

Title: Q2 Budget Report
Lead Officer: Andrew Rollins (01926 456013)
Portfolio Holder: Councillor Hales
Wards of the District directly affected: All

Summary

The report provides an update on the current financial position as at 30th September 2021, both for the current year 2021/22 at the end of Quarter 2, 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.

The Medium Term Financial Strategy shows that the Council is still reliant on making all the savings previously agreed as part of the 2021/22 Budget Setting. With the significant risks facing the Council's finances in future years, it is important that officers and members take all actions to ensure that the savings are generated.

Recommendation(s)

- (1)** That Cabinet notes the latest current year financial position for both Quarter 2 (General Fund £312k Favourable and Housing Revenue Account £1.549m Favourable) and forecast for the year (General Fund £557k Favourable and Housing Revenue Account £94k Favourable), with the key variations that drive these positions.
 - (2)** To note the updated profile of budget saving schemes originally approved in December 2020.
 - (3)** That Cabinet notes the impact on the Medium Term Financial Strategy (MTFS) due to changes detailed within the report, and how these changes are expected to be accommodated.
 - (4)** That the Council agrees the 2021/22 forecast surplus is reviewed further as part of the February 2022 Budget report, with the the forecast saving of £557k allocated to the Service Transformation Reserve.
 - (5)** To note the current capital variations for schemes originally approved in February 2021.
 - (6)** That Cabinet approves a further allocation of up to £67,000 for Commonwealth Games street dressing, to be funded from the Service Transformation Reserve.
 - (7)** That Cabinet approves an allocation of £46,200 per annum for the provision of a new Housing Finance Business Partner, to be funded from the Housing Revenue Account Capital Investment Reserve.
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1 Background/Information

1.1 Current year variances – General Fund

1.1.1 The current year variations were last formally reported to members in September as part of the Q1 Budget report. At that stage the profile of the revenue position reported a favourable variation of £69k for Q1, with a favourable forecast full year variation of £440k.

1.1.2 General Fund Financial Position as at 30th September (Q2)

Through regular budget monitoring by the Accountancy Team in conjunction with the relevant budget managers, the latest budget variations have been reviewed and where necessary, narrative provided in the below paragraphs. As at 30th September (Q2), the variance is now £312k favourable, with an updated forecast favourable variance for 2021/22 of £557km. A summary of this is provided below:

2021-22				
Service (General Fund)	Variation Description	Q1 Variation £'000	YTD Variation at Q2 £'000	Forecast Full Year Variation £'000
Employee Costs	Staffing	£223 A	£127 F	£200 F
Assets	Delays to PPM works	£385 F	£500 F	-
	Riverside House L4 closure savings	£48 F	£56 F	£30 F
Cultural Services	Restricted Arts Concession activity (Reported Q1)	£11 A	£62 A	£100 A
	Arts staff Furlough	£18 F	£33 F	£33 F
	Leisure Concession	-	-	£288 F
Development Services	Development Control Income	£33 F	£399 F	£250 F
	Building Control Income (Reported Q1)	£54 F	£48 F	-
Environment & Operations	Bereavement Activity reduced	£50 A	£200 A	£250 A
	Car Park improved collection	-	£175 F	£250 F
	Add' Waste Collection	-	£162 A	£300 A
Finance	FMS (Reported Q1)	£57 A	£57 A	£57 A
Housing Services	B&B Accommodation	£100 A	£244 A	-
Strategic Leadership	COVID-19 Other Costs – Cleaning (Reported Q1)	£28 A	£40 A	£100 A
	COVID-19 SFC Income Compensation Scheme	-	£424 F	£424 F
	Joint Venture Loan Interest	-	£140 F	£964 F
	Enabling Development	-	£40 A	£40 A
	Contingency Budget	-	£23 A	£23 A
	Budget Savings proposals	-	£512 A	£512 A
	Budget Savings in-year underspend	-	£250 A	£500 A
TOTAL		£69 F	£312 F	£557 F

