

**Corporate Overview and Scrutiny
Management Board**

03 December 2021



**Resources – Quarter 2 September 2021:
Forecast of Revenue and Capital
Outturn 2021/22**

Ordinary Decision

Report of Paul Darby, Corporate Director of Resources

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 To provide details of the forecast revenue and capital outturn budget position for the Resources service grouping, highlighting major variances in comparison with the budget based on the position to the end of September 2021.

Executive summary

- 2 The quarter 2 forecast position shows that the service is forecasting a cash limit underspend of £0.588 million against a revised budget of £27.018 million.
- 3 The Resources Cash Limit balance carried forward at 31 March 2022 is forecast to be £2.769 million. Other earmarked reserves under the direct control of RMT are forecast to total £15.155 million at 31 March 2022.
- 4 The revised Resources capital budget is £13.805 million for 2021/22, with a total expenditure to 31 August 2021 of £1.819 million (13.2%). The profiled budget for this period is £2.142 million, therefore expenditure is marginally below profiled / expected spend in the year to date.
- 5 In arriving at the forecast outturn position, the service is declaring £2.711 million of additional costs, and lost income and relating to Covid-19 and £0.658 million of Covid-19 related underspends. The net Covid-19 impact is therefore £2.053 million, and this will be covered corporately by utilising Central Government grants wherever possible.

Recommendation(s)

- 6** Corporate Overview and Scrutiny Management Board is recommended to note the forecast of outturn position.

Background

7 County Council approved the Revenue and Capital budgets for 2021/22 at its meeting on 24 February 2021. These budgets have subsequently been revised to account for grant additions/reductions, corporate savings/adjustments, budget transfers between service groupings and budget profiling between years. This report covers the financial position for the following major accounts maintained by the Resources service grouping:

- a) Revenue Budget - £27.018 million (original £21.425 million)
- b) Capital Programme - £13.805 million (original £16.334 million)

8 The original Resources General Fund budget has been revised in year to incorporate a number of budget adjustments as follows:

	<u>£,000s</u>
Transfer from Contingencies - Web Development Group	117
Transfer from Contingencies - Coroners Budget Pressures	192
Transfer from Contingencies - RC Lost SLA Income	103
Transfer to Interest Payable & similar Charges-Leasing	(9)
Transfer from CYPS - Business Support Post	23
Transfer to REG - Business Support Post	(26)
Transfer from AHS - Centralisation of First Aid Budgets	4
Transfer from CYPS - Centralisation of First Aid Budgets	5
Transfer from REG - Centralisation of First Aid Budgets	3
Transfer from Corporate ER/VR Reserve	33
Transfer from Office Accommodation Capital Reserve	66
Transfer from Commercialisation Support Reserve	2
Transfer from Business Support Reserve	50
Transfer from Human Resources Reserve	207
Transfer from Legal Expenses Reserve	30
Transfer from Benefit Take Up Reserve	198
Transfer from Digital Workforce Transformation Reserve	28
Transfer from Test & Trace Support Scheme Reserve	245
Transfer from Additional Restrictions Grant Reserve	4,237
Transfer from Archives Project Reserve	32
Transfer from Residents Research & Consultation Reserve	108
Transfer to Transformation Programme Reserve	(327)

Transfer from Resources Cash Limit Reserve	69
Transfer to Contingencies - Coroners Forecast Underspend	(38)
Transfer to REG – Additional Business Support Post	(29)
Transfer from CEO – Service Management	270
TOTAL	5,593

The revised General Fund Budget for Resources is £27.018 million

- 9 The summary financial statements contained in the report cover the financial year 2021/22 and show:
- The approved annual budget;
 - The actual income and expenditure as recorded in the Council’s financial management system;
 - The variance between the annual budget and the forecast outturn;
 - For the Resources revenue budget, adjustments for items outside of the cash limit to take into account such items as redundancies met from the strategic reserve, capital charges not controlled by services and use of / or contributions to earmarked reserves.
- 10 The service is forecasting a cash limit underspend of £0.588 million (2.18%) against a revised budget of £27.018 million. This compares to the previous forecast, reported at quarter 1 of a cash limit underspend of £0.290 million and is therefore an increase in the underspend of £0.298 million across the two forecasts.
- 11 The tables below compare the actual expenditure with the budget. The first table is analysed by Subjective Analysis (i.e. type of expense), and the second by Head of Service.

