

IN YEAR BUDGET OPTIONS

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Portfolio Holder: Finance & Resources

Ward(s) Affected: All wards

Purpose of the Report: To provide members with opportunities regarding using in year additional income, savings and efficiencies.

Recommendation:

1. That Cabinet provides direction to Council on the thematic apportionment of the quarter 3 outturn, and invites bids for projects that meet the objectives listed in section 3.

1 SUMMARY

- 1.1 The financial performance so far this year has been strong.
- 1.2 Additional exceptional income has been received, Covid has delayed some expenditure, and the One Team have identified significant revenue savings and efficiencies from continuing activities.
- 1.3 This in-year surplus of income over expenditure, gives the Council a one-off opportunity to: further invest in our economy; invest in carbon reduction initiatives; invest in our staff; bring forward future service enhancements; and put aside money to support future initiatives.

2 EXCEPTIONAL INCOME / COVID IMPACTS / IN YEAR SAVINGS AND EFFICIENCIES

- 2.1 The following table provides a summary of the exceptional income, Covid impacts, and in-year savings and efficiencies from continuing activities that have been generated during 21/22. This is based on the estimated year end position, as predicted at the end of quarter 3 (Dec 21). The table below does not include savings from delayed spend as it is envisaged that these projects will still be carried out and these savings be used in the next financial year.

	£'000	£'000
Exceptional Income		
Business Rates Pool 2020/21		675
Investment Income		90
Fees and Charges		
- Internal audit charges to other authorities	34	
- Land charge income	38	
- Property rents	13	
- Cil	126	
- Planning	500	
- Licensing	10	
- Bulky Waste / Commercial waste	115	
- Garden Waste	130	966
Sub Total Exceptional Income		1,731
Covid Impacts		
Savings		
- Salary saving from vacancies while recruitment takes place	229	229
Continuing Activities		
Saving on Borrowing Costs		339
Savings		
- In year saving - one off	305	
- In year saving - removed from 22/23 Budget	474	779
Sub Total Continuing Activities		1,118
Grand Total		3,078

EXCEPTIONAL INCOME

Business Rates Pool 2020/21

- 2.2 Since 2018/19, all Norfolk authorities have been part of a Business Rates Pool (Pilot in 2019/20). The Pooling agreement provided for pooling gains to be retained in a 'Joint Investment Fund' for joint allocation to support Norfolk's economic growth strategy. Over the years this Fund has helped deliver a number of significant projects across the county.
- 2.3 However, as agreed by the Norfolk Pool Board (The Norfolk Leaders Group) at their meeting on 14 May 2021, a different approach is being taken regarding pooling gains for 2020/21. This year it has been agreed:

"To divide the Pooled Business Rates pot into 10 shares, allocating 3 to the County Council and 1 share each to each district."

- 2.4 This will result in each district receiving a pooling dividend of £675k.
- 2.5 Use of these funds will be at the discretion of each individual authority, noting that each will undertake their own programme management and reporting and there will be a need to ensure spend is eligible under Pool Governance Agreement (i.e. that it supports the objective of delivering economic growth). Norfolk County Council will seek assurance from S151 Officers that funding has been used in compliance with the relevant Pool Governance agreement.

Investment Income

- 2.6 It was estimated that the Council would earn £1,356,000 in investment interest this year, primarily from loans to Big Sky. Current indications are that investment earnings will be £1,446,000, providing addition income of £90k.

Fees & Charges

- 2.7 Fee and charges income is above budget in a number of areas. In particular garden waste and bulky waste income is buoyant.
- 2.8 Regarding CIL income the 21/22 budget for CIL admin income is £250,000. It is now expected that £376,000 will be received.
(Note: For 22/23 the Cil admin income budget been increased to £328,000).
- 2.9 Regarding Planning Income the 21/22 budget for planning income is £1m. The current estimate of £1.5m is therefore a significant overachievement and reflects the high level of activity currently been seen.

COVID IMPACTS

- 2.10 Covid has meant that some staff have decided to pursue opportunities elsewhere / bring forward retirement plans. In addition recruitment and onboarding has been more challenging. There have therefore been additional salary savings due to the timing of bringing new staff in to replace vacancies.
- 2.11 Covid has also had an impact in delaying projects. However the above table does not include savings from delayed spend as it is envisaged that these projects will still be carried out, and thus the budgets in these areas will still be required in the next financial year.

Leisure

Covid Impacts - Leisure		
Net cost of leisure in 20/21 now expected to be £987,000 rather than the budgeted figure of £1,564,000. (Effect will be to reduce the draw on the leisure reserve)		577

- 2.12 Covid has had a particularly significant impact on our leisure services. Before the pandemic leisure was moving towards being cost neutral (ie the income from users covering the annual running costs). However the periods of closure and the ongoing impact on peoples habits has impacted on profitability.