1.1.3 Salaries (General Fund)

- 1.1.3.1 Implementation of savings reviews is ongoing across services, following the update to delivery forecasts discussed in the Quarter 1.
- 1.1.3.2 Continuing with the Salary Vacancy Factor process outlined in the Q1 report, the Q2 adjustment reflects the underspends on salaries within cost centres during the periods 1-5 (April -August).
- 1.1.3.3 As part of the Vacancy Factor process for Q1, £145,100 (GF) and £74,400 (HRA) was appropriated from staffing budgets for months 1 and 2.
- 1.1.3.4 For Q2, the following amounts have been appropriated to the vacancy factor budgets:

Portfolio	Vacancy Factor Budget 21/22	Budget Released Q2	Total budget Released P1 - 5
Assets	-£48,600	£0	£1,700
Community Protection	-£55,200	£22,000	£26,400
Cultural Services	-£56,600	£32,700	£65,500
Development Services	-£109,300	£30,600	£56,000
Economy & Place		£6,500	£38,100
Environment & Operations	-£58,800	£34,000	£56,100
Finance	-£39,800	£21,100	£21,600
Housing Services - General Fund	-£38,200	£14,800	£14,800
ICT	-£42,900	£4,500	£11,000
Law & Governance		£5,200	£8,300
People & Communication	-£36,500	£8,900	£9,900
Revenues & Customer Services	-£66,300	£10,800	£25,000
Strategic Leadership	-£46,400	£3,100	£6,400
Total General Fund	-£587,400	£197,500	£340,800
HRA	-£77,400	£101,600	£149,300
Total	-£664,800	£299,100	£490,100

- 1.1.3.5 This has enabled a further £198k (GF) and £102k (HRA) to be appropriated from Staffing budgets for months 1 -5 as part of the Salary Vacancy Factor process. Overall, 58% of the GF Vacancy Factor has been met, with the HRA Vacancy Factor now being surpassed.
- 1.1.3.6 Once the Vacancy Factor budgets are surpassed (as is the case with the HRA), 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.
- 1.1.3.7 After the Vacancy Factor Adjustment and departmental service reviews have been taken into consideration, General Fund salaries are £127k favourable against budget at the end of Q2. However, following the vacancy factor process and discussions with the relevant managers, parts of these budgets may be required to backfill where work is behind due to staffing, establishment, and recruitment issues. These assumptions will continue to be reviewed and challenged as part of the Q3 vacancy factor work and Corporate Management Team will continue to oversee the vacancy

management process.

1.1.4 Assets

- 1.1.4.1 The delays to the commencement of a number of Planned Preventative Maintenance (PPM) programmed works reported in Q1 have continued into Q2, resulting in the variation increasing to £650k. A number of factors are resulting in the delays to these works, with the key one being staffing resources within the Assets Service, driven by high levels of sickness, as well as recruitment challenges. It is expected that the full allocation of budget will be used to meet the repairs necessary in order to maintain the corporate stock. However it is likely that up to a third of the £1.5m programme will have to be slipped into the following financial year and so not present a real saving.
- 1.1.4.2 Another contributing factor to the variation is the way in which works are reported with the existing Financial Management System (FMS). One of the expected benefits of the new FMS, which went live in November, is that expenditure commitments will appear in a timelier manner in the system from the Property Management System. This will be 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.
- 1.1.4.3 The continued closure of parts of Riverside House, including level 4, has resulted in the savings against budget increasing to £56k, including £27k of utility savings. It is expected that these costs will increase as more people return to the offices as part of the hybrid working plan, as well as the increased costs associated with the Winter period.
- 1.1.4.4 It should be noted that utility charges are currently within budget heading into the winter, and the Council should not be impacted by the recent increases in wholesale costs. However, the current rates are only fixed until March 2022. From this date, prices are expected to increase by around 20%, which will be incorporated into the 2022/23 budgets and Medium Term Financial Strategy in due course.

1.1.5 Cultural Services

- 1.1.5.1 The indoor sites, including the Royal Spa Centre, Royal Pump Rooms and Town Hall remained closed until September. The income foregone (£442k) has been offset in part by a reduction in expenditure costs (£380k), such as bar supplies and Artist booking fees. Further support has been received through Government grants, both those specific to the Arts sector, and through the Sales Fees and Charges Income Compensation Scheme. Heading into the Winter period, the number of events held typically increases, with the largest event each year being the Pantomime, so ticket sales will continue to be monitored over this period as part of the reopening plan. There are also a number of rescheduled events taking place over this period.
- 1.1.5.2 The Council has continued to support casual staff through the closure, with the decision to furlough them from May 2020. The Council's final claim for salary costs in respect of 28 casual staff through the Coronavirus Job Retention Scheme, better known as Furlough, was made covering the month of July. The scheme was now formally ended as of 30 September 2021.