Type of Expenditure (Subjective Analysis) (£000's)

	2021/22 Budget £000	YTD Actual £000	QTR2 Forecast of outturn £000	Variance (under) / over spend £000	Items Outside Cash Limit £000	COVID- 19 Outside Cash Limit £000	Cash Limit Variance £000	Memo Item: Q1 Cash Limit Variance £000
Employees	68,106	27,534	67,864	(242)	(504)	(54)	(800)	(413)
Premises	7,912	126	7,888	(24)	-	(12)	(36)	(13)
Transport	767	190	541	(226)	(1)	238	11	6
Supplies and Services	17,304	11,121	18,254	950	(379)	136	707	176
Third Party Payments	51	7	51	-	-	-	-	-
Transfer Payments	4,237	37,202	37,202	32,965	0	(32,965)	-	-
Central Support and Capital	27,477	53	28,005	528	-	-	528	238
Gross Expenditure	125,854	76,233	159,803	33,949	(884)	(32,657)	410	(6)
Income	(99,335)	(45,350)	(131,188)	(31,853)	251	30,604	(998)	(284)
Net Expenditure	26,519	30,883	28,617	2,098	(633)	(2,053)	(588)	(290)
HB Transfer payments	115,407	45,421	116,628	1,221	191	-	1,412	-
HB Central Support and Capital	300	-	300	0	-	-	0	-
HB Income	(115,207)	(370)	(116,619)	(1,412)	-	-	(1,412)	-
HB Net Expenditure	500	45,051	309	(191)	191	-	-	-
Total Net Exp	27,018	75,934	28,923	1,907	(442)	(2,053)	(588)	(290)

By Head of Service (£000's)

	2021/22 Budget £000	YTD Actual £000	QTR2 Forecast of outturn £000	Variance (under) / over spend £000	Items Outside Cash Limit £000	COVID- 19 Outside Cash Limit £000	Cash Limit Variance £000	Memo Item Cash Limit Variance Q1 £000
Central Establishment Recharges	(27,556)	-	(27,556)	-	-	-	-	-
Corporate Finance & Commercial Services	2,777	1,466	2,743	(34)	(45)	10	(69)	(5)
Financial & Transactional Services	14,896	7,910	15,654	758	251	(1,449)	(440)	(358)
Digital & Customer Services	17,220	7,816	17,808	588	(65)	(556)	(33)	101
Internal Audit and Insurance	1,085	424	1,107	22	(41)	21	2	(13)
Legal & Democratic Services	8,467	4,504	9,436	969	(663)	(378)	(72)	(56)
Service Management / Central Charges	(11,277)	99	(11,315)	(38)	-	1	(37)	3
People & Talent Management	2,764	1,022	2,822	58	-	22	80	69
Procurement Sales & Business Services	15,631	6,727	15,437	(192)	(70)	256	(6)	91
Transformation	871	292	791	(80)	-	8	(72)	(77)
Strategy	1,640	623	1,687	47	-	12	59	(45)
Net Expenditure Excluding HB	26,518	30,883	28,614	2,098	(633)	(2,053)	(588)	(290)
Housing Benefit	500	45,051	309	(191)	191	-	-	-
Net Expenditure	27,018	75,934	28,923	1,907	(442)	(2,053)	(588)	(290)

12 The table below provides a brief commentary on the variances against the revised budget analysed by Head of Service. The table identifies variances in the core budget only and excludes items outside of the cash limit (e.g. redundancy costs) and technical accounting adjustments (e.g. capital charges):