- 2.13 At the start of the year it was estimated that, due to the effects of the pandemic, it could cost up to £1.564m to run the leisure service for the year. Due to concerted effort, leisure has had a stronger than anticipated recovery. The cost is now expected to be over £ ½ m less at £987,000. This represents a real accomplishment, with performance close to scenario 2 of year 1 of our 3-year recovery plan.
- 2.14 It was also agreed at Cabinet on 1 June 21 to create a new Leisure Recovery Reserve of £2.5m to cover the cost of leisure whilst it recovers over the next 3 years. Therefore rather than the cost of leisure being a charge to the General Reserves, the next cost will now be funded from the Leisure Recovery Reserve.

CONTINUING ACTIVITIES

Borrowing Costs

- 2.15 To date it has not been necessary to borrow to fund the Capital programme. This means there is a saving of £339k on budgeted borrowing costs.

Savings and Efficiencies

- 2.16 In year savings and efficiencies have arisen from a number of factors. For instance the One Team have been able to drive savings from standardising processes and procedures, and redesigning working practices. Where appropriate these savings have been removed for the 22/23 budgets.

3 OPPORTUNITIES

- 3.1 The in-year additional income, savings and efficiencies, detailed in the section above, gives the Council the opportunity to consider how best to utilise this resource to accelerate its delivery plan.
Nb: Given that the Councils are still facing a longer-term funding gap, this resource should be considered a one-off pot, as opposed to an ongoing resource.
- 3.2 We are reporting the quarter 3 position and there remain limited risks for the final quarter. Nevertheless it is recommended that a series of Earmarked Reserves are established in the following thematic areas in pursuance of Council objectives to the aggregate sum of £2.5m for which staff and members will be invited to suggest programs to be completed in 2022/23.
- 3.3 The thematic suggestions are therefore put forward for consideration at this stage over-and-above existing program levels.
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| • Positive Planning for a post-carbon Economy | £1.5m |
| • Accelerating the Economic Growth & Prosperity | £0.5m |
| • Supporting our Communities | £0.2m |
| • Investment in our Staff, Systems & Apprenticeships | £0.3m |

Positive Planning for a post-carbon Economy £1.5m

- 3.4 Indicative activities for which projects may be considered could be addressing the results of the carbon audit, increasing the provision of electric vehicle charging points on council land and an invitation to Parish & Town Councils for additional provision across the district, reducing the energy use in our own activities including solar panels and the use of organic fuels in our vehicle fleet, improvements in recycling. Improvements to for

cleaner air and purer water will also be considered as well as encouragement for environmental improvements that encourage healthy and active lifestyles.

Accelerating the Economic Growth & Prosperity £0.5m

- 3.5 Indicative activities for which projects may be considered could be improving capacity in planning for development management, preparation for the next local plan and small public realm improvements in larger settlements and providing for a Platinum Jubilee legacy project that supports the visitor economy.

Supporting our Communities £0.2m

- 3.6 Indicative activities for which projects may be considered could be addressing covid scarring in homelessness, domestic abuse, hardship.

Investment in our Staff, Systems & Apprenticeships £0.3m

- 3.7 Indicative activities for which projects may be considered could be relating to investments in staff training and apprenticeships.
- 3.8 It is possible that these reserves would be revisited in Quarter 4 in the light of the Council's actual year-end outturn and from analysis of the proposals that come forward.
- 3.9 If Cabinet recommends to Council to proceed with the above, this will result in the creation of new Earmarked Reserves which will then be drawn on to deliver agreed projects. The governance around how the funds will be drawn from these reserves will be included in a wider review of all earmarked reserves to come back to Cabinet for consideration and recommendation to Council in due course.
- 3.10 With regard to the reduction in the expected cost of the leisure service, it is recommended that the leisure reserve be maintained at £1.513m (£2.5m – £0.987m) to provide a buffer for future leisure costs.

4 ISSUES AND RISKS

- 4.1 Resource Implications – The estimated outturn figures are best estimates and are likely to vary. However give the size of the favourable variance it would not be unreasonable to Earmark some of this resource now.
- 4.2 Legal Implications – The Council has a legal duty to maintain a balanced budget.
- 4.3 Equality Implications – As we are proposing additional items of expenditure (as opposed to reductions) it is very unlikely that there will be any significant negative impact on those who share protected characteristics as defined in the Equality Act 2010.
- 4.4 Environmental Impact – Depending on the items agreed this report gives the Council the opportunity to improve the environment.
- 4.5 Crime and Disorder - Depending on the items agreed this report gives the Council the opportunity to improve in this area.

5 RECOMMENDATION

1. That Cabinet provides direction to Council on the thematic apportionment of the quarter 3 outturn, and invites bids for projects that meet the objectives listed in section 3.

Background Papers

None