- 1.1.5.3 Due to the pandemic, no Everyone Active concession income was allowed within the original Budget for 2021/22, rather than the £1.252m concession agreed within the original contract. Everyone Active submitted a financial projection for 2021/22 which was reported to Cabinet in July 2021. This projection anticipated a deficit for the year of £411k based on the situation at the time and the anticipated profile for recovery from COVID. Everyone Active have continued to report their performance monthly to officers, with notable improved performance being reported from June 2021.
- 1.1.5.4 In September 2021, Everyone Active reprofiled their performance based on the first 6 months of the year and adjusted the year end position to a projected surplus of £288k. It should be noted that this is still a forecast and could change again depending on a number of factors including COVID restrictions over the winter months. It should also be noted that this readjusted figure allows for the closure of Abbey Fields and Castle Farm from January 2022.
- 1.1.6 Development Services
- 1.1.6.1 Development Control received a large planning fee relating to the proposed Gigafactory in the District, resulting in the significant uplift in income for the period.
- 1.1.7 Environment & Operations
- 1.1.7.1 A recurrent contingency budget of £750k per annum was established as part of Budget setting in February to mitigate the expected long term reductions in car park income because of reduced activity, driven by changing shopping, social and work habits. Following a challenging first quarter where a number of restrictions were still in place, car parks across the District then benefitted from increased activity throughout the Summer. This has been driven by the return of key outdoor events, including the Leamington Food Festival, which have driven footfall. Other car parks, primarily those linked with the parks and recreation sites, have also seen higher than forecast activity, likely due to the restrictions around foreign travel that were still largely in place over this period, resulting in more people visiting UK and local attractions.
- 1.1.7.2 While the winter periods may present further challenges for this service (outside of Christmas), it is expected that the requirement for this contingency may be reduced going forwards. This will be reflected through releasing £250k on a recurrent basis from this year, with a further recurrent £250k being released from the start of 2022/23.
- 1.1.7.3 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. As at quarter 2 income is currently £200k adverse against budget. The ongoing demand for the services has been reviewed as part of the fees and charges and budget setting processes.
- 1.1.7.4 Additional waste collections have continued into 2021/22, with increased volumes requiring collection from residential properties due to the continuing prevalence of remote / hybrid working. This is incorporated into the new waste contract commencing in August 2022. In 2020/21, the

additional cost of collection totalled £600k.

1.1.7.5 This has in part been offset by increased recycling income received during the year, also driven by increased collection rates.

1.1.8 Housing Services – General Fund

1.1.8.1 Increased levels of temporary B&B accommodation have been used since the start of the pandemic, to a cost of an additional £244k year to date. However, the Council will receive Flexible Homelessness Support Grant to fund this additional expenditure.

1.1.9 Strategic Leadership

1.1.9.1 A number of other COVID-19 specific costs have been incurred during the first half of the year, including the provision of Personal Protective Equipment and cleaning / sanitation. These costs will continue as the Council continues to mitigate the risks, and to support the move to hybrid working from November.

1.1.9.2 The Government extended its sales, Fees and Charges COVID-19 Income Compensation Scheme last year to continue into Quarter 1 2021/22, based on the same principles:

- 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.

1.1.9.3 The Quarter 1 return was submitted on 22nd September, outlining £566k of lost income as a result of COVID-19. It is worth remembering that across this period (April-June) there were still varying levels of restrictions still in place. Following on from the principles as outlined in 1.3.5.1, this equates to a claim of £424k.

1.1.9.4 Within the Medium Term Financial Strategy last reported to Cabinet for Q1, estimated income in respect of this scheme was calculated at £600k. Therefore, an adjustment of £176k has had to be incorporated into the latest update of the strategy.