Head of Service	Service Area	Description	Year End (under) / overbudget £000	Year End (under) / overbudget £000
Central Establishment Recharges	Central Establishment Recharges	No material variances.	0	0
Corporate Finance & Commercial Services	Management	£7,000 overbudget on supplies & services	7	(69)
	Financial Systems	£4,000 underbudget on employees.	(4)	
	Pensions	No material variances.	0	
	Strategic Finance	£128,000 underbudget on employees. £1,000 underbudget on supplies & services. £46,000 underachieved income	(83)	
	Occupational Health	£53,000 underbudget on employees. £1,000 underbudget on supplies & services. £51,000 underachieved income.	(3)	
	Health and Safety	£35,000 overbudget on employees. £8,000 overbudget on supplies & services. £29,000 additional income.	14	
Procurement Sales & Business Services	Procurement	£25,000 overbudget on employees. £6,000 overbudget on supplies & services. £37,000 additional income	(6)	(6)
People & Talent Management	People & Talent Management	£138,000 overbudget on employees. £10,000 overbudget on supplies & services.	80	80

Head of Service	Service Area	Description	Year End (under) / overbudget £000	Year End (under) / overbudget £000
		£26,000 overbudget on central expenses (recharge of staff) £94,000 additional income.		
Finance & Transactional Services	Management	£18,000 underbudget on employees. £2,000 overbudget on supplies & services. £16,000 additional income.	(32)	(440)
	Service Management	£16,000 overbudget on employees £4,000 overbudget on supplies & services	20	
	Management Priority	£39,000 underbudget on supplies & services.	(39)	
	Payroll & Employee Services	£42,000 overbudget on employees. £2,000 overbudget on supplies & services. £40,000 underachieved income.	84	
	Financial Management	£74,000 overbudget on employees. £298,000 overbudget on supplies & services (including £242,000 relating to NECA) £83,000 overbudget on central expenses (including £55,000 staff recharge relating to NECA) £397,000 additional income (including £271,000 relating to NECA).	58	
	Revenues and Benefits	£143,000 underbudget on employees. £14,000 overbudget on supplies & services. £402,000 additional income.	(531)	
	Digital and Customer Services	Digital and Customer Services	£444,000 underbudget on employees. £27,000 underbudget on premises. £3,000 overbudget on transport. £49,000 underbudget on supplies & services (which includes an overbudget of £218,000 relating to	

Head of Service	Service Area	Description	Year End (under) / overbudget £000	Year End (under) / overbudget £000
		Oracle software as the saving will not be realised until 2022/23). £160,000 overbudget on central expenses (Direct Revenue Funding for capital scheme). £324,000 underachieved income.	(33)	(33)
Internal Audit and Risk	Insurance and Risk	£7,000 overbudget on employees.	7	2
	Internal Audit	No material variances	3	
	Corporate Fraud	£5,000 overbudget on employees. £13,000 underbudget on supplies & services.	(8)	
Legal and Democratic Services	Corporate and Democratic Core	£97,000 underbudget on employees. £4,000 underbudget on premises £3,000 additional income.	(104)	(73)
	Legal and Other Services	£181,000 overbudget on employees. £11,000 underbudget on premises £1,000 overbudget on transport £531,000 overbudget on supplies & services. £671,000 additional income.	31	
Resources Management & Central	Service Management	£37,000 additional income (NECA).	(37)	(37)
Strategy		£61,000 overbudget on employees. £3,000 underbudget on supplies & services. £2,000 underachieved income	60	60
Transformation		£59,000 underbudget on employees. £18,000 underbudget on supplies & services. £5,000 overbudget on central expenses (Unison branch)	(72)	(72)

Head of Service	Service Area	Description	Year End (under) / overbudget £000	Year End (under) / overbudget £000
Benefits Payments and Subsidy	Benefits	No material variances	0	0
TOTAL				(588)

- 13 In summary, the service grouping is on track to maintain spending within its cash limit.
- 14 The council has faced significant additional costs in relation to the Covid-19 outbreak and significant loss of income. In many areas the costs and loss of income for the two quarters are known. The likely impact over the remainder of the year however is much more uncertain. All additional costs and loss of income, net of Covid-19 related underspending, is being treated corporately and is therefore excluded from the cash limit.
- 15 The major areas of forecast additional cost and loss of income in respect of Resources are as follows:
- a) £0.243 million lost income in respect of the Registration Service;
 - b) £0.785 million shortfall in income in respect of court fees;
 - c) £0.276 million lost income in respect of Design & Print Services;
 - d) £0.258 million lost income in respect of traded ICT services;
 - e) £0.777 million lost income in respect of the new In-House Enforcement Service;
- 16 The major areas of forecast Covid-19 related savings in respect of Resources are as follows:
- a) £0.238 million in respect of vehicles and staff travelling;
 - b) £0.179 million in respect of postages;
 - c) £52,529 in respect of other hired and contacted services;
 - d) £29,170 in respect of court costs;
 - e) £49,697 in respect of stationery; and
 - f) £33,971 in respect of office printing.

