
FINANCE UPDATE

6ii) 2021/22 Finance Update - Revenue and Capital PDF 2 MB

Leader of the Council and Chairman of Cabinet, Business, Economic Development, and Property

Thank you for your hard work on this clear report.

Question 1: At paragraph 6.4 you state that you have lost rental income from Sienna Court, which is held vacant for Denhead's Nicholson redevelopment. Can you quantify how much that annual loss is, is it the £75k pressure stated, and if so have DENHEAD S.A.R.L paid RBWM for that loss?

Q1 Answer

There will not be a net pressure on the 2021/22 budget as one-off income was unfortunately built into the budget for more than one year. This will be rectified for future years.

Areas of Risk & Opportunity (Significant)

6.3	Property
6.4	Industrial & Commercial Estates include a miscellaneous income budget of £225,000. Although there are a few small premises rents that go against this budget much of it is for one-off or new rental income. This year £150,000 has been identified so far leaving a potential £75,000 pressure. The service is hoping that this will be mitigated during the year. In prior years rents from Sienna Court were used to meet this target. The property is now vacant awaiting re-development.

Question 2: At paragraph 9.7 you state that there have been early successes in reviewing Learning Disability cases to identify savings. In broad terms, can you give any examples of how this being achieved without reducing care or support?

Q2 Answer

A significant part of the savings have been made by ensuring people are being funded through the right source, Continuing Health Care for example. Other savings have been achieved through people becoming more independent and for some moving into more appropriate care settings that enable greater independence. Suitable vacancies appearing in block placements have enabled individuals to benefit from them rather than using services provided through spot arrangements.

9.7 In relation to the savings, progress has already been made as follows:

- There has been early success in reviewing Learning Disability cases to identify savings whilst still ensuring the right type of care and support continues to be provided.

Question 3: Paragraph 9.7 page 12

You say you have identified the “top 20” bad debts. What is the ballpark figure for the total of that bad debt so far identified?

Q3 Answer

The top 20 bad debts identified have a figure of £855,178.37. This will fluctuate during the year due to any recovery action that is taken.

- A new process has been developed and implemented for writing off bad debt when it is no longer viable to proceed legally to recover. A bad debt panel has been reconstituted to include the senior managers in the Royal Borough and Optalis to ensure there is traction in proceedings taking place. The top 20 debts have been identified and are all being progressed. Consideration regarding how we support self-funders within our processes is being looked at and steps put in place to ensure we are claiming all income due.

Question 4: At paragraph 10.4 you state that “the one-off Covid-19 budget of £200k to support Libraries and residents’ services in 2021/22 is “not expected to be fully required”. I’m a little baffled. Why could that money not be used, at least in 2021/22, to maintain pre-covid opening hours of libraries?

Q4 Answer

This is a covid budget for the Council as a whole and will be allocated to fund covid pressures in other services where required particularly given it is one-off in nature.

10.4 **Libraries & Residents Services**

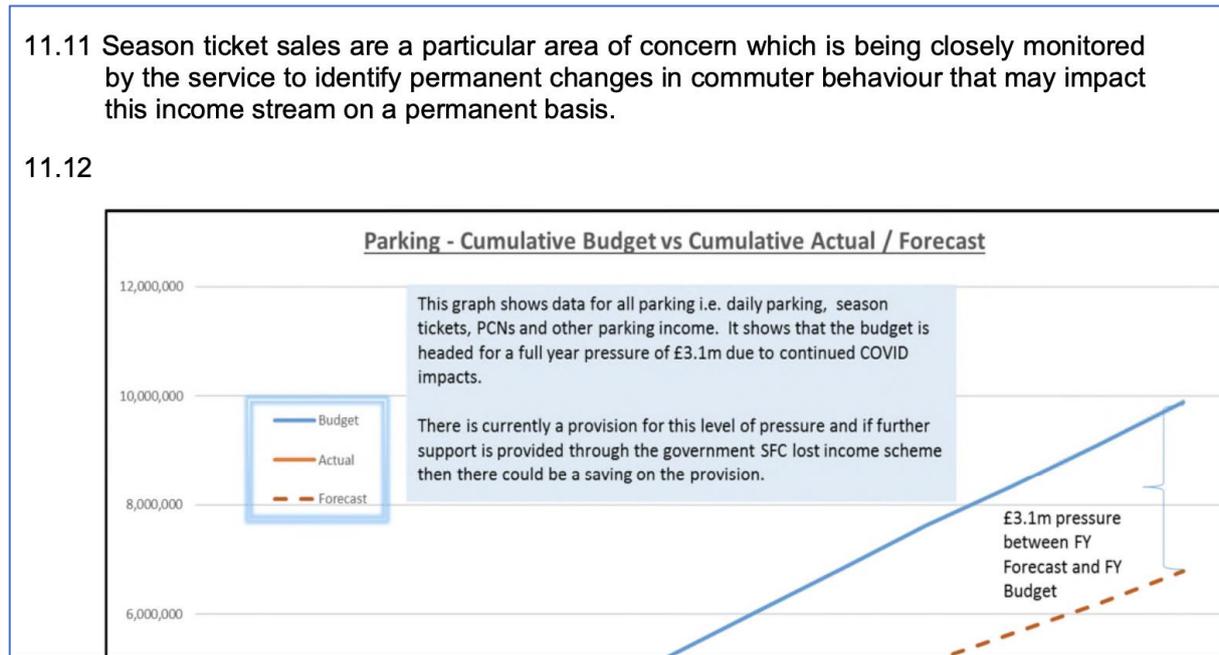
The one-off Covid-19 budget of £200,000 to support Libraries and Residents services in 2021/22 is not expected to be fully required. Registrars have invested in extra resources in order to meet new legislative requirements that came into force from 4th May. This will allow the service to continue to officiate the maximum number of weddings possible at the current time. Income carried forward for postponed weddings will cover the cost of increased capacity, although any income relating to Covid-19 related postponed weddings remains at risk of refund if existing restrictions are extended or increased.