1.1.9.5 The Council's wholly owned Housing Company Milverton Homes Ltd (Company Number 13123477) entered into a Joint Venture (Crewe Lane LLP) with housing developer Vistry Partnerships Ltd (Company Number 00800384) to facilitate the construction of 620 dwellings in Kenilworth on 27th August 2021. To finance the JV the Council issued 4 loans of varying terms to the value of £50m. A further £10m in loans is committed to be issued in April 2022.

1.1.9.6 All loan interest and capital repayments will be serviced by and are the liability of the JV with necessary legal and financial securities and charges in place to protect the Council's interests in line with expert legal and financial advice. The loan interest payable to the Council from Crewe Lane LLP is charged at a commercial rate and any surpluses will be retained by the Council to support service operation. This is expected to return £964k in 2021/22. The 248 Affordable and Social Housing Dwellings will be constructed and handed over to the Council's HRA over a phase period ending in approximately 2028. Milverton Homes has also committed to

purchase 62 further dwellings.

1.1.9.7 Within the 2021/22 Budget agreed by Council in February there was a Contingency Budget of £200k for any unplanned unavoidable expenditure. To date £223k has been committed from this budget. This will be further reviewed as part of the 2022/23 budget setting process.

1.1.9.8 The progress against the Budget savings proposals is outlined in section 1.3.

1.2 Current year variances - Housing Revenue Account

1.2.1 Variations have been identified by the Accountancy Team in conjunction with the relevant budget managers, giving a favourable variance of £1.549m as at 30th September, with a forecast favourable variance for 2021/22 of £94k. A summary of this is provided below:

2021/22				
Service	Variation Description	Q2 Variation £'000	Forecast Full Year Variation £ '000	Rec / Non-rec
HRA	Staffing (after Vacancy Factor Adjustment)	£51 F	£200 F	Non-rec
	Council Tax vacant properties	£48 A	£90 A	Non-rec
	Housing Repairs	£1,600 F	-	Non-rec
	PV (Solar) Panel income	£38 A	-	Non-rec
	Warwick Response equipment	£16 A	£16 A	Non-rec
TOTAL		£1,549 F	£94 F	

1.2.2 Staffing resources across the Housing Revenue Account have seen similar issues to those impacting the Assets teams. Sickness and recruitment challenges have been present and are likely to continue going forwards in the immediate future.

1.2.3 Continued delays in receiving invoices from contractors for housing repairs, both major and responsive, is leading to the favourable variance YTD. As reported at Q1, a process has been implemented to ensure order data from the Housing Management System (Active H) appears in the new Finance Management System (FMS) as orders are raised, ensuring expenditure reporting is more robust and timelier than it is through the existing FMS. The new FMS went live on 8th November. A further update will be provided for Q3, with any necessary changes made via the budget setting process. It should be noted that major and responsive works are ongoing, with the expectation that the £6.450m will be utilised.

1.2.4 The time with which properties are vacant between tenancies has increased since the start of the pandemic. Resourcing issues with ensuring contractor access for repairs and cleaning has resulted in delays in being able to get new tenants into these properties. During the period of vacancy, it is the HRA which picks up the cost of the Council tax.

1.2.5 There have been delays in receiving Solar panel income from the supplier. This is expected this to be resolved during the year.

1.2.6 A one-off purchase of equipment to support the installation of a new Warwick Response system has been made in this period. Warwick Response as a service will benefit from increased income and efficiencies going forward as a result of

the expansion of the service, having now taken on customers from North Warwickshire as part of an ongoing service agreement.

1.3 Recommendation 2 – Budget Savings Progress

- 1.3.1 Managers have provided updates as to expected delivery against the Budget Savings Proposals agreed originally in December 2020, and last reviewed as part of the Q1 report.
- 1.3.2 The latest updates have resulted in a further reduction in expected delivery of savings from Digital Transformation in 2021/22 of £75k to £200k.
- 1.3.3 Kenilworth Leisure Centre borrowing is forecast to be delayed by 6 months to 2024/25, so savings £250k in 2023/24.
- 1.3.4 Within the savings, a £500k 'in-year underspend' was allowed for. At this point in the year, nothing has been explicitly allocated to this. However, as part of the on-going Budget monitoring throughout the remainder of the year, any projected savings will be allocated against this heading.
- 1.3.5 See Appendix 1 for a full breakdown of the progress on the Budget Savings Proposals.
- 1.3.6 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 the savings initiatives are duly progressed.

