

REPORT TO CORPORATE SERVICES SCRUTINY COMMITTEE

Date of Meeting: 28 March 2019

REPORT TO EXECUTIVE

Date of Meeting: 9 April 2019

REPORT TO COUNCIL

Date of Meeting: 16 April 2019

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 nine months.

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 outstanding Sundry Debt position as at March 2019;

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 The financial position has stabilised and the General Fund Working Balance is projected to stand at £3.046 million at year end. The HRA position has again been affected by delays in the Capital Programme resulting in a large reduction in the movement in the Working Balance.

5. Section 151 Officer comments:

- 5.1 The stabilisation of the financial position of the General Fund 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 and also in the next financial 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	(3,700,663)	396,482
Council own Build Houses	(16,630)	(410)	(17,040)

- 8.2 Housing Revenue Account (Appendix A)

- 8.2.1 The first quarter projection shows a significant reduction in the amount to be taken from the working balance. The projected reduction is now £396,482 to leave the working balance at £9,815,762.

Movement	2018/19
Opening HRA Balance	£10,212,244
Deficit	(£396,482)
Projected balance at year end	£9,815,762

8.2.2 The key variances are as follows:

Management Unit	Over / (Underspend)
Management Costs	(£57,000)
Officer Responsible: Service Lead – Housing Tenancy Services & Service Lead – Housing Assets	
<ul style="list-style-type: none"> • £130K additional consultancy costs in respect of procurement, as part of a Council-wide action plan to strengthen procurement arrangements. A temporary HRA Procurement Manager has developed a procurement strategy focused on housing assets including full compliance of all contracts and contract management capacity building within existing teams. • (£30K) Forecast savings in employee costs, partly due to two 23 month fixed term IT System Officers starting in August, in order to help implement the new Housing Management system and a vacant Older Persons Property Services Officer post. • (£48k) Reduced legal services recharge to Housing General Management. However, this is offset by an additional legal services recharge to Housing Customers in accordance with timesheet information. • (£30k) Staff training on the new Housing Management System will be deferred until next financial year, ahead of its planned implementation in November '19. • (£30k) Budgets in respect of resident involvement are not expected to be fully spent this financial year, as significant spend has been pending a review of the existing Resident Involvement Strategy. The appointment of a temporary Resident Involvement Officer from mid-February will support the co-ordination, development and delivery of both resident involvement and community development services. • (£15k) A saving in the cost of updating a range of tenant and leaseholder handbooks is forecast as the work will be undertaken in-house, rather than by external consultants 	
(£20k) Additional income from solar panel installations and letting of community rooms.	

Management Unit	Over / (Underspend)
Housing Customers	(£23,000)
Officer Responsible: Housing Lead – Tenancy Services	
<ul style="list-style-type: none"> • (£35k) Forecast savings in employee costs due to vacant posts and reduced 	

Management Unit	Over / (Underspend)
Repairs and Maintenance Programme	(£360,000)
Officer Responsible: Service Lead – Housing Assets This represents a combination of forecast under/overspends, most notably: <ul style="list-style-type: none"> • (£184k) Planned asbestos removal works to flats have been delayed, as two flats made available to temporarily decant tenants were required for other urgent tenant decants, including those affected by fire damage. A lower level of asbestos surveys have also been undertaken as they are largely driven by the kitchen and bathroom replacements programmes, which have been placed on hold for part of the year due to contractor issues. • (£90k) Forecast savings in respect of routine service and maintenance contracts, which predominantly relates to savings in the gas servicing contract. Servicing and associated boiler repair costs have been saved, due to the extent of boiler replacements and that servicing will be due in 12 months' time. • (£350k) 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 and mobilisation of the new contractor, for this reason a supplementary budget will be requested to carry forward the budget into 2019/20. • £250K Forecast overspend in respect of general reactive repairs, which is predominantly due to a targeted reduction in overdue jobs (from 800 down to less than 200) and additional repairs identified by the Housing Customer Relation Officers following routine property inspections; both assisted by the recruitment to Surveyor posts to oversee the repairs. 	
Revenue Contribution to Capital	(£3,196,550)
Officer Responsible: Service Lead – Housing Assets <ul style="list-style-type: none"> • The estimated amount of revenue monies required towards financing the HRA Capital Programme in 2018-19 has reduced by £3.2m, from £7.2m to £4m. <p>In March 2014 Executive approved a £2.7m contribution towards the St Loyes Extra Care scheme, which was profiled to be required in 2018-19 but delays to the scheme will mean that significant spend will not take place until 2019/20.</p> <p>Planned investment in existing stock is also lower than anticipated, predominantly due to delays in the LAINGS project, contractor issues and new contractor mobilisation.</p>	

