment for each portfolio. For Q1, the following amounts have been appropriated to the Vacancy Factor Budgets:

Portfolio	Vacancy Factor Budget 21/22	Budget Released Q1
Assets	-£48,600	£1,700
Benefits & Customer Services	-£66,300	£14,200
Cultural Services	-£56,600	£32,800
Development Services	-£109,300	£57,000
Finance	-£39,800	£500
Health & Community Protection	-£55,200	£6,200
Housing Services - General Fund	-£38,200	£0
Housing Services - HRA	-£77,400	£47,700
ICT	-£42,900	£6,500
Neighbourhood Services	-£58,800	£22,100
People & Communication	-£36,500	£1,000
Strategic Leadership	-£46,400	£3,100
Total General Fund	-£587,400	£145,100
HRA	-£77,400	£47,700
Total	-£664,800	£192,800

- 3.1.2.8 This has enabled £145,100 (GF) and £47,700 (HRA) to be appropriated from Staffing budgets for months 1 and 2 as part of the new Salary Vacancy Factor process introduced for 2021/22. Overall, this equates to 25% of the GF Vacancy Factor budgets after 2 months, and 62% of the HRA Vacancy Factor Budgets.
- 3.1.2.9 Once the Vacancy Factor budgets are surpassed, additional budget that is released will be returned to GF and HRA reserves, available to be used as necessary to meet other emerging challenges and opportunities.
- 3.1.3 Salaries
- 3.1.3.1 Implementation of savings reviews is ongoing across services. Some reviews, notably Pest Control, Health & Community Protection Team and Sports & Leisure Team have had their savings delivery forecasts changed. These can be seen in section 3.3 and Appendix 1 where the Budget Savings are discussed.

- 3.1.3.2 After the Vacancy Factor Adjustment has been taken into consideration, salaries are £34k favourable against budget at the end of Q1. However, following the vacancy factor process and discussions with the relevant managers, it is expected that this budget will be required to backfill where work is behind due to staffing, establishment and recruitment issues.
- 3.1.4 Assets
 - 3.1.4.1 The continued closure of parts of Riverside House, including level 4, has resulted in further savings against budget of £48k. It is expected that these costs will increase once the plan for Riverside House and its occupancy by more staff going forward is outlined and implemented.
 - 3.1.4.2 There have been delays to the Planned Preventative Maintenance (PPM) programmed works in year to date, resulting in a £385k Favourable variance. It is expected that the full allocation of budget will be used to meet the repairs necessary in order to maintain our corporate stock. It is expected that when the new Financial Management System goes live in the Autumn, expenditure will appear in a timelier manner, as and when orders are raised, rather than only when they are paid. This will improve forecasting against the schedule agreed at Budget Setting in February.
 - 3.1.4.3 Bereavement activity has started to stabilise following a year of increased activity, with levels of burials and cremations being driven last year by COVID-19 related deaths, giving rise to additional income. Quarter 1 is currently £50k adverse against last year. The effects of the vaccination rollout programme, and other measures now in place will result in the service not running at maximum capacity, as it was for significant periods of last year.
- 3.1.5 Cultural Services
 - 3.1.5.1 Income from events and room bookings at sites including the Royal Spa Centre, Royal Pump Rooms and Town Hall is significantly down due to cancelled events as a result of the national restrictions. The income lost (£167k) has been offset in part by a reduction in expenditure costs (£156k), such as bar supplies and Art booking fees, and also the receipt of Government grants. The Council has continued to support casual staff through the closure, with the decision to furlough them from May 2020, resulting in WDC receiving Grant payments for Q1 totalling £18k. Furlough grants will continue to be claimed until August, from which point events and sites should start reopening / restarting as restrictions are eased. Heading into the Winter period, the number of events held typically increases, with our largest event each year being the Pantomime, so ticket sales will continue to be monitored over this period as part of the reopening plan.
 - 3.1.5.2 A support package has been agreed to support the Leisure Centre concession provider. As was the case in 2020/21, the concession fee, due to total £1.250m in 2021/22, has been waived. In addition to this, up to a further £411k has been agreed to support expenditure costs incurred by the provider, Everyone Active. Breakdowns of their accounts are to be

provided to Warwick District Council on a monthly basis to support payments made.

- 3.1.5.3 The concession was not built into the 2020/21 budget, and the additional expenditure support package is to be supported through the use of reserves.

3.1.6 Development Services

Development Control and building control income have seen favourable uplifts (£33k and £54k respectively) in Q1 following sharp declines in 2020/21 due to the impact of COVID-19. It is anticipated that income should continue to show a positive contribution throughout the year as the sector returns to 'normal'.

