

## **REPORT TO CORPORATE SERVICES SCRUTINY COMMITTEE**

**Date of Meeting: 27 September 2018**

## **REPORT TO EXECUTIVE**

**Date of Meeting: 9 October 2018**

## **REPORT TO COUNCIL**

**Date of Meeting: 16 October 2018**

**Report of: Chief Finance Officer**

**Title: OVERVIEW OF REVENUE BUDGET 2018/19**

### **Is this a Key Decision?**

No

\* One that affects finances over £1m or significantly affects two or more wards. If this is a key decision then the item must be on the appropriate forward plan of key decisions.

### **Is this an Executive or Council Function?**

Council

#### **1. What is the report about?**

- 1.1 To advise Members of the overall projected financial position of the HRA & General Fund Revenue Budgets for the 2018/19 financial year after three months and to seek approval for a number of supplementary budgets.

#### **2. Recommendations:**

- 2.1 It is recommended that Corporate Services Scrutiny Committee and the Executive note the report and Council notes and approves (where applicable):

The General Fund forecast financial position for the 2018/19 financial year and the action proposed by the Strategic Management Board (see section 4.3);

The HRA forecast financial position for 2017/18 financial year;

The additional supplementary budgets listed in Appendix C;

The outstanding Sundry Debt position as at August 2017;

The creditors' payments performance.

#### **3. Reasons for the recommendation:**

- 3.1 To formally note the Council's projected financial position and to approve additional expenditure required during the financial year. Owing to a number of factors, set out in section 4, the end of year projection sees the Council's General Fund Balances fall below the minimum recommended level as set by the section 151 Officer. The Strategic Management Board are working with their Service Leads to reduce expenditure to bring Balances back to the recommended level.

**4. What are the resource implications including non financial resources.**

- 4.1 The impact on the General Fund working balance, HRA working Balance and Council Own Build working balance are set out in sections 8.3.6, 8.2.1 and 8.2.3 respectively.
- 4.2 A request for supplementary budgets totalling £140,000 has been included in the report. The budgets were approved during 2017-18, but not included within the budget in February and not listed in the requests for supplementary budgets in July 2018. However, this was an oversight by one of the Finance team and work has started on both projects.
- 4.3 The projected year-end balance on the General Fund is estimated to be £2.603 million, which is below the recommended minimum level of reserves for the Council to hold. The Strategic Management Board are working with Service Leads to identify spending reductions to address this and an update will be provided to Members in the second quarter report of how the shortfall will be addressed.

**5. Section 151 Officer comments:**

- 5.1 The financial position of the Council is such that action is required to ensure that reserves do not breach the minimum required by the section 151 Officer. There are two significant unknowns which could have an impact on the Council's medium term financial position, the impact of Universal Credit and the fair funding review. Therefore the section 151 Officer believes the minimum level of reserves must be maintained. The action is required mainly as a result of some unforeseen events along with unavoidable additional expenditure being approved in year.

**6. What are the legal aspects?**

- 6.1 Section 28 of the Local Government Act 2003 imposes a statutory duty on the Council to monitor during the financial year its expenditure and income against the budget calculations. If the monitoring establishes that the budgetary situation has deteriorated, the Council must take such action as it considers necessary to deal with the situation. This might include, for instance, action to reduce spending in the rest of the year, or to increase income, or to finance the shortfall from reserves.

**7. Monitoring Officer's comments:**

- 7.1 Legislation does not prescribe how much the minimum level of reserves should be. The Section 151 officer is tasked with recommending the minimum level of reserves required as part of the budget setting process having regard to elements of risk in the Council's finances.

Section 25 of the Local Government Act 2003 requires the S151 officer to report on the adequacy of the Council's financial resource. Where following review, it appears there has been a deterioration in the financial position, an authority must take such action, if any, as it considers necessary to deal with the situation.

Essentially this is the first warning from the Council's Section 151 officer that our reserves may not be sufficient to meet future unknown liability and therefore very careful control and scrutiny of the Council spend is essential. Councillors are obliged to consider the Council's finances to ensure that funding is a central element of all decision making.

## 8. Report details:

### 8.1 Financial Summary

<b>FUND</b>	<b>Planned Transfer (to) / from Working Balance</b>	<b>Budget Variance Over / (under)</b>	<b>Outturn Transfer 2018/19</b>
	£	£	£
General Fund	2,005,710	83,264	2,088,974
HRA	4,097,145	(119,318)	3,977,827
Council own Build Houses	(16,630)	0	(16,630)

### 8.2 Housing Revenue Account (Appendix A)

8.2.1 The first quarter projection shows a small reduction in the amount to be taken from the working balance. The projected reduction is now £3,977,827 to leave the working balance at £6,234,417.

