

REPORT TO CORPORATE SERVICES SCRUTINY COMMITTEE

Date of Meeting: 22 November 2018

REPORT TO EXECUTIVE

Date of Meeting: 11 December 2018

REPORT TO COUNCIL

Date of Meeting: 18 December 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 six months and to seek approval for a supplementary budget.**

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;

The HRA forecast financial position for 2018/19 financial year;

The additional supplementary budget set out in 8.3.7;

The outstanding Sundry Debt position as at November 2018;

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.

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 an additional supplementary budget of £481,600 has been included in the report. This is fully funded from Central Government Grant and therefore has no impact on the Council's financial position.
- 4.3 Following the requirement to improve the financial position at the end of quarter 1, the Strategic Management Board and their Service Leads have worked hard to reduce expenditure. The result is an improvement in the financial position of £412,000, which brings the projected balance to £3.015 million at the year end. This is a welcome improvement and maintains reserves above the minimum £3 million level, however, there is no room for further financial shocks and therefore continued financial discipline will be required.

5. Section 151 Officer comments:

- 5.1 The improvement in the financial position of the Council is welcome, however maintaining this position will require a discipline to identify ways of funding any unexpected financial pressures that may occur during the rest of the year. Early notification of any pressures is therefore essential.

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 This report raises no issues for the Monitoring officer.

8. Report details:

8.1 Financial Summary

FUND	Planned Transfer (to) / from Working Balance	Budget Variance Over / (under)	Outturn Transfer 2018/19
	£	£	£
General Fund	2,005,710	(328,921)	1,676,789
HRA	4,097,145	(229,113)	3,868,032
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 £3,868,032 to leave the working balance at £6,344,212.

Movement	2018/19
Opening HRA Balance	£10,212,244
Deficit	(£3,868,032)
Projected balance at year end	£6,344,212

8.2.2 The key variances are as follows:

Management Unit	Over / (Underspend)
Housing Customers	(£62,000)
Officer Responsible: Housing Lead – Tenancy Services	
* (£27k) Forecast savings in employee costs due to vacant posts and reduced working hours of a Neighbourhood Housing Assistant.	
* (£30k) A £40k supplementary budget was approved for decanting tenants from flats to enable asbestos removal works to be undertaken. A saving is reported, as two flats have been set up to enable a rolling decant to take place in-line with planned works, rather than decanting all tenants simultaneously.	

Management Unit	Over / (Underspend)
Sundry Land Maintenance	(£65,000)
<p>Officer Responsible: Housing Lead – Tenancy Services</p> <p>* (£60k) Following the restructure of Public Realm, a new Tree Manager and Technical Officer (Trees) have been appointed and started in August. It is anticipated that slippage will occur in respect of works to HRA trees, whilst works are prioritised and access issues resolved.</p> <p>* (£5k) Savings are expected in respect of the Garden Assistance Scheme following lower inflationary rises in contract costs and a review of eligibility.</p>	
Repairs and Maintenance Programme	(£200,000)
<p>Officer Responsible: Service Lead – Housing Assets</p> <p>* (£200k) A new contractor for external painting and low maintenance works in respect of flats was appointed from 1 October. Slippage in the programme is forecast to reflect a transition period between the main contractors.</p>	
Rents	£100,000
<p>* A £70k reduction in rents relates to delays in letting the new units at Chester Long Court. It was anticipated that the units would be fully let during 2018/19, however lettings are now expected to commence at the end of the year. The final Building Control inspection highlighted additional fire safety works, which are planned to be completed in week commencing 5 November, reflecting the lead-in time for the required components.</p> <p>* A £30k reduction in rents relates to garages that have been cleared in Thornpark Rise, Bovemoors Lane and Anthony Road in readiness of the sites being sold to Exeter City Living Ltd, following Council approval of its formation and Year 1 business plan on 24 July 2018.</p>	
Capital Charges	£173,887
<p>Officer Responsible: not applicable (statutory accounting charge)</p> <p>* Depreciation charges are higher than budgeted due to a rise in the valuation of council dwellings.</p> <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>	