3.1.7 Finance

Licence costs of running two Financial Management Systems (FMS) in parallel until the new FMS goes live in the Autumn of this year have been incurred, resulting in an additional cost of £57k.

3.1.8 Housing Services – General Fund

Increased levels of temporary B&B accommodation have been used since the start of the pandemic, to a cost of an additional £100k in Q1.

3.1.9 Neighbourhood Services

Car parks have continued to see reductions in their use since the start of the pandemic. Restrictions continuing during Q1 has seen income £293k below budget. However, at budget setting, it was projected that car parks would see a change in the level of their use going forward, driven by restrictions and also by the new ways of working adopted by many businesses in the District. Therefore, a contingency of £750k p.a. was incorporated to reflect the need to mitigate potential income reductions should restrictions continue as they did. While this contingency now has a reduced balance of £457k, it can be seen, even across the first quarter, that demand for car parking is beginning to increase as restrictions are lifted and we head into the summer. The requirement on this contingency should therefore continue to reduce throughout the year, with a current expectation that we will meet our initial forecast.

3.1.10 Strategic Leadership

- 3.1.10.1 A number of other COVID-19 specific costs have been incurred during the first quarter of the year, including the cleaning of a number of corporate sites such as the Town Hall and Riverside House.

- 3.1.10.2 As part of budget setting for 2021/22, a COVID contingency of £923k was included. Based on initial forecasts, it is anticipated that this full allocation will not be required, allowing for a surplus of circa £400k.

- 3.1.11 As it is early in the financial year, and owing to the fact that many external factors, predominately related to COVID-19 and the easing of restrictions are continually evolving, it is possible that the forecast outturn position could change substantially.
- 3.1.12 As the forecast favourable position is supported through the use of the in-year £923k COVID contingency budget, it would be prudent to not reflect this in the updated strategy at this early stage in the financial year. Work is on-going by officers to continue to assess the impact of changes in their service areas.
- 3.1.13 Housing Revenue Account Financial Position as at 30th June (Q1)

Variations have been identified by the Accountancy Team in conjunction with the relevant budget managers, giving a favourable variance of £1.035m as at 30th June, with a forecast favourable variance for 2021/22 of £30k. A summary of this is provided below:

2021/22				
Service	Variation Description	Q1 Variation £'000	Forecast Full Year Variation £ '000	Rec / Non-rec
HRA	Staffing (after Vacancy Factor Adjustment)	£39 F	£100 F	Non-rec
	Council Tax vacant properties	£24 A	£70 A	Non-rec
	Housing Repairs	£1,005 F	-	Non-rec
TOTAL		£1,035 F	£30 F	

- 3.1.14 There are currently a significant number of vacancies across the HRA, within Housing Strategy and Development, Business Development & Change, Landlord Operations and Lifeline services. Work is ongoing to ensure last year's Housing Restructure is established, with COVID-19 presenting further recruitment challenges.
- 3.1.15 There has been a continued high level of void properties during the first quarter, as Housing Services are still incurring delays in being able to re-let properties due to COVID restrictions. Work to ensure that properties were up to the necessary standard, or to ensure the properties were clean could not take place as promptly as previously expected. When a property becomes void, the HRA has to bear the cost of the Council tax until a new tenant commences occupancy. It is expected that the increased precautions when completing work will remain in place even after restrictions are lifted as part of safeguarding both contractors, colleagues and tenants. Therefore, the forecast for voids during the year will need to be reviewed.
- 3.1.16.1 Housing repairs, both major and responsive, due to the nature of our Finance Management System (FMS) and its integration with Active H (the Housing Management System), typically only appear in the ledger when an invoice has been received, which can sometimes be many months after work is completed. It is expected that the full allocation of budget will be

used to meet the repairs necessary in order to maintain our housing stock. It is expected that when the new FMS goes live in the Autumn, expenditure will appear in a timelier manner, as and when orders are raised, rather than only when they are paid.

- 3.1.16.2 A number of works were also delayed from 2020/21, due to issues with access and contractor availability as a result of COVID-19. Major and cyclical repairs have been affected by this, in particular some of the ongoing fire prevention works. A new Fire Safety Works manager has been appointed to ensure all works are completed in the financial year.

3.2 Funding for COVID related expenditure and lost income.

- 3.2.1 It should be noted from the above that many of the significant additional costs falling on the Council and reduced income are as a result of the ongoing pandemic.