<b>Movement</b>	<b>2018/19</b>
Opening HRA Balance	£10,212,244
Deficit	(£3,977,827)
<b>Projected balance at year end</b>	<b>£6,234,417</b>

8.2.2 The key variances are as follows:

Management Unit	Over / (Underspend)	Detail
Repairs and Maintenance Programme	(£200,000)	<ul style="list-style-type: none"> <li>The contract for external painting and low maintenance works in respect of flats is currently being procured and a new contractor will be appointed in the summer. Slippage in the programme is forecast to reflect a transition period between contractors.</li> </ul>
Capital Charges	£187,682	<ul style="list-style-type: none"> <li>Depreciation charges are higher than budgeted due to a rise in the valuation of council dwellings.</li> </ul> <p>Depreciation is a real cost to the HRA as it represents the amount of money which needs to be set aside in the Major Repairs Reserve to provide for future capital works or to repay debt.</p>
Housing Assets	(£70,000)	<ul style="list-style-type: none"> <li>(£54k) savings in employee costs are expected due to various vacant posts within the Housing Assets team, of which several posts have recently been appointed to, including: Service Lead – Housing Assets and two 18 month fixed term contract Fire Safety Implementation officers.</li> <li>(£16k) A budget provision of £8k per property was allowed for the decant of tenants in ten LAINGS properties whilst a major demolish and re-build programme is undertaken. Two properties have naturally become void since the budgets were approved and a saving is therefore reported.</li> </ul>

8.2.3 The Council's new properties at Rowan House and Knights Place form part of the overall Housing Revenue Account, but separate income and expenditure budgets are maintained in order to ensure that they are self-financing. There is no variance to the projected surplus at the end of the first quarter.

<b>Movement</b>	<b>2018/19</b>
Opening Council Own Build reserve	£256,943
Surplus	16,630
<b>Projected balance at year end</b>	<b>£273,573</b>

8.3 General Fund (Appendix B)

8.3.1 The Service Committees show projected overspends of £553,663 against a revised budget of £14,898,840. The main variances are:

8.3.2 **People Scrutiny Committee – (A nil variance)**

There are no significant variances to report this quarter.

8.3.3 **Place Scrutiny Committee – (An overspend in total of £603,663)**

Management Unit	Q1 Forecast Variance (Under)/ Overspend £	Details
Public Conveniences	39,500	<ul style="list-style-type: none"> <li>A £30,000 saving in utility costs was estimated in anticipation of the closure of the Paris Street toilets. This saving will not now be achieved.</li> <li>Maintenance costs are expected to exceed the budget</li> </ul>
Cleansing Chargeable Services	50,000	<ul style="list-style-type: none"> <li>As happened last year, income for Trade Refuse &amp; Recycling is expected to be £100,000 (11%) below budget as local businesses look to reduce their own costs. The loss is reduced by £50,000 savings planned by the service, and commercialisation work will commence in-year.</li> </ul>
Recycling	135,000	<ul style="list-style-type: none"> <li>Problems with the MRF and fluctuations in global markets continue to increase costs and reduce income, despite the best efforts of the service to mitigate their impacts. An MRF investment plan is due to be presented in September and this will propose measures to reduce costs and increase the service's ability to extract value from the recyclable material delivered to the plant.</li> </ul>

Management Unit	Q1 Forecast Variance (Under)/ Overspend £	Details
Building Control	(33,000)	<ul style="list-style-type: none"> <li>• Staff vacancies in the Land Charges service are expected to lead to a surplus of £18,000, which will be transferred into an earmarked reserve.</li> <li>• A grant payment of £15,000 has been received in respect of the Land Charges service.</li> </ul>
Planning Services	262,000	<ul style="list-style-type: none"> <li>• Community Infrastructure Grants amounting to £217,000 have been paid; these will be funded from the Community Infrastructure Levy (CIL).</li> <li>• An additional officer has been seconded to deal with CIL work; the additional £23,000 cost arising will be funded from the CIL.</li> <li>• £160,000 has been contributed towards the Growth Team will be paid, for which there is no budget. £80,000 of this will be funded from New Homes Bonus.</li> <li>• Fee income is expected to exceed the budget by £100,000</li> <li>• Pay costs are expected to be £38,000 less than the budget due to staff vacancies.</li> </ul>
Contracted Sports Facilities	91,463	<ul style="list-style-type: none"> <li>• In June 2018 the Council agreed to the recommendations in the Built Sports and Leisure Facilities report that included the permanent closure of Clifton Hill Sports Centre. A supplementary budget of up to £150,000 was approved to demolish Clifton Hill Sports Centre, to secure the site and avoid incurring Business Rates and other unbudgeted revenue costs. The figure shown here is covered by the up to £100,000 also approved to cover loss of revenue and VAT.</li> </ul>