1.4 Recommendation 3 – Medium Term Financial Strategy (MTFS)

- 1.4.1 The MTFS was last formally reported to members in September as part of Q1 Budget report. At that stage the profile of revenue savings to be found was 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

As well as the in-year changes detailed in section 1.1, there have been a number of key changes to the MTFS for future years, as outlined below:

1.4.2 Fees and Charges

- 1.4.2.1 Fees and Charges have been reviewed across all Service Areas, with the detail being presented to this Cabinet in its own report (Fees and Charges 2022/23 – Ref 1194).

1.4.2.2 The proposed fees and charges present an overall forecast increase in income of £828k. As amounts totalling £399k have already been factored into the MTFS (inflation and service initiative programme), the remaining balance of £429k will now also be included.

1.4.3 Everyone Active Leisure Contract

1.4.3.1 Officers are continuing to liaise with senior Everyone Active representatives to agree the financial projections for 2022/23 and an agreed approach to payment of the concession to the Council. These figures will be reported to Cabinet as soon as they have been confirmed. At this stage the MTFS includes the full contractual concession for future years which increments up to £1.66m by 2026/27.

1.4.4 Waste Contract and Recycling Centre Fire

1.4.4.1 The impact of the fire in July at the Ettington recycling centre is still uncertain currently. Currently a £1m contingency has been put into the MTFS to support any additional costs incurred from this. Further developments on the response to the fire, along with confirmation of the new waste contract, will be incorporated into the Budgets to be reported to members in February.

1.4.5 Updated Medium Term Financial Strategy

1.4.5.1 Considering the changes outlined in the report, the position of the Medium Term Financial Strategy is as follows: -

	2021/22 (Latest)	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000	£'000
Deficit-Savings Req(+)/Surplus(-) future years	-557	-1,258	-1,230	-1,900	-1,571	-1,107
Change on previous year	0	-1,258	28	-670	329	464

1.4.5.2 It should be noted that the Medium Term Financial Strategy currently presents a surplus position across all years of the strategy. However, a number of these years' surpluses are driven primarily by the non-recurrent income received from the loan interest serviced by Crewe Lane LLP, for which the last year is 2026/27. Once this is excluded, the underlying position moving forward is a forecast £400k surplus. This surplus is still driven by 2 factors which remain significant risks:-

- The achievement of the savings and increased income specifically the sum identified for green waste charging (Section 1.3 and Appendix 1)
- The concession from Everyone Active, as discussed in paragraph 1.4.4.

1.4.5.3 Therefore, it is still essential for the long term financial standing of the Council that delivery on the ambitious budget proposals, reviewed last

quarter and discussed in section 1.3, is achieved.

- 1.4.5.4 Furthermore, the Council still has significant risks following the fire at the Pure Recycling plant; the labour market in relation to HGV drivers; and its income streams due to the uncertainty around the pandemic.
- 1.4.5.5 Based on the General Fund gross expenditure of c£70m, this forecast surplus is under 1%. Noting the potential volatility of certain income and expenditure streams, the surplus is very low, and could very easily slip into a deficit position.
- 1.4.5.6 Appendix 3 has been included with the report to show the effect on the Medium Term Financial Strategy if none of the Budget proposals outlined in Appendix 1 were to be achieved from 22/23. The summary of this is as follows:

	2021/22 (Latest)	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000	£'000
Deficit-Savings Req(+)/Surplus(-) future years	-557	-1,258	-1,230	-1,900	-1,571	-1,107
Change if budget proposals not achieved	0	2,008	2,639	2,866	3,086	3,020
Potential Deficit	-557	750	1,409	966	1,515	1,913

1.5 Recommendation 4 – Allocation of General Fund Surplus

- 1.5.1 The current year forecast surplus of £557k is proposed to be allocated to the Service Transformation Reserve.
- 1.5.2 The use of all the Council's Reserves and Balances will be considered further as part of the Budget Report in February 2022.