3.2.2 Income funding

It will be seen from the significant variances detailed in paragraph 3.1.1, that the most significant drivers of the Council's shortfall in the current year are income reductions, mainly from fees and charges. This is in common with most district councils.

- 3.2.3 While contingency budgets were included to support income losses and additional expenditure costs in 2021/22 at budget setting, a number of these have been held centrally due to the difficulty in forecasting and predicting when restrictions would begin to ease, and the impact these would have on services.

- 3.2.4 The Government last year announced an income loss scheme, which is detailed below: -

- The local authority will absorb the first 5% of the loss
- The Government will fund 75% of the loss thereafter.
- The losses are in respect of sales, fees and charges that are not recoverable (including the concession fee from Everyone Active)
- Rents, commercial income and interest receipts are excluded.

- 3.2.5 A Quarter 1 2021/22 return is due to be issued in September for completion.

- 3.2.6 Within the latest Medium Term Financial Strategy, estimated income in respect of this scheme of £600k has been included for Q1 2021/22.

- 3.2.7 Whilst local authorities will undoubtedly continue to incur additional costs and reduced income as a consequence of the pandemic, the Government has not intimated that any further funding will be available beyond that already announced.

3.3 Recommendation 2.2 – Budget Savings Progress

- 3.3.1 Managers have provided updates as to expected delivery against the Budget Savings Proposals agreed in December 2020.
- 3.3.2 The updates have resulted in a reduction in expected delivery of these schemes in 2021/22 of £437k, with further recurrent reductions of £8k in 2022/23 and £322k from 2023/24.
- 3.3.3 Key schemes where there has been a significant reduction in expected delivery include the service reviews (as discussed in 3.1.3.1) totalling £114k recurrently, Digital transformation savings £125k, and WDC / SDC integration work, totalling £169k in 2021/22, increasing by £48k and £157k over the following years. Savings on the HQ have been significantly reduced £225k, and lease income from the hotel on Europa way has been pushed back by a year £110k.
- 3.3.4 Within the savings, a £500k 'in-year underspend' was allowed for. Being early in the financial year, nothing has been explicitly allocated to this. However, as part of the on-going Budget monitoring throughout the year, any projected savings will be allocated against this heading.
- 3.3.5 See Appendix 1 for a full breakdown of the Budget Savings Proposals.
- 3.3.6 With many of these savings still requiring much work to be carried out, a more prudent stance has been taken in projecting the likely savings from some initiatives. These savings are reviewed monthly by the Management Team to seek to ensure they savings are duly progressed.

3.4 Recommendation 2.3 - Medium Term Financial Strategy

- 3.4.1 The MTFS was last formally reported to members in February as part of 2021/22 Budget setting. At that stage the profile of revenue savings to be found was as follows: -

	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000
Deficit-Savings Req(+)/Surplus(-) future years	0	0	178	-30	-216
Change on previous year		0	178	0	-186

3.4.2 Updated Medium Term Financial Strategy

Sections 3.2 and 3.3 detail the key changes to the strategy as at Q1: the inclusion of COVID-19 Sales Fees and Charges grant relating to Q1 income losses and updated budget saving scheme profiles.

3.4.3 Taking into account these changes, the savings to be found within the Medium Term Financial Strategy are as follows: -

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000	£'000
Deficit-Savings Req(+)/Surplus(-) future years	-163	448	938	715	515	241
Change on previous year	0	448	490	-223	-200	-274

3.4.4 It should be noted that 2021/22 now presents a surplus position of £163k. Beyond this year, the figures in the above table are the estimated level of additional savings that the Council needs to find out of its General Fund revenue account. It should be noted that savings totalling £448k need to be secured to enable the Council to be able to set a balanced budget for 2022/23, with further savings required beyond this.

3.4.5 It should also be noted that there will be further changes to the MTFS reflected in the Q2 Budget Report, due to be presented in November. These will include the interest being paid over and above our borrowing costs for the recently agreed Housing Joint Venture, and also the forecast impact of the fire at the Stratford Recycling Centre.

3.4.6 Contingency Budget

Within the 2021/22 Budget agreed by Council in February there is a Contingency Budget of £200k for any unplanned unavoidable expenditure. To date £39k has been allocated, leaving a balance of £161k to support any future developments for the remainder of the year, such as the payment referred to in Recommendation 2.4 below.