Management Unit	Over / (Underspend)
Rents	£100,000
<ul style="list-style-type: none"> • A £70k forecast 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, rental income will only be receivable in the late part of the financial year, as 8 units were let before Christmas and the remaining units are currently being let. The final Building Control inspection highlighted additional fire safety works, resulting in delays in commencing the lettings process. • A £30k reduction in rents relates to garages that have been cleared in readiness of the sites being sold to Exeter City Living Ltd. To date, the sale of two sites have completed; Thornpark Rise and Anthony Road. The sale of Bovemoors Lane is expected to complete in the new financial year. 	
Capital Charges	£173,887
<p>Officer Responsible: not applicable (statutory accounting charge)</p> <ul style="list-style-type: none"> • Depreciation charges are higher than budgeted due to a rise in the valuation of council dwellings. <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	(£147,000)
<p>Officer Responsible: Service Lead – Housing Assets</p> <ul style="list-style-type: none"> • (£28k) savings in employee costs are expected due to various vacant posts within the Housing Assets team during the year, including Service Lead – Housing Assets, two 18 month fixed term contract Fire Safety Implementation officers and an Electrician, partially offset by the recent appointment of a Void Surveyor and a Health & Safety Compliance Officer. • (£45k) Stock condition surveys will re-commence in the 2019/20 to supplement the extensive stock condition survey undertaken by consultants last year, in order to achieve 100% coverage. The condition surveys will be performed by the surveyors, rather than external consultants, enabling a saving to be reported. • (£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 in respect of decants from LAINGS properties, as works will be focused on those properties that are already empty, avoiding the need to decant tenants until later 2019. • (£18k) Reflects a reduced recharge from Legal Services and a delay in purchasing new office furniture whilst a procurement exercise is undertaken. 	

Management Unit	Over / (Underspend)
Interest	(£110,000)
Officer Responsible: Housing Lead – Tenancy Services, Service Lead – Housing Assets, Service Lead Performance, Strategy & Resources	
<ul style="list-style-type: none"> 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. 	

- 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 a small variance to the projected surplus at the end of the third quarter.

Movement	2018/19
Opening Council Own Build reserve	£256,943
Surplus	17,040
Projected balance at year end	£273,983

8.3 General Fund (Appendix B)

- 8.3.1 The Service Committees show projected overspends of £809,070 against a revised budget of £15,288,840. The main variances are:

8.3.2 **People Scrutiny Committee – (An underspend of £62,760)**

Management Unit	Over / (Underspend)
Housing Needs	(£72,500)
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). The service is presently over 90% fully recruited with just two remaining vacant posts currently under JE and to be recruited to before the end of the financial year. Therefore, this current underspend is a one-off in-year saving to the General Fund.</p>	
Revenues, Benefits & Customer Access	31,240
Responsible Officer: System Lead Revenues, Benefits & Customer Access	
<p>The Local Welfare Support reserve will fund expenditure on the Budgeting and Money Management project as well as crisis support for vulnerable customers needing short term help with food, utilities and travel costs. Therefore, this expenditure has no impact on the General Fund.</p>	