1.6 Recommendation 5 – Capital Variations

- 1.6.1 The following proposed changes to the Capital Budget have been identified:-
- 1) Castle Farm Sports Pitch Drainage—£73k slippage into 2022/23.
 - 2) Play Area Improvements- £100k slippage into 2022/23.
 - 3) 2nd Warwick Sea Scouts- £337k saving as project complete (£250k paid back by Sea Scouts).
 - 4) Lord Leycester Warwick Town Wall- £100k slippage into 2022/23.

- 5) Covent Garden Electrics- refunds of £113k to go back into Corporate Asset Reserve.

1.7 Recommendation 6 – Commonwealth Games Street Dressing

- 1.7.1 Officers have been working closely with the Organising Committee of Birmingham 2022 Commonwealth Games as further details emerge on volunteering, Live Sites, and street dressing for summer 2022. In Feb 2021 an allocation of £83k was made from the Commonwealth Games Reserve to cover these three areas of work, the figures being based on the information that officers had at the time. Whilst the costs associated with volunteering and live sites have remained relatively static over the last 10 months, the street dressing work stream has evolved. The official Look Book containing the range of street dressing items was released in late October, allowing officers to undertake more detailed planning and costing of proposals for the district.
- 1.7.2 The range of street dressing offers an opportunity for the district to “dress” the towns to show them off to their best making local residents proud of their district and to create a real sense of arrival for visitors during the Games. The original plan had been to focus on relatively low-key street dressing on the walking routes to the venues (B2022 will dress the 2 venues i.e., St Nicholas Park and Victoria Park), some specific dressing at the Live Site in the Pump Rooms Gardens (WCC will dress the Warwick Live site in Market Square) and some targeted dressing in Kenilworth and Whitnash in partnership with the Town Councils.
- 1.7.3 However, on reflection, it feels that the Council is missing a trick in celebrating the district. It is considered that this more ambitious approach will make a real impression for residents and visitors to the district and may create a model that could be replicated for future large events in the district.
- 1.7.4 To achieve this more high-profile approach, additional budget is required. Work is ongoing to finalise the proposals for the various street dressing items in terms of costs and locations; and whilst officers have engaged with each of the Town Councils, details of the financial contributions from the respective town councils have yet to be confirmed. Therefore, it is requested that Cabinet agree to a further allocation of funding of up to £67,000, in addition to the £83,000 already in the budget, with approval for spending this budget allocated to the Chief Executive, Head of Cultural Services (joint sponsors of the project) in consultation with the Portfolio Holder for Leisure, Tourism and Culture. The allocation is proposed to be made from the Service Transformation Reserve.

1.8 Recommendation 7 – Housing Finance Business Partner

- 1.8.1 As the Council increases and develops its Housing strategy, both through the Housing Revenue Account funded new housing developments, and through the establishment of a Local Housing Company (see section 1.1.9.5), the resources within the existing Accountancy Team have increasingly become stretched. Therefore it has been agreed, with consultation and support from the Head of the Housing Revenue Account and the Head of Finance, that a new permanent post is added to the establishment.
- 1.8.2 The post will play a key role in the provision of a comprehensive accountancy service for Housing, including HRA and Local Housing Company support for the Council and to assist the Principal Accountant with their responsibilities.

1.8.3 The post is expected to require a budget of £46,200 per annum, proposed to be funded from the Housing Revenue Account Capital Investment Reserve.

2 Alternative Options available to (name of Committee/Cabinet etc.)

2.1 No alternative options are presented

3 Consultation and Member's comments

3.1 The Finance Portfolio Holder points out that the apparent forecast surplus of £400k referred to in paragraph 1.4.6.2 is dependent upon the Council achieving all the annual savings within Appendix 1 of over £6m (which includes charges from green waste), and the full concession being received for the Council's Leisure Centres of over £1.6m. Without these, the Council will be facing a deficit position and have to seek to find further savings if services are to be protected.

4 Implications of the proposal

4.1 Legal/Human Rights Implications

4.1.1 The proposals are in line with current legislation where applicable.

4.2 Financial

4.2.1 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 went live in November 2021.

4.2.2 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.

4.2.3 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.