3.5 Recommendation 2.4 – Bishops Tachbrook Parish Council boundary payment

- 3.5.1 As part of the local Boundary Review in 2017, an area of Warwick Town Council was “moved” to Bishops Tachbrook Parish Council (BTPC). This should have been effective in the parish Tax Base for 2017/18 and subsequent years. Unfortunately, this was not reflected in the tax base nor the Council Tax system. This was recognised and rectified in time for 2020/21 Budgets and Council Tax. As a result of this, BTPC’s tax base was understated for the three years from 2017/18 to 2019/20 by an average of 450 Band D properties. Had BTPC had the higher tax base, a higher precept would have been issued for those three years. This would have resulted in additional precept income estimated at £66,791 for the period in total. For BTPC this would represent an increase in the precept income of 38% over the three years. BTPC have been seeking due recompense.
- 3.5.2 With the properties not “moved” from Warwick Town Council (WTC), it may be argued that WTC received too much council tax income. However, under the Council Tax and Collection Fund Regulations, there is no way to recover the income from WTC. Also, it is likely to be met by opposition from WTC, especially as the Council has had a reduction in its tax base as a result of the boundary change.
- 3.5.3 It is recommended that the Council should agree to compensate BTPC for the £66,791, funded from the 2021/22 Contingency Budget.

3.6 Recommendation 2.5 – Assistance with burial fees and site clear up

- 3.6.1 Please see Appendix 3 for further details on the use of delegated powers for these two matters, both relating to the request for financial assistance

3.7 Recommendation 2.6 – Housing Rent Arrears Software

- 3.7.1 Warwick District Council is committed to the ongoing sustainment of its tenancies whilst also recognising the importance of early intervention and a robust approach to rent arrears and debt recovery. Since 2017 rent arrears have risen, with a sizeable increase as a result of the Pandemic, arrears at the end of 2020-21 were 5.23% of the annual debit.

- 3.7.2 The COVID-19 pandemic has seen substantial financial pressures on families and businesses, this has resulted in our customers having less income and having to learn a new way to manage their money, one of the outcomes of this situation is that rent arrears will increase if there is no intervention from officers.
- 3.7.3 Investment in the Mobysoft, RentSense solution which uses a series of complex algorithms and analytical applications that predicts which tenants will fall into arrears provides us with opportunity to target our approach to debt recovery concentrating on those accounts which need attention at an early stage, contacting the right tenants at the right time to reduce arrears and increase collection rates. It will add efficiencies to the current debt recovery process, reduce caseloads, meaning that officers will be able to complete arrears caseloads each week, contact the right tenants at the right time, address those accounts in arrears and reduce debt owed to the Council, and be in a position to provide more tailored support for those more vulnerable customers
- 3.7.4 The cost of entering into a two-year contract is £128,533 (Year 1 £70,635, Year 2 £57,898). The business case provided by Mobysoft anticipates a return on investment in year one of £310,406, without the need to increase staffing numbers, so becomes self-financing. It is expected that further savings will be made in the following year. However, the cost of the contract can be met from the HRA CIR from savings made in 2020/21. The contract is to be procured through the G-Cloud framework and is initially for 2 years with the ability to extend or end after the initial time period. This contract will need to be entered into with Mobysoft prior to the Rentsense software being installed.
- 3.7.5 RentSense can help mitigate further financial risk as failure to have a robust arrears management system which is able to predict and recommend targeted debt recovery actions will result in increased rent arrears. We need to ensure that we are supporting our customers to pay their rent and to clear arrears, the ultimate sanction for our customers is that we take legal action to gain possession of their home due to their non-payment of rent due.
- 3.7.6 If we were to take this course of action, Part 2 of the Pre-Action Protocol for Possession Claims by Social Landlords Issued by the Ministry of Justice, requires landlords to work proactively with tenants who fall into rent arrears to solve their arrears problems. This includes by making alternative payment arrangements, reviewing a tenant's financial circumstances and engaging with the Department of Work and Pensions (where appropriate) and assist with claims for financial support. The Pre-Action Protocol makes clear that litigation should be a last resort. As such, any tools which can predict and/or identify tenants who may fall into arrears and enable the Council to take proactive steps to engage with those tenants will assist the Council in complying with its obligations under the Pre-Action Protocol.
- 3.7.7 In turn, this should lessen the number of rent arrears cases that may need to be progressed through the court and, of those that do go to court,

improve the process for obtaining the necessary court orders for recovery of the rent arrears and possession of the property. RentSense provides a software solution that will increase cash flow, reduce arrears, create sustainable communities, reduce abandonments, and the need for court action and evictions. It will reduce caseloads for officers who will be able to concentrate their efforts on authentic debt cases without having to substantially increase staffing numbers

4. Policy Framework

4.1 Fit for the Future (FFF)

- 4.1.1 The Council's FFF Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. To that end amongst other things the FFF Strategy contains several Key projects. This report seeks to continue to ensure that the Council has adequate financial resources to support its various strategies and the provision of services.
- 4.1.2 The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The Council's Budget seeks to allocate the Council's financial resources to ensure the Council's services continue to be provided in accordance with Council policies and priorities, and resources for projects are similarly prioritised.