Management Unit	Over / (Underspend)
Housing Assets	(£145,000)
Officer Responsible: Service Lead – Housing Assets	
<p>* (£65k) savings in employee costs are expected due to various vacant posts within the Housing Assets team in the first few months of the year, including Service Lead – Housing Assets and two 18 month fixed term contract Fire Safety Implementation officers.</p> <p>* (£25k) Stock condition surveys will re-commence in November to supplement the extensive stock condition survey undertaken by consultants last year, in order to achieve 100% coverage. This work will continue into 2019/20, a saving is therefore reported this year reflecting the November start and will be factored into next year's estimates process.</p> <p>* (£48k) £8k per property was budgeted for the decant of tenants in ten LAINGS properties to facilitate a major demolish and re-build programme. Two properties have naturally become void since the budgets were approved resulting in a £16k saving. A further saving of £32k is reported reflecting the tenant decants planned to take place after April '19, which will be factored into next year's estimates process. Works are planned to start on site in November, starting on the empty properties and avoiding the need to decant tenants until early 2019.</p>	
Interest	(£70,000)
Officer Responsible: Housing Lead – Tenancy Services, Service Lead – Housing Assets, Service Lead Performance, Strategy & Resources	
<p>* Reflects additional interest receivable on HRA balances (Working Balance, Major Repairs Reserve and capital receipts). Combined forecast revenue and capital underspends in 2018-19 will result in higher than anticipated HRA balances.</p>	

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.

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

8.3 General Fund (Appendix B)

8.3.1 The Service Committees show projected overspends of £586,893 against a revised budget of £14,898,840. The main variances are:

8.3.2 **People Scrutiny Committee – (An underspend of £92,740)**

Management Unit	Over / (Underspend)
Housing Needs	(£72,240)
Responsible Officer: Interim System Lead, Housing Needs	
<p>The underspend on pay reflects the lead-in time for fully recruiting to the new Housing Needs structure approved by Executive in February 2018. Recruitment has been a significant challenge primarily due to it being scheduled alongside the implementation of the Homelessness Reduction Act (which went live in April 2018). Not only did this bring a significant additional burden of priority work, it triggered a market demand for experienced housing needs staff which impacted on recruitment nationally as well as in the South West area. Nevertheless it is anticipated that the service will have full recruitment by the end of quarter three and therefore this current underspend is a one-off in-year saving to the General Fund.</p>	

8.3.3 **Place Scrutiny Committee – (An overspend in total of £704,133)**

Management Unit	Over / (Underspend)
Public Realm Development Team	(£80,500)
Responsible Officer: Public and Green Space Manager	
<p>* Three posts have been deleted from this unit, leading to pay savings of £128,500. These savings have been used to help fund two tree officer posts in Parks and Green Spaces and three new posts in Waterways</p> <p>* Redundancy costs of £48,000 will be funded from the redundancy reserve.</p>	
Cleansing Chargeable Services	£50,000
Responsible Officer: Cleansing and Fleet Manager	
<p>As happened last year, income for Trade Refuse & 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.</p>	

Management Unit	Over / (Underspend)
Recycling	£135,000
<p>Responsible Officer: Cleansing and Fleet Manager</p> <p>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. The aging MRF equipment is increasingly unable to meet current quality standards, which leads directly to higher costs. Executive considered an MRF investment plan presented in September and agreed to consider a full business case and benchmarking exercise; these will propose measures to reduce costs and increase the service's ability to extract value from the recyclable material delivered to the plant.</p>	
Parking Services	£63,000
<p>Responsible Officer: Community Safety and Enforcement Service Manager</p> <p>The estimate for National Non Domestic Rates (NNDR) for this service was £60,000 more than the actual costs. Additional costs of £30,000 arose as a result of the additional change in tariffs requiring new signage and other related costs and increased maintenance costs. An estimated £35,000 increased income from parking charges is expected to partially offset these additional costs.</p>	
Growth & Enterprise	(£30,000)
<p>Responsible Officer: Economy and Enterprise Manager</p> <p>In-year saving from deferring recruitment to 2 currently-vacant posts.</p>	
Planning Services	£413,990
<p>Responsible Officer: City Development Manager.</p> <ul style="list-style-type: none"> • Community Infrastructure Grants amounting to £282,000 have been paid; these will be funded from the Community Infrastructure Levy (CIL). • An additional officer has been seconded to deal with CIL work; the additional £23,000 cost arising will be funded from the CIL. • £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. • Additional costs of approximately £60,000 are expected to arise from an ongoing Planning appeal • Additional consultancy costs of £26,000 are expected to arise to deal with the increased workload. • Fee income is expected to exceed the budget by £140,000 	