4.2.4 Members will note the significant change in the profile of the Medium Term Financial Strategy as a result of developments within Q2. However, members should be aware that the interest income being received is on a non-recurrent basis for 6 years. Therefore, it is still essential that the Council continues to work towards delivering its savings proposals as agreed in December 2020, and updated as part of the Q1 Budget Report. This will ensure the Council is not being run at a deficit on the provision of services once this income source has ended.

4.3 Council Plan

4.3.1 In respect of Warwick District Council's Business Plan this proposal will have the following relevance and impact as set out below.

External:

4.3.2 People - Health, Homes, Communities

4.3.3 Services - Green, Clean, Safe

4.3.4 Money - Infrastructure, Enterprise, Employment

Internal:

4.3.5 People – Effective Staff

4.3.6 Services – Maintain or Improve Services. 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.

4.3.7 Money - Firm Financial Footing over the Longer Term. The Council's Medium Term Financial Strategy 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.

4.4 Environmental/Climate Change Implications

4.4.1 WDC has a budget of £500,000 per annum for Climate Change. It is proposed to utilise this for 2022/23 and 2023/24, in conjunction with Stratford District Council's Climate Change Fund to support a number of priorities within the Climate Change Action programme.

4.4.2 Proposals for the use of this budget were outlined in the Climate Change Action Programme report presented to Cabinet on 4 November (Item 11).

4.5 Analysis of the effects on Equality

4.5.1 Not relevant.

4.6 Data Protection

4.6.1 Not relevant.

4.7 Health and Wellbeing

4.7.1 Not relevant.

5 Risk Assessment

5.1 The February Budget report detailed the main financial risks facing the Council. Many of these related to local authority funding, notably Business Rate Retention.

5.2 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.

5.3 Many controls and mitigations are in place to help manage the financial risks facing the Council. These include: -

- 5.3.1 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.
- 5.3.2 Financial Planning with the MTFS / financial projections, bringing together all issues that will impact on the Council's finances in the medium term.
- 5.3.3 Financial controls, including the Codes of Financial and Procurement Practice, system controls, reconciliations, audit (internal and external).
- 5.3.4 Project Management and associated controls.
- 5.3.5 Trained staff and access to appropriate professional advice (e.g., WCC Legal).
- 5.3.6 Risk Management process across the Council, including the on-going review and maintenance of risk registers.
- 5.3.7 Scrutiny by members of the Council's finances, including Budget Reports, and the financial implications of all proposals.
- 5.3.8 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 has been discussed within this report.
- 5.3.9 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.
- 5.3.10 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.
- 5.3.11 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.

6 Conclusion/Reasons for the Recommendation

6.1 The recommendations and updates will enable the Council to ensure members and other stakeholders continue to be informed on the most up to date financial position of the Council, both in year and for the medium term. It will enable decisions to be made based upon these positions to ensure that the Council can continue to operate within a balanced budget.

Background papers:

Quarter 1 Budget Report (Cabinet 23 September 2021 – Item 6)

Fees and Charges 22-23 (Cabinet 4 November 2021 – Item 5)

Climate Change Action Programme (Cabinet 4 November 2021 – Item 11)

Supporting documents:

Appendix 1 – Budget Proposals Q2 update

Appendix 2 - Financial Strategy Q2 Update

Report Information Sheet

Please complete and submit to Democratic Services with draft report

Committee/Date	Cabinet – 4 November 2021	
Title of report	Quarter 2 Budget Report 2021-22	
Consultations undertaken		
Consultee *required	Date	Details of consultation /comments received
Ward Member(s)		
Portfolio Holder WDC	28/11/21	Councillor Hales
Financial Services *	29/11/21	Andrew Rollins
Legal Services *		
Other Services		
Chief Executive(s)	28/11/21	Chris Elliot
Head of Service(s)	28/11/21	Mike Snow
Section 151 Officer	29/11/21	Mike Snow
Monitoring Officer	28/11/21	Andrew Jones
CMT (WDC)		
Leadership Co-ordination Group (WDC)		
Other organisations		
Final decision by this Committee or rec to another Ctte/Council?		Recommendation to :Cabinet / Council F&A Committee
Contrary to Policy/Budget framework		No
Does this report contain exempt info/Confidential? If so, which paragraph(s)?		No
Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?		No
Accessibility Checked?		Yes