

COMMUNITY SERVICES COMMITTEE
TUESDAY, 22ND JUNE, 2021 AT 7.30 PM

Supplementary Agenda

To all members of **COMMUNITY SERVICES COMMITTEE**: The following papers, which were not available for dispatch with the agenda, are attached. Please bring them with you to the meeting:-

Item 6. Community Services finance report - Month 2 (21/22) (page 3)

Yours faithfully,

David Ford
Chief Executive

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Budget Monitoring Finance Report – Month 2 (May 2021)

Community Services Committee – 22 June 2021

Report of: Anna D’Alessandro – Chief Finance Officer (Section 151)

Purpose: To approve the relevant budget changes since approval of the 2020/21 Budget at Full Council in February 2021.

To note that the 2021/22 Community Services Budget, after the budget virements stated in this report which are provisional on confirmation of the 2020/21 outturn. The outturn for the Council will be presented upon completion of the Forensic Review & Fact Finding by Grant Thornton UK LLP (GT) commissioned by S&R on 8th June.

To note the 2021/22 Month 2 (May) financial position of the Committee.

Publication status: Unrestricted

Wards affected: All

Executive summary:

This report accompanies the presentation that outlines the Community Services **2021/22 budget position at the end of May 2021 (M2)**

This report supports the Council’s priority of:

Effective budget monitoring giving a clear and precise overview of the Community Services committee’s financial position.

Contact officer Rona Leitch – Finance Business Partner
rleitch@tandridge.gov.uk

Recommendations to Committee:

That:

- A. that the relevant budget changes since approval of the 2021/22 budget at Full Council in February 2021 be approved (para 4);
- B. the 2021/22 budget after recent budget virements be noted (*this budget is provisional pending the 2020/21 budget outturn being presented to S&R -likely to be in September 2021- following the completion of the forensic review by Grant Thornton. The Phase 1 work of GT focusses on the forensic review of the c£920k pensions adjustment and is unlikely to directly impact the Planning Policy Budget. Following the outcomes of Phase 1 there may need to be a Phase 2 which may look more broadly at financial issues across the Council to provide a solid and robust basis for the Council's finances moving forward. There is a possibility that this could impact other Committee budgets. The changes proposed in this report are provisional on the outcomes of this work.*); and
- C. the Committee's forecast revenue and capital budgets position as at M2 (May 2021) be noted

Reason for recommendation:

Please see slide presentation

Introduction and background

- 1 The 2021/22 Community Services revenue budget was approved at £4.9m on 11th Feb 2021. Since the initial approval, the Council has reset some of its revenue budgets.
- 2 The reason for the reset of budgets is due to a number of factors including;
 - alignment of the corporate items (those that are outside the direct control of the Committee in day-to-day decision making);
 - realignment of case workers across the Council (therefore requiring the realignment of salaries across Committees);
 - aggregation of legal costs; and
 - reversal of the Council's unconventional treatment of depreciation (which consists of the application of budgets to non-cash/accounting only items). These changes have resulted in altered Committee budgets.
- 3 As these budget transfers are between Committee budgets and corporate items, the overall General Fund budget is unchanged at £11,295,340.

Table 1: Community Services approved budget to Provisional proposed budget (subject to the 2020/21 outturn presented and approved by S&R and the review by GT).

	2021/22 Council Approved Budget £	Virements £	2021/22 Provisional Budget M2 £
Community Services (Chair: Cllr Wren; Lead Officer: A Boote)			
Public Conveniences	133,630	(39,600)	94,030
Waste & Street Management	3,127,648	(335,300)	2,792,348
Management of Parks & Open Spaces	1,063,751	(249,000)	814,751
Client Services (incl Car Parks)	(95,700)	(52,900)	(148,600)
Operational Services	(100,555)	(30,900)	(131,455)
Community & Leisure Services	477,246	(187,100)	290,146
Environmental Health Services	281,980	0	281,980
Community Services	4,888,000	(894,800)	3,993,200