8.3.4 **Corporate Scrutiny Committee – (An underspend in total of £24,500)**

Management Unit	Over / (Underspend)
Democratic Representation	(£35,000)
<p>Responsible Officer: Corporate Manager Democratic and Civic Support</p> <p>Members Allowances are expected to be £20,000 less than the budget due to some members undertaking more than one role whilst taking only one allowance.</p> <p>Income is being generated by sharing Member Services officers with Teignbridge District Council; this arrangement is expected to generate additional income of £15,000 in the current year.</p>	
Corporate Support	(£35,000)
<p>Responsible Officer: Corporate Manager Democratic and Civic Support</p> <p>Postage costs are expected to be £20,000 less than the budget.</p> <p>£22,000 rental income will be generated from leasing part of the Civic Centre to the Police.</p> <p>The cost of utilities and other premises costs in the Civic Centre is expected to exceed the budget by £10,000</p>	

8.3.5 **Other Financial Variations**

Management Unit	Over / (Underspend)
Repayment of Debt	(£112,299)
<p>Responsible Officer: Chief Finance Officer</p> <p>A lower than forecast need to borrow has resulted in a reduced repayment of debt calculation.</p>	
Net Interest	(£240,000)
<p>Responsible Officer: Chief Finance Officer</p> <p>As with the repayment of debt, delays in the commencement of major capital schemes, mean that not only has the Council not borrowed yet, but also there is greater cash available to place. This has had the impact of generating addition interest received rather than the Council incurring interest charges.</p>	

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 £1,676,789. The minimum requirement for the General Fund working balance was approved by Council in February 2018 at £3 million and it is projected that the balance will be marginally above this level.

Movement	2018/19
Opening Balance	£4,692,404
Deficit	(1,676,789)
Projected balance at year end	£3,015,615

8.3.7 Supplementary Budgets

There is a requirement for one further supplementary budgets in 2018/19. The Council has been awarded a grant of £481,600 in respect of the Rough Sleeping Initiative from MHCLG. It is therefore proposed that a General Fund supplementary budget totalling £481,600 is approved in 2018/19, offset by income of £481,600 from the grant. The request is therefore cost neutral.

8.3.8 Expenditure on Consultants and Agency Staff

At the last meeting of Corporate Services Scrutiny Committee, Members requested information on the amount of expenditure incurred by the Council on agency workers and consultants. Appendices C and D set out the spend for 2017-18 and 2018-19 to date split between revenue and capital and detailed by Service.

In summary, the amounts spent are as follows:

	2017-18	2018-19 (to date)
	£	£
Consultancy		
Revenue	992,024.43	617,146.22
Capital	813,849.90	495,869.02
	<u>1,805,874.33</u>	<u>1,113,015.24</u>
Agency Workers		
Revenue	1,913,445.42	1,225,408.47

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 October.

Age of Debt	September 2017	March 2018	October 2018
Up to 29 days (current)	£1,266,865	£1,639,749	£843,953
30 days – 1 Year	£1,307,986	£1,238,393	£1,565,908
1 – 2 years	£588,743	£787,163	£948,849
2 –3 years	£816,633	£661,047	£379,750
3 – 4 years	£275,278	£368,184	£613,242
4 – 5 years	£282,922	£259,997	£229,027
5 + years	£358,570	£415,760	£548,338
Total	£4,896,997	£5,370,293	£5,129,067

8.5 DEBT WRITE-OFFS

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

	2017/18 total	2018/19 (Qtr 2)
• Council Tax	£316,198	£270,845
• Business Rates		
• Sundry Debt	£216,428	£0
• Housing Rents	£131,163	£1,219
• Non-HRA Rents	£149,210	£29,441
	£201,413	£87,972

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 96.53% FOR THE FIRST HALF 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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