



CABINET

Report of: Councillor Adam Stokes The Cabinet Member for Finance

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| Report to: | Cabinet |
| Date: | 7 September 2017 |
| Subject: | Budget Monitoring Report (CFM430) |

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| Decision Proposal: | Report for information |
| Relevant Cabinet Member: | Councillor Adam Stokes, the Cabinet Member for Finance |
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| Approved for publication | Councillor Adam Stokes Date: 29 August 2017 |

SUMMARY

In order to ensure effective budget management it is important that Cabinet are updated with budget monitoring information and are kept informed of the financial position. The report provides a summary of the forecast outturn position as at the end of Quarter 1 against annual budget for 2017/18 for the following areas:

- General Fund Revenue Budget
- Housing Revenue Account Budget
- Capital Programmes – General Fund and HRA

RECOMMENDATION

Cabinet is asked to review the commentary contained in the report in respect of quarter 1 forecast position.

1. BACKGROUND TO REPORT

- 1.1 Forecast outturn work is undertaken on a quarterly basis by the business areas in order to anticipate the outturn position. This process enables options to be considered in respect of the spending proposals for the remainder of the year or alternatively it is used to identify emerging financial issues that can then be reviewed and mitigating actions put in place.
- 1.2 General Fund Revenue Budget
- 1.3 The revised budget requirement for 2017/18 was set at £12.441M. This includes the supplementary estimate for the 'Big Clean' as approved by Council on 15 June 2017. The budget is adjusted in year to allow for budget virements and centralisation of key budget headings. The updated position is outlined in the table below in the 'Adjusted Budget' column.
- 1.4 The forecast outturn for 31 March 2018 as at quarter 1 shows projections of a £333K variance at 'net cost of services'. It is important to emphasise that this reflects the 'known' position as at 30 June 2017. Cabinet will be presented with a quarter 2 position (as at 30th September) at a future meeting in order to review the forecast position. The information is summarised by priority area in Table A below.

TABLE A – GENERAL FUND REVENUE BUDGET

| Budget Area | Annual Budget | Adjusted Budget* | Forecast Outturn | Forecast Variance |
|---------------------------------|----------------------|-------------------------|-------------------------|--------------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Growth | 451 | 126 | 335 | 209 |
| Environment | 6,807 | 7,408 | 7,405 | (3) |
| Culture | 3,141 | 3,227 | 3,227 | 0 |
| Housing | 1,103 | 1,059 | 1,058 | (1) |
| Corporate | 4,454 | 4,797 | 4,904 | 107 |
| Net Cost of Services | 15,956 | 16,617 | 16,929 | 312 |
| Reserves & Grants | (256) | (917) | (896) | 21 |
| Interest Payable & Receivable | (148) | (148) | (148) | 0 |
| Capital Charges | (3,539) | (3,539) | (3,539) | 0 |
| Revenue Contribution to Capital | 385 | 385 | 385 | 0 |
| Allocation of Parish Grants | 43 | 43 | 43 | 0 |
| Budget Requirement | 12,441 | 12,441 | 12,774 | 333 |

*Adjusted budget will be amended throughout the course of the financial year due to the centralisation of budgets and budget virements.

**A number of YTD budgets show as minus figures at various points throughout the year due to income being received in advance of the expenditure to offset

1.5 Current projections as detailed above, indicate a potential overspend across the financial year. In order to mitigate against this proposed outturn position a number of initiatives will be considered to alleviate the current pressures:

- Re-allocation of staffing vacancy budgets to emerging priority staffing
- Re-allocation of unallocated expenditure budgets to emerging new expenditure priorities
- Reviewing non-essential spend and additional income
- Reviewing available reserves to fund one-off budget pressures

The position will continue to be monitored during the year and quarter 2 (30 September) will provide a more accurate position on the anticipated year end.

The main areas that are impacting on the forecast variance position are outlined in Table B below.

| TABLE B – GENERAL FUND MATERIAL VARIANCE ANALYSIS | | Forecast Variance £'000 |
|--|---|--------------------------------|
| Priority | Budget Pressures | |
| Growth | Property Investment Strategy – within the District, commercial investment opportunities are currently limited so it is prudent not to anticipate all of budgeted income at this stage. In any event it is unlikely that any purchase will deliver the budgeted income within the remaining months of 2017/18. | 200 |
| Growth | Car Parks – A temporary contract change in enforcement arrangements and supervisory costs has resulted in a continued over spend. Alternative provision is being considered. | 38 |
| Corporate | Democratic Representation – The restructuring of the democratic arrangements is resulting in a forecast overspend of £21K | 21 |
| Corporate | Insurance – An increased annual premium for 2017/18 has resulted in an overspend of £30K | 30 |
| Corporate | We are seeing additional costs in this area. These will be kept under review as we consider whether budgeted staffing vacancies can be used to offset this position | 82 |
| Savings & Efficiencies | | |
| Corporate Growth Housing | Employee Expenses – The budgeted variance with respect to vacant positions in service areas has been forecast as at the end of Quarter 1 at (£83K). This is against the workforce efficiency target of (£361K) | (83) |

| <u>Priority</u> | <u>Additional Income</u> | |
|------------------------|---|------|
| Growth | Other Income – External support is being provided to other local authorities for conservation which is forecast to achieve additional income of (£17K). | (17) |
| Environment | Green Waste Collection –Additional income is being forecast, with 26,800 households renewing their subscription and 763 new households joining the service. | (15) |
| | | |

1.6 Further detail on the General Fund significant income streams can be found in Table C below.

| TABLE C – GENERAL FUND SIGNIFICANT INCOME STREAMS | | | |
|--|--------------------------------------|---|--|
| Significant Income Stream | Annual Budget £'000 | Forecast Outturn £'000 | Forecast Variance £'000 |
| Land Charges | (234) | (234) | 0 |
| Development Management | (922) | (997) | (75)* |
| Guildhall Arts Centre | (285) | (285) | 0 |
| Stamford Arts Centre | (753) | (753) | 0 |
| Bourne Market | (18) | (18) | 0 |
| Grantham Market | (65) | (56) | 9 |
| Stamford Market | (168) | (168) | 0 |
| Grantham Car Parks | (524) | (524) | 0 |
| Stamford Car Parks | (758) | (758) | 0 |
| Investment Property Income | (300) | (100) | 200 |
| Licensing | (287) | (287) | 0 |
| Commercial Waste Income | (40) | (40) | 0 |
| Green Waste Collection | (930) | (945) | (15) |
| TOTAL | (5,284) | (5,165) | 119 |

*Designer Outlet Village application receipt and Garden Village grant funding which will be used to fund specialist consultancy in respect of the application.

Housing Revenue Account Budget

1.7 The original budget for 2017/18 was set at a surplus for the year of £7.606M. The budget is adjusted in year to allow for budget virements, creation of set-asides and centralisation of key budget headings. The updated position is outlined in the table below in the 'Adjusted Budget' column.

1.8 The forecast outturn for 31 March 2018 as at quarter 1 shows projections of a £236K variance. The information is summarised in Table D below.

| TABLE D – HOUSING REVENUE ACCOUNT BUDGET | | | | |
|---|-------------------------------|---------------------------------|----------------------------------|-----------------------------------|
| Description | Annual Budget £'000 | Adjusted Budget £'000 | Forecast Outturn £'000 | Forecast Variance £'000 |
| Income | (25,794) | (25,794) | (25,714) | 80 |
| Expenditure | 15,439 | 15,439 | 15,595 | 156 |
| Interest Payable & Similar Charges | 2,972 | 2,972 | 2,972 | 0 |
| Interest & Investment Income | (223) | (223) | (223) | 0 |
| Deficit/ (Surplus) | (7,606) | (7,606) | (7,370) | 236 |

1.9 The main factors impacting on the forecast variance position are outlined in Table E below. These areas represent the key headings and are not intended to balance to the overall YTD variance shown in Table D due to a number of small variances across service headings which are not materially significant and therefore not commented upon.

| TABLE E – HRA VARIANCE ANALYSIS | |
|--|--------------------------|
| | Forecast Variance |
| Income | £80K |
| The £80K forecast under recovery is due to further estimated write-offs of £150K offset by a reduction in the voids rate which has generated additional income. The further roll out of Universal Credit across the district from October onwards may further impact on forecast collection for the remainder of the financial year. | |
| Expenditure | £150K |
| The forecast overspend is due to the estimated cost of structural repairs and refurbishment to 3 council houses which have been fire damaged. This cost is to be funded from the HRA improvement reserve and insurance (1 house). | |

Capital Programmes

1.10 The capital programmes include a number of significant capital projects for 2017/18. The original budget for General Fund Capital Programme was set at £14.694M and the HRA Investment Programme was set at £8.869M. These budgets have been adjusted in year for capital slippage brought forward.

1.11 The forecast outturn for 31 March 2018 as at quarter 1 shows projections of (£9.426M) on the General Fund Programme and (£554K) on the HRA Investment Programme. The information is summarised in Table F below.

TABLE F – CAPITAL PROGRAMMES

| Programme | Annual Budget £'000 | Adjusted Budget* £'000 | Forecast Outturn £'000 | Forecast Variance £'000 |
|----------------------|---------------------|------------------------|------------------------|-------------------------|
| General Fund (GF) | 14,694 | 15,272 | 5,846 | (9,426) |
| HRA Investment (HRA) | 8,869 | 8,991 | 8,437 | (554) |
| Total | 23,563 | 24,263 | 14,283 | (9,980) |

**Annual Budget has been adjusted for approved slippage from 2016-17 and is shown in the 'Adjusted Budget' column