SFC compensation for lost libraries income for the first 4 months of the year is estimated to be £37,000.

Question 5: Paragraph 11.11 states that the post-pandemic effect of reduced commuting means that this may “impact this income stream on a permanent basis”. If that’s true then why are you still planning to build Vicus Way carpark at a cost of around £11m, when the business case is now known to fundamentally weakened?

Q5 Answer

This issue was already known when the Cabinet decision to build Vicus Way car park was made in January 2021 and was factored into the decision-making process



Question 6: Appendix B – page 29

Why is the loss of the weekly bin collection saving absolutely nothing? And why do you categorise this as an amber risk instead of a red risk when you state that it is “likely” that no savings will be delivered?

Q6 Answer

The updated position of this saving is that it is to be achieved from the waste contract changes, however there is a risk to the achievement of this saving given the increased gate fee being incurred following a fire at the facility that we use, resulting in us having to divert dry mixed recycling.

This will be updated when the impacts of the fire on this saving are known.

Neighbourhood Services	Introduce fortnightly residual waste collections whilst retaining weekly food waste and recycling collections	Contract	Simon Dale (int)	Rhona Bellis	175	0	0	TSC	0.0%	AMBER	Contract negotiations likely to make this unachievable this year	No
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Question 7: The report states that you only project achieving 80.7% of the projected savings that underpinned the February balanced budget.

Q7 Answer

This is constantly changing an update on this figure will be given in the Month 4 report at September cabinet.

Summaries: To be included within body of report

RAG Status:	2021/22 Savings Target £000	Total Savings Forecast in 2021/22 £000	% of target full year forecast
GREEN	3,535	3,514	99.4%
AMBER	3,732	2,506	67.1%
RED	501	250	49.9%
	7,768	6,270	80.7%

Do you agree with me that each year of savings gets progressively harder to achieve? But even in the first year you're expecting to miss by 20%. So is it *realistic* to think that you can find an additional £16m of savings over the next five years?

This question does not call for a factually based answer but an opinion, it is therefore not appropriate for us to answer this.

Question 8:

Paragraph 16 says that this missed target comes from the general fund, which is now only £116,000 above the legal minimum legal set in February. But they are dozens of risks identified in the report – so if only *one* of the those risks actually occurs do you agree it is unlikely that you could set a balanced budget next year?

Q8 Answer

Part of the purpose of a budget monitoring process is to identify potential risks to enable mitigations to be identified and delivered.

The preparation of a balanced budget is a different process.