- 4 The most significant reason why the Community Services budget has to be reset is to remove the unconventional practice of assigning budgets to non-cash/accounting items. In usual circumstances and for budgeting purposes, only cash items would have a budget set against them as they have an element of controllability. The Council's practice (which goes back some time it is understood) has been to apply budgets to items which are of an "accounting treatment" nature only, depreciation is an example.
- 5 S&R has commissioned GT to perform a forensic review and fact-finding to fully understand the implications of the potential budget gap. Until S&R receives this report, we are unable to finalise and present the 2020/21 outturn position. This means that the 2021/22 budget can only be provisionally reset until receipt of the forensic report.
- 6 The budget monitoring report shows the financial revenue and capital position of the Community Services committee as at M2 (May).
- 7 Incorporated in the slide presentation is an update on the saving programme. Council approved an overall saving programme of £2.7m of which 52% is attributed to Community Services.

Key implications

Comments of the Chief Finance Officer

- 8 The Council has a duty to ensure its expenditure does not exceed resources available. The short and medium-term financial outlook remain uncertain.

- 9 On 8th June S&R commissioned Grant Thornton LLP UK (GT) to undertake a Forensic Review and Fact Finding into the c£920k potential budget gap, via a Pensions adjustment. Phase 1 of this review will be to understand the reasons for this adjustment and implications on the 2020/21 and subsequent years' budgets. Phase 2, if required, may look more broadly at the finances across the Council to provide a solid basis to make financial decisions in the future. As a result, we have been unable to present the 2020/21 Outturn position to S&R.
- 10 There have also been a number of adjustments as outlined above to the Committee's budget – including the removal of non-cash/accounting item budgets and the realignment of salary costs across Committees.
- 11 Until the work of GT is complete and the outturn has been presented to S&R for approval (likely to be sometime in September) the budget adjustments proposed on this report are provisional and contingent on the items described above.
- 12 Until the Forensic review has been completed – we are maintaining a closer and tighter grip on costs particularly salaries. There is a substantial £2.7m saving programme for the Council to deliver in 2021/22 to provide us with the best opportunity to balance the 2021/22 budget. If this savings programme is not delivered this will have a detrimental impact on our finances. It will be kept under constant review and progress will be reported to Members in monthly financial reports
- 13 Much work on the budget setting process for next year and into the medium-term indicates that the Council's finances will continue to be constrained, as they have been for much of the past decade. This subsequently places an onus on the Council to continue to consider issues of financial sustainability as a matter of urgency in order to ensure stable provision of services in the future. Within this context the Council will continue to develop and implement plans to ensure that the delivery of services is contained within resources and we work towards closing the medium-term gap.
- 14 The Section 151 Officer confirms the financial information presented in this report has been based on reasonable working assumptions, taking into account all material, financial and business issues and risks.

Comments of the Head of Legal Services

- 15 The Council must set the budget in accordance with the provisions of the Local Government Finance Act 1992 and approval of a balanced budget each year is a statutory responsibility of the Council. Sections 25 to 29 of the Local Government Act 2003 impose duties on the Council in relation to how it sets and monitors its budget. These provisions require the Council to make prudent allowance for the risk and uncertainties in its budget and regularly monitor its finances during the year. The legislation leaves discretion to the Council about the allowances to be made and action to be taken.
- 16 The Committee should be aware that if the Section 151 Officer, at any time, is not satisfied that appropriate strategies and controls are in place to manage expenditure within the in-year budget they must formally draw this to the attention of the Committee and Council and they must take immediate steps to ensure a balanced in-year budget, whilst complying with its statutory and common law duties.
- 17 It is essential, as a matter of prudence that the financial position continues to be closely monitored. In particular, Members must satisfy themselves that sufficient mechanisms are in place to ensure both that savings are delivered, and that any new expenditure is contained within the available resources. The Monitoring reports set out the additional detail so that Members can get a feel for where the potential issues are.
- 18 Members will be updated on the findings on the commissioned forensic review outcomes once their report has been finalised.

Equality

- 19 This report does not disadvantage or discriminate against any different groups with protected characteristics in the community.

Climate change

- 20 There are no significant environmental / sustainability implications associated with this report.