### 8.3.4 Corporate Scrutiny Committee – (An underspend in total of £50,000)

Management Unit	Q1 Forecast Variance (Under)/ Overspend	Details
Corporate Property – Estates	(50,000)	<ul style="list-style-type: none"> <li>Rental income and service recharges are expected to exceed the budget by £50,000</li> </ul>

### 8.3.5 Other Financial Variations

Other items	Over / (Underspend)	Detail
Repayment of debt	(112,299)	<ul style="list-style-type: none"> <li>A lower than forecast need to borrow has resulted in a reduced repayment of debt calculation.</li> </ul>

### 8.3.6 General Fund Balance

In 2018/19 it is projected that there will be an overall net contribution from the General Fund Balance of £2,088,974. The minimum requirement for the General Fund working balance was approved by Council in February 2018 at £3 million. Council therefore need to take action to address the shortfall in the projected balance.

Movement	2018/19
Opening Balance	£4,692,404
Deficit	(2,088,974)
<b>Projected balance at year end</b>	<b>£2,603,430</b>

### 8.3.7 Supplementary Budgets

There is a requirement for two further supplementary budgets in 2018/19. It is therefore proposed that General Fund supplementary budgets totalling £140,000, identified in Appendix C are approved in 2018/19. The two budgets were unfortunately missed from the list approved in July 2018, but both projects have previously been approved by Council and work has started on both.

### 8.3.8 The additional supplementary budgets being requested in this report are:

- £100,000 to support the refurbishment of car parks programme, originally approved in 2017/18;
- £40,000 to support improvements at Exton Road.

## 8.4 OUTSTANDING SUNDRY DEBT

8.4.1 An aged debt analysis of the Council's sundry debts is shown in the table below. The latest data shown is to the end of August in order to demonstrate how for much of the debt, there is significant recovery in the two months after the data is run. This is due to the fact that our quarterly invoices are run just prior to the end of each quarter.

Age of Debt	August 2017	March 2018	August 2018
Up to 29 days (current)	£470,979	£1,639,749	£575,078
30 days – 1 Year	£1,354,770	£1,238,393	£1,398,705
1 – 2 years	£589,425	£787,163	£742,745
2 –3 years	£792,195	£661,047	£402,966
3 – 4 years	£304,408	£368,184	£593,665
4 – 5 years	£268,765	£259,997	£246,335
5 + years	£343,256	£415,760	£498,729
<b>Total</b>	<b>£4,123,798</b>	<b>£5,370,293</b>	<b>£4,458,223</b>

## 8.5 DEBT WRITE-OFFS

8.5.1 The following amounts have been written-off during 2018/19:

	2017/18 total	2018/19 (Qtr 1)
• Council Tax	£316,198	£88,098
• Business Rates	£216,428	£0
• Sundry Debt	£131,163	£0
• Housing Rents	£149,210	£7,984
• Non-HRA Rents	£201,413	£84

## 8.6 CREDITOR PAYMENTS PERFORMANCE

8.6.1 Creditors' payments continue to be monitored in spite of the withdrawal of statutory performance indicator BVPI8. The percentage paid within 30 days was 97.83% for the first quarter of 2018/19 compared with 91.76% for 2017/18.

## 9. How does the decision contribute to the Council's Corporate Plan?

9.1 This is a statement of the projected financial position to the end of the 2018/19.

## 10. What risks are there and how can they be reduced?

10.1 The risks relate to overspending the Council budget and are mitigated by regular reporting to the Strategic Management Board and Members. Members have a legal responsibility to take action where balances are projected to reach an unsustainable level and the Strategic Management Board are working to address the current projected shortfall in reserves..



**11. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?**

11.1 Not applicable

**12. Are there any other options?**

12.1 Not applicable

### **Chief Finance Officer**

#### **Local Government (Access to Information) Act 1972 (as amended)**

**Background papers used in compiling this report:-**

None

Contact for enquires:

Democratic Services (Committees)

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