16 Revenue Reserve

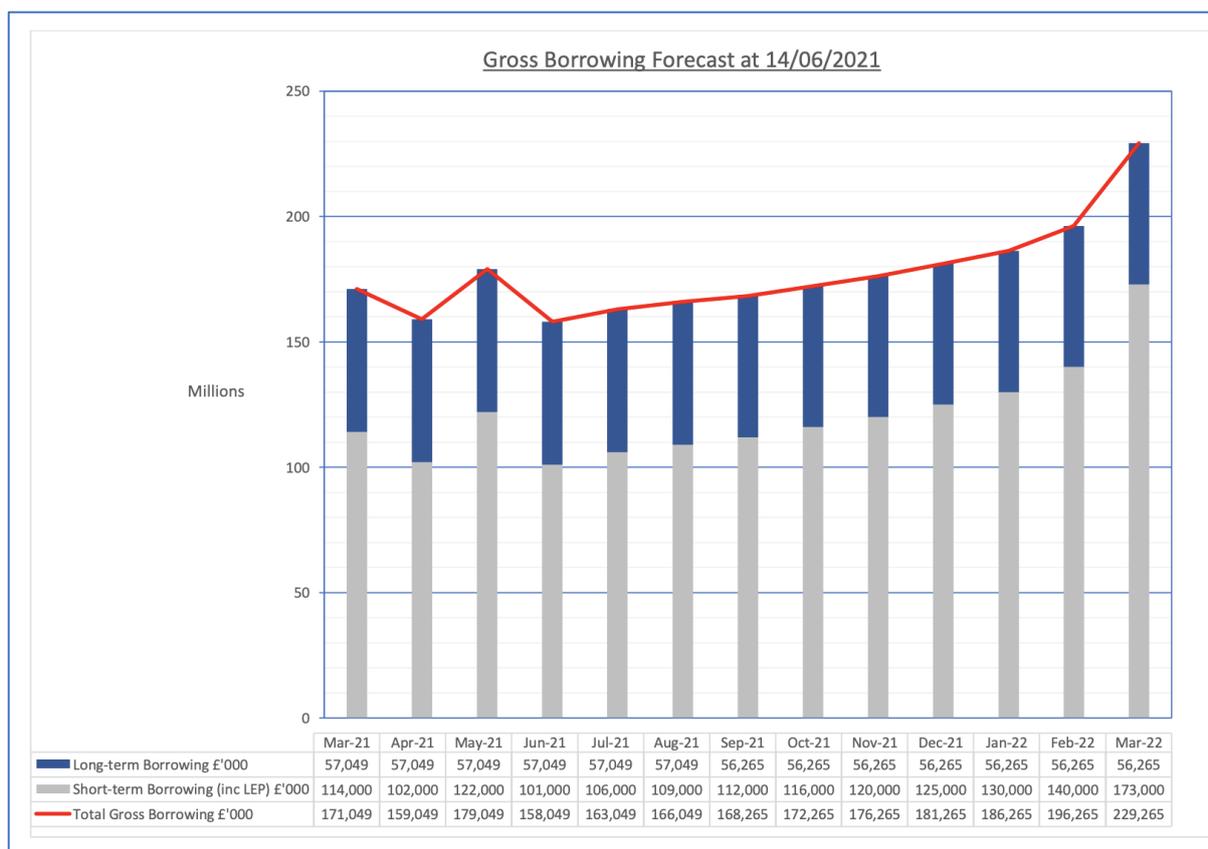
At 31 March 2021, the Council had general fund reserves of £7,059,000. The projected outturn position of £244,000 overspend results in a general fund reserve of £6,816,000; £116,000 above the minimum level approved by Council for 2021/22.

Table 23: General Fund reserve projection

General Fund Reserve at 31.05.2021	£000
Opening Balance 01.04.2021	7,059
Projected overspend	(244)
Current Projected Balance at 31.03.2022	6,816

Table 24 Total Borrowing

Borrowing Type	Actual Start of Year £000	Actual Previous Month £000	Actual Current Month £000	Year End Forecast Current Month £000
Long Term	57,049	57,049	57,049	56,264
Short Term – Local Authority	114,000	102,000	122,000	173,000
Short Term – LEP/Trusts	20,732	20,263	23,443	0
Investments	(23,909)	(17,102)	(35,590)	(14,000)
Net Borrowing	167,872	162,210	166,562	215,264



In Appendix E – gross borrowing goes up in just one year from £171m to £229m – that’s a 33% increase in gross borrowing in just one year., And resident have to pay the interest on that presumably.

What do you need the extra £58m for?

Q9 Answer

This borrowing relates to overall cashflow. At this point we were projecting capital spend of £48m for the year that would need to be covered by new borrowing. The remaining increase is because at the start of the year we received cash in advance for Section 31 Business rates Covid-19 reliefs which we were temporarily able to use in place of usual cashflow borrowing. The expectation is that when that one-off funding is paid back to the preceptors by the 31st of March 2022 the borrowing will then be required. We do not borrow separately for specific projects or activities but over the totality of our borrowing requirements. The estimates are updated when we set our budgets and then monitored throughout the year.

Question 10)

Is it prudent to incur more interest fees and charges if we’re only £116,000 above the legal minimum for the general reserve, and we’re only achieving 80% of the savings needed to balance the revenue budget? Is it prudent to incur more debt?

Q10 Answer

These costs are already built into the budget.