Appendices

Appendix 'A' – Committee's Month 2 (May) Financial Report

Background papers

None

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Month 2 (May 21) Financial Report

Community Services 22nd June 2021

Rona Leitch
Finance Business Partner

Anna D'Alessandro
Chief Finance Officer (s151)

Contents

- Key Messages

- Annex
 - Community Services Committee - Detailed Revenue
 - Community Services Committee Saving Tracker
 - Community Services Committee Financial Risks

Key Messages

General Fund Budget:

- On 13th Feb 2021, Council **Approved a £4.9m Revenue Budget**
- Since this approval, the Council has had to reset some of its revenue budgets. The **reason** for the is due to a number of factors including; (*refer Cover Report*)
 - **(£0.9m) – reversal of the Council’s unconventional treatment of depreciation (which consists of the application of budgets to non-cash/accounting only items).**
- 2021/22 Budget for Committee is provisional pending the 2020/21 Budget Outturn being presented to S&R. This will follow the completion of the forensic review by Grant Thornton LLP UK. There is a possibility that this work could impact other Committee budgets.
 - **At 22nd June proposed virements totalling £0.9m have been removed from the original budget, Provisional Budget is now set at £4.0m**

Revenue Forecast position:

- **At M2 Community Services is forecasting a £13k overspend** predominately due to: (*refer Annex*)
 - **£14k loss of Parks & Open spaces income** - due COVID-19 lock down restrictions reducing available bookings,
 - **£5k overspend – due delays in replacing leased vehicles** for outright purchases**Offset by: £6k underspend** relating to longer required to charge business rates on Public Conveniences
- Provisional and subject to the Council’s 2020/21 Outturn being approved pending the GT Forensic Review

Key Messages (cont'd)

2021/22 Savings Programme:

- There is a Council-wide £2.7m savings programme, of which **£1.4m (52%)** is attributable to **Community Services**

Committee	Target £000	Achieved £000	Plans in Place £000	Potential Barriers £000	High Risk £000	BAU Full year Forecast £000	Unachievable £000
Community Services	1,437	210	223	1,000	0	1,432	5

- Of the planned c£1.4m savings:
 - **c£0.2m (BLUE)** are considered to be achieved (i.e. there has been a reduction in spend attributed to the savings areas)
 - **c£0.2m (GREEN)** have plans in place that will be evident later in the year
 - **£1.0m (AMBER)** currently on target but could have potential barriers to achievability; and
 - **£5k (BLACK)** that relates to changing the ownership of vehicles is unachievable and subject to finding mitigation action somewhere within the Committee Budget (*refer Saving Tracker Annex*)

Risks & Opportunities:

- **No risks** have been included in the forecast position at M2
- **Net risks of £110k** have been quantified for the Committee (*refer Financial Risks Annex*)

Key Messages (cont'd)

Capital Budget:

- 2021/22 Capital Budget was approved by Council on 13th February 2021, at **c£2.0m for Community Services**;
 - Programme slippage of c£1.2m from 2020/21 is shown below as being carried forward in to 2021/22 but is yet to be approved. Approval is anticipated in September when the 2020/21 outturn position is reported to Strategy and Resources Committee.
 - As Outturn is still pending, **the provisional budget is £3.1m**, if the 2020/21 carry forward is approved
- **At M2, the Committee's Capital budget is forecast as balanced**

Capital Budget Monitoring at Month 2 end May	Original Budget 2021/22 £	Pending Potential Carry Forward from 2020/21 £	Provisional Budget including Carry Forwards £	Forecast at M2 2021/22 £	Forecast Variance at M2 2021/22 £
Community Services - Committee Chair: Councillor J Wren - Officer: A Boote					
Waste and Recycling	123,200	788,100	911,300	911,300	0
Parks, Playgrounds and Open Spaces	773,700	211,600	985,300	985,300	0
Community infrastructure and assets	1,057,300	182,400	1,239,700	1,239,700	0
Total Community Services	1,954,200	1,182,100	3,136,300	3,136,300	0

ANNEX

DETAILED REVENUE

- Community Services Committee – Revenue (slide 7)
- Community Services Committee - Saving Tracker (slide 8 & 9)
- Community Services Committee - Financial Risks (slide 10)