Capital Programme

- 17 The original Resources capital programme was £16.334 million, and this has been revised for additions/reductions, budget transfers and budget profiling. The revised budget now stands at £13.805 million.
- 18 Summary financial performance to the end of August 2021 is shown below:

	Original Annual Budget 2021/22	Revised Annual Budget 2021/22	Profiled Budget 2021/22	Actual Spend 31/08/2021	Remaining Budget
	£000	£000	£000	£000	£000
Digital & Customer Services	16,309	13,780	2,138	1,817	11,963
Corporate Finance & Commercial Services and Finance & Transactional Services	25	25	4	2	23
Total	16,334	13,805	2,142	1,819	11,986

- 19 The revised Resources capital budget is £13.805 million with a total expenditure to 31 August 2021 of £1.819 million (13.2%). The profiled budget for this period is £2.142 million, therefore spend is marginally below profiled / expected spend in the year to date. A full breakdown of schemes and actual expenditure to 31 August 2021 is given in Appendix 2.
- 20 At year end the actual outturn performance will be compared against the revised budgets and at that time service and project managers will need to account for any budget variance.

Background papers

- a) County Council Report (24 February 2021) – Medium Term Financial Plan 2021/22 to 2024/25 and Revenue and Capital Budget 2021/22.
- b) Cabinet Report (15 September 2021) – Forecast of Revenue and Capital Outturn – Period to 30 June 2021.
- c) Cabinet Report (17 November 2021) – Forecast of Revenue and Capital Outturn – Period to 30 September 2021.

Other useful documents

- a) None

Author(s)

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Appendix 1: Implications

Legal Implications

The consideration of regular budgetary control reports is a key component of the Council's Corporate and Financial Governance arrangements. This report shows the forecast spend against budgets agreed by the Council in February 2021 in relation to the 2021/22 financial year.

Finance

Financial implications are detailed throughout the report which provides an analysis of the revenue and capital outturn position.

Consultation

Not applicable.

Equality and Diversity / Public Sector Equality Duty

Not applicable.

Climate Change

Not applicable.

Human Rights

Not applicable.

Crime and Disorder

Not applicable.

Staffing

Not applicable.

Accommodation

Not applicable.

Risk

The consideration of regular budgetary control reports is a key component of the Councils Corporate and Financial Governance arrangements.

Procurement

The outcome of procurement activity is factored into the financial projections included in the report.

Appendix 2 Resources Capital Programme 2021/22 – Detailed Monitoring Statement to 31 August 2021

Resources	Revised Annual Budget	Profiled Budget	Actual Spend	Remaining Budget
	2021/22	2021/22	30-Aug-21	2021/22
	£000	£000	£000	£000
Big Data	56	-	54	2
Broadband / Digital Durham	7,932	171	171	7,761
Code of Connection Compliance	270	-	-	270
Corporate Mail Fulfilment	33	24	22	11
Dark Fibre installations and Circuit/Microwave Upgrades	166	-	-	166
Homeworking	733	10	32	701
Mobile Device Management	144	45	45	99
Ongoing Server replacement	826	545	545	281
Replacement of Desktop ICT Equipment	1,993	968	573	1,420
Sharepoint Architecture	23	-	-	23
Tanfield Datacentre LAN Switching Replacement	30	-	-	30
Applications and Development	-	-	-	-
Customer Relation Management System	78	-	2	76
Switch Replacement -Hardware	177	-	-	177
Middleware Software - Enterprise Application Integration	230	11	11	219
Integrated Customer Service Prog.	47	1	-	47
End Device Patching	4	-	-	4
Technical Services	739	343	343	396
ICT Service Desk Repl	300	20	20	280
ICT Services Include Design and Print Total	13,781	2,138	1,818	11,963
Migration of HR/Payroll Functionality	25	4	2	23
Financing Resources Total	25	4	2	23
RES Total	13,806	2,142	1,820	11,986