

OVERVIEW AND SCRUTINY COMMITTEE

DATE OF MEETING: 17 AUGUST 2021

TITLE OF REPORT: QUARTER ONE – REVENUE BUDGET MONITORING
AS AT 30TH JUNE 2021

Report of: Head of Corporate Services

Cabinet member: Deputy Leader and Portfolio Holder for Finance and
Assets.

1 PURPOSE OF REPORT

1.1 To present the Quarter One (Q1) forecast of the outturn position against the General Fund revenue budget to give an expectation of possible variances against budget

2 OFFICER RECOMMENDATION

2.1 To note

- i) the Quarter One forecast for the General Fund Revenue budget.
- ii) the key reasons for projected variations between actual expenditure and budgeted expenditure.

3 BACKGROUND

3.1 This report provides the first monitoring position statement for the financial year 2021/22. The purpose is to notify members of any known significant variations to budgets for the current financial year, highlight any key issues and to inform members of any action to be taken if required.

3.2 The first quarter of 2021/22 has continued to be impacted by Covid-19 with extended restrictions continuing until 22nd June 2021. The previously approved arrangement to waive Leisure Contract contractual income continued until the 30th June 2021.

3.3 This quarter is the last quarter where compensation income could be claimed from Central Government. The claim deadline for Q1 is August 2021. It is expected that a claim of approximately £330K will be submitted.

4 REVENUE BUDGET MONITORING

4.1 In February 2021, the Council approved a total net service budget of £10,794k. Budgeted expenditure at the end of Quarter One was £4,557k.

- 4.2 The forecast position for expenditure as of 30th June 2021 was a variance to Budget of £2.7m. The table below details expenditure and forecast by service area.

Table 1.1 Hart DC – Revenue Budget Comparators – 2021/22 (June – Period 3) before Covid and Grant adjustments.

Service Area	Original Full Year Budget 2021/22	Q1 Budgeted Expenditure	Actual Q1 Expenditure	Over/Under	Full Year Forecast 2021/22.	FY Forecast v FY Budget 2021/22
	£'000	£'000	£'000	£'000	£'000	£'000
Corporate	£2,992	£1,802	£924	–£878	£4,182	£1,190
Community	£2,530	£374	£43	–£331	£2,060	–£470
Technical and Environmental	£4,354	£882	–£230	–£1,112	£4,387	£33
Place	£2,427	£824	£296	–£528	£2,459	£32
Accounting Treatment	–£1,509	£675	£815	£140	–£1,518	–£9

4.3 Method of Quarterly Accounting

Historically, the Council has not accounted for accruals and prepayments from month to month, this contributes to large swings in expenditure particularly in the earlier quarters of the year. The Section 151 Officer will be implementing full quarterly accruals accounting from December 2021 with increased accruals accounting taking place at the end of September 2021. This will allow more accurate accounting and forecasting as part of the Quarterly Budget Monitoring exercise.

4.4 Significant Variances Corporate

Corporate Services is forecasting an overspend at year end of £1.2m. This is largely due to uncertainty around income on the Leisure contract. A separate report on this will be brought to Cabinet when more information is available.

The underspend in Q1 is due to no invoices being received from South & Vale Councils for the recharge of Capita services; this is the reason why the forecast for the full year does not reflect this underspend. The value of invoices not yet received is £1,096K.

There is also a risk of overspend on IT software licences as the organisation moves to a Software as a Solution (SAAS) payment for software licences and

Office 365 Tenancy back up. This will be reviewed and reported within the Quarter Two Budget Monitoring.

With exception of the above, no significant variances against profiled budget are reported.

4.5 **Significant Variances Community Services**

In Community Services, expenditure for the service is on schedule with profiled budget with exception of one key area where £373K of domestic violence partnership payments have not yet being invoiced.

4.6 **Significant Variances Place Services**

The total variance on place services is a £528k underspend for Q1. The key factors contributing to this variance are shown below. They stem largely from invoices not being received from partnership suppliers, salary underspends and additional planning income:

- Planning Income of £191K more than profiled budget
- Neighbourhood Plan funding carried forward of £47K not yet utilised for referenda.
- Invoices not received from Rushmoor for Building Control services of £137K
- Invoices not yet received from Basingstoke and Deane Council relating to licensing for £31K.
- Rental Income of £32K which needs to be moved across to Commercialisation.
- Salary underspends in planning of approximately £30K although this is expected to be balanced somewhat by agency payments in future months.
- Invoices not yet received for software of £25K.

A request has been made by the Section 151 Officer to the officers managing the Place Budgets that profiling will need to be reviewed for the remaining three quarters of the year for both income and expenditure.

4.7 **Significant Variances Environment and Technical Services**

There is a Q1 underspend on Environment and Technical Services of £1.112K which is wholly due to timing differences on invoices and invoices not being received from Basingstoke and Deane Council. This is made up of;

- waste contract £471K,
- street cleaning £156K,
- green sacks £394K and
- Grounds Maintenance £107K.

The Section 151 Officer has requested that the waste budget is reviewed to ensure that it is fully updated to consider how the waste contract will be accounted for in future

5 **MANAGEMENT OF RISK**

5.1 The monthly budget monitoring process examines all income and expenditure against budgets in order that significant variances are highlighted immediately and to identify areas where expenditure is being incurred but where insufficient or no budgetary provision exists. This allows officers to take corrective action to maintain overall expenditure within budgets.

5.2 The review of profiling and introduction of quarterly accruals will improve the accuracy and intelligence of quarterly budget monitoring information. There is also work to do with all key partners to ensure that invoices are raised on a prompt basis.

6 **CONCLUSION**

6.1 COVID-19 continues to influence Leisure income due to the Extended Restrictions put in place. Implementation of Quarterly accruals and improved profiling will improve the quality of future budget monitoring.

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