Community Services Services – Overview

TABLE 2: 2021/22 Forecast: General Fund Financial Position at year end 31/03/2022

	2021/22 Outturn forecast at M2 £	2021/22 Provisional Budget M2 £	M2 Forecast Variance £
Community Services (Chair: Cllr Wren; Lead Officer: A Boote)			
By function:			
Public Conveniences	88,030	94,030	(6,000)
Waste & Street Management	2,797,348	2,792,348	5,000
Management of Parks & Open Spaces	828,351	814,751	13,600
Client Services (incl Car Parks)	(148,600)	(148,600)	0
Operational Services	(131,455)	(131,455)	0
Community & Leisure Services	290,146	290,146	0
Environmental Health Services	281,980	281,980	0
Community Services	4,005,800	3,993,200	12,600
By subjective:			
Salaries (non planning grants)	1,363,229	1,363,229	0
Non Salaries	5,261,966	5,262,966	(1,000)
Income	(2,619,395)	(2,632,995)	13,600
	4,005,800	3,993,200	12,600

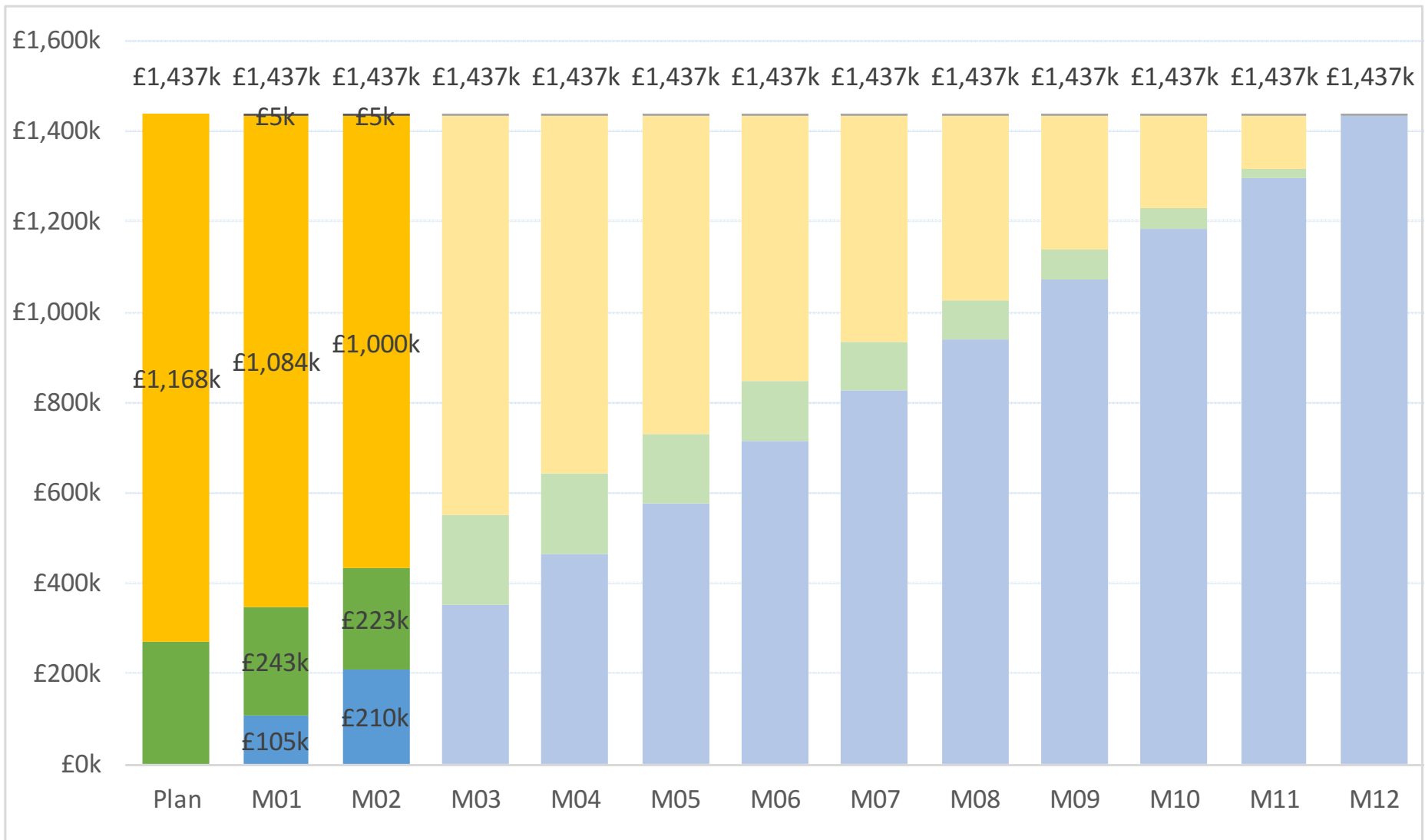
At M2, the Community Services Budget is overspent by c£13k, due to:

- **£6k underspend** due to no longer required to charge business rates on Public Conveniences

Offset by:

- **£5k overspend** due to delays in new vehicles replacing lease costs
- **c£14k loss of income** due COVID-19 lock down restrictions reducing available bookings

Saving Tracker as at M2



Key:

- Blue – Savings achieved;**
- Green – Plan in place to achieve savings;**
- Amber – Potential barriers to achieve savings;**
- Red – High risk of savings not being achieved, as no plan in place**
- Black – Part or all of the saving cannot be achieved**

M2 Saving Tracker – by Project

Description	Target £000	Achieved £000	Plans in Place £000	Potential Barriers £000	High Risk £000	BAU Full year Forecast £000	Unachievable £000
Capitalise salaries for officers working on capital programme	80	13	67	0	0	80	0
Review staffing assignment to committees purpose	68	11	57	0	0	68	0
Contract Review - Garden Waste	449	75	0	374	0	449	0
Contract Waste - Bulky Waste	63	0	0	63	0	63	0
Contract Waste - New Waste Contract	493	82	0	411	0	493	0
Contract Review - Non-Biffa waste	69	12	0	58	0	69	0
On Street Parking	94	0	0	94	0	94	0
Replacing leased vehicles with unleased vehicles	21	0	16	0	0	16	5
Parks & Countryside – bio diversity grass cutting	47	8	39	0	0	47	0
Off Street Parking repairs	19	3	16	0	0	19	0
Parks and Countryside - non contract work	13	2	11	0	0	13	0
Contribution to Lottery and Small Grants	11	2	9	0	0	11	0
Community Transport	10	2	8	0	0	10	0
Net savings across committee service reviews to remodel service delivery	0	0	0	0	0	0	0
TOTAL	1,437	210	223	1,000	0	1,432	5

Financial Risks

Committee	Risk	Mitigation	Min & Max Range	Likely / Average Financial impact	RAG Risk
Across the Council	Continuation of COVID-19 social distancing affecting business interruptions	Applying current COVID-19 directions and identifying costs onto the COVID-19 loss of income & expenditure tracker	£50k - £1.5m	£100k	A
Community Services	Incomplete hand over of new contracts - Waste, Community Alarms and Garden Club		£25k - £100k		A
	COVID-19 easing measures reversed effecting leisure services and parking	Applying current COVID-19 directions and identifying costs onto the COVID-19 loss of income & expenditure tracker	£100k - £250k		A
	COVID-19 easing measure quickened effecting environmental and parks management	Applying current COVID-19 directions and identifying costs onto the COVID-19 loss of income & expenditure tracker	£20k - £100k	£30k	A
	Adverse county decisions on the recycling centres impacting on fly tipping and greater volumes of waste collection		£20k - £50k		A
	Ash dieback is far more advance than was previously projected. One of the areas that has been identified as high risk is near a railway line and also a children's play area in Manor Park. Due to the trees location, work will have to be undertaken in this year's programme	This is subject to a forecoming Committee report that will highlight the greater detail of the work, estimated cost and duration for the work	£50k - £100k	£50k	R
	BID impact insufficient to ensure bounce back on the high street effecting parking		£20k-£50k	£30k	A

Risk Criteria: R: Critically severe & Probable Amber: Moderately severe & Occasional Green: Marginally severe & Remote