

# **Budget Monitoring Finance Report – Month 2 (May 2021)**

## **Community Services Committee – 22 June 2021**

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

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**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 8<sup>th</sup> June.

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

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Publication status: Unrestricted

Wards affected: All

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### **Executive summary:**

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

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### **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.

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## 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

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## Reason for recommendation:

Please see slide presentation

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## Introduction and background

- 1 The 2021/22 Community Services revenue budget was approved at £4.9m on 11<sup>th</sup> 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
<b>Community Services</b>	<b>4,888,000</b>	<b>(894,800)</b>	<b>3,993,200</b>

- 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 8<sup>th</sup> 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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