8.3.3 Place Scrutiny Committee – (An overspend in total of £707,120)

Management Unit	Over / (Underspend)
Recycling	£105,000
Responsible Officer: Cleansing and Fleet Manager <ul style="list-style-type: none"> 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 Haulage costs (which vary unpredictably according to what materials are collected for recycling) now look to come in on budget at year-end, reducing the forecast variance by £30,000. 	
Parking Services	£79,000
Responsible Officer: Community Safety and Enforcement Service Manager <ul style="list-style-type: none"> The estimate for National Non Domestic Rates (NNDR) for this service was £60,000 less than the actual costs. Additional costs of £50,000 arose as a result of the additional change in tariffs requiring new signage and other related costs and increased maintenance costs Additional costs of £13,000 arose in the car park cleaning service due to higher than expected vehicle maintenance costs An estimated £44,000 increased income from parking charges is expected to partially offset these additional costs. 	
Building Control	(£51,500)
Responsible Officer: City Development Manager. <ul style="list-style-type: none"> Additional income in the Land Charges service is expected to lead to a surplus of £36,500, which will be transferred into an earmarked reserve. A grant of £15,000 has been received in respect of Land Charges. 	
Planning Services	£394,130
Responsible Officer: City Development Manager. <ul style="list-style-type: none"> Community Infrastructure Grants amounting to £357,000 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. This will be funded from New Homes Bonus. Additional costs of approximately £60,000 are expected to arise from a successful Planning appeal Fee income is expected to exceed the budget by £210,000. Part of this is earmarked for improvements in the service; it is anticipated that £70,000 of this will be unspent at 31 March 2019 and this will be placed in an earmarked reserve to be utilised in 2019/20. 	

Management Unit	Over / (Underspend)
Public Realm Development Team	(£73,500)
Responsible Officer: Public and Green Space Manager <ul style="list-style-type: none"> • 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 • Redundancy costs of £48,050 will be funded from the redundancy reserve. 	
Contracted Sports Facilities	£99,180
Responsible Officer: Category Contracts Manager <p>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, with up to £100,000 also approved to cover loss of revenue and VAT. The £91,465 is the budgeted lost revenue and the £99,180 adds-on £7,715 which will be covered from the Redundancy Reserve.</p>	

8.3.4 Corporate Scrutiny Committee – (An overspend in total of £164,710)

Management Unit	Over / (Underspend)
Democratic Representation	(£50,000)
Responsible Officer: Corporate Manager Democratic and Civic Support <ul style="list-style-type: none"> • 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. • One part time employee left the service and has not been replaced, reducing the pay outturn forecast by £10,000. • Income is being generated by sharing Member Services officers with Teignbridge District Council; this arrangement is expected to generate additional income of £20,000 in the current year. 	
Unapportionable Overheads	£63,500
Responsible Officer: Chief Finance Officer <ul style="list-style-type: none"> • Strain payments re Superannuation of £90,000 partially offset by saving against expected additional superannuation payments. 	

Management Unit	Over / (Underspend)
Strategic Management	£84,500
Responsible Officer: Chief Finance Officer <ul style="list-style-type: none"> Saving against payroll costs £85,000 within Deputy Chief Executive Cost Centre offset by use of consultants on Strategy/Commercialisation projects, £163,500 to be supported from Transformation Earmarked Reserve. 	
Procurement	£154,250
Responsible Officer: Chief Finance Officer <ul style="list-style-type: none"> Delays in forming the Procurement Team have resulted in anticipated savings not being realised £122,690 whilst use of consultants/contractors have more than consumed savings from pay budget £32,000. 	

8.3.5 Other Financial Variations

Management Unit	Over / (Underspend)
Repayment of Debt	(£112,299)
Responsible Officer: Chief Finance Officer <p>A lower than forecast need to borrow has resulted in a reduced repayment of debt calculation.</p>	
Net Interest	(£240,000)
Responsible Officer: Chief Finance Officer <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 £1,645,926. 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	(1,645,926)
Projected balance at year end	£3,046,478

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 December.

Age of Debt	February 2018	March 2018	December 2018
Up to 29 days (current)	£1,408,652	£1,639,749	£579,715
30 days – 1 Year	£1,405,970	£1,238,393	£1,654,458
1 – 2 years	£555,307	£787,163	£912,921
2 – 3 years	£690,937	£661,047	£404,095
3 – 4 years	£356,595	£368,184	£588,278
4 – 5 years	£303,416	£259,997	£242,658
5 + years	£390,171	£415,760	£561,541
Total	£5,111,048	£5,370,293	£4,943,666

8.5 DEBT WRITE-OFFS

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

	2017/18 total	2018/19 (Qtr 3)
• Council Tax	£316,198	£0
• Business Rates	£216,428	£0
• Sundry Debt	£131,163	£7,031
• Housing Rents	£149,210	£0
• Non-HRA Rents	£201,413	£0

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 94.52% for the first nine months 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)

Room 2.3

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