4.2 Supporting Strategies

- 4.2.1 Each strand of the FFF Strategy has several supporting strategies and the relevant one for this proposal is the Financial Strategy as reported to Executive as part of the Budget report in February 2021.
- 4.2.2 The following strategies and Codes also directly support the Council's current financial position for 2021/22: -
 - Financial Strategy
 - Capital Strategy
 - Treasury Management Strategy
 - Investment Strategy
 - Code of Financial Practice
 - Code of Procurement Practice.

4.3 Changes to Existing Policies

This report does not propose any changes to existing policies.

5. Budgetary Framework

- 5.1 Officers review current year budgets against outturn on a monthly basis at the same time as considering their implications for the medium term. Members are updated on a quarterly basis. As part of this process budget managers are asked to review both their salary position and revenue position through returns with Accountancy, and update / comment as necessary. This process has been strengthened for 2021/22 through increased formalisation. Going forward further reviews and changes to this process will be implemented through utilisation of the new Financial Management System (FMS), which is due to go live in the Autumn of 2021.
- 5.2 The Budget Review Process provides a planning tool to ensure resources are directed to the Council's priorities. Alongside the Council's own activities, external factors influencing its finances are also taken into consideration, for example Central Government Financing, the Business Rates Retention scheme, changes in legislation and the economy.
- 5.3 The Council maintains its Reserves to deliver Capital and other projects, and to ensure that there are sufficient resources available to manage unforeseen demands and continue to deliver its services. Close monitoring of these Reserve balances and Capital Programme, together with plans to replenish them will preserve the financial stability of the organisation for future years.
- 5.4 Members will note the significant savings that need to be delivered to enable the Council to set a balanced budget for 2022/23 and avoid a deficit in the MTFS if there is to be no reduction in the level of service provision by the Council.

6. Risks

- 6.1 The February Budget report detailed the main financial risks facing the Council. Many of these related to local authority funding, notably Business Rate Retention.
- 6.2 The COVID-19 pandemic has brought many risks to the Council's finances since March 2020 relating to income and expenditure. Whilst it is believed the figures within this report present prudent yet reasonable estimates, it is possible that the financial position for the current year and future years could be worse than forecast. Furthermore, the situation with the national and international environment could lead to further unknowns, particularly relating to the recovery and whether we will continue moving forward as part of this.
- 6.3 Many controls and mitigations are in place to help manage the financial risks facing the Council. These include: -
- The comprehensive Budget Review process. This entails all budget managers reviewing their budgets on at least a monthly basis,

considering previous, current and future years, along with any possible issues that may impact upon their budgets. As part of this process, regular Budget Review reports are issued to Cabinet and the Senior Management Team.

- Financial Planning with the MTFS / financial projections, bringing together all issues that will impact on the Council's finances in the medium term.
- Financial controls, including the Codes of Financial and Procurement Practice, system controls, reconciliations, audit (internal and external).
- Project Management and associated controls.
- Trained staff and access to appropriate professional advice (e.g. WCC Legal).
- Risk Management process across the Council, including the on-going review and maintenance of risk registers.
- Scrutiny by members of the Council's finances, including Budget Reports, and the financial implications of all proposals.
- Within the 2021/22 Budget there is a Contingency Budget, originally of £200,000 for any unplanned unavoidable expenditure. Additionally, a separate COVID contingency of £923,000 was included. The use of these balances have been discussed within this report.
- Reserves – The Council holds a number of reserves, with each being allocated for specific purposes. Whilst much of these reserves have already been earmarked for agreed projects, it is important that reserves are held for any unforeseen demands. The use of the Business Rate Retention Volatility Reserve does reduce the forecast balance on this reserve to around £1m. This balance should not be allowed to go below this level.
- The General Fund Balance is available to accommodate any unplanned expenditure, or to make up any shortfall in income. However, the Council should seek to maintain the balance of at least £1.5m.
- The specific causes of reductions to income or increased expenditure should continue to be managed by the relevant Service Area as part of managing the risks within each Service Risk Register. Each Service Area's Risk Register is presented to Finance and Audit Scrutiny Committee annually on a rolling basis.

7. Alternative Option(s) considered

- 7.1 No alternative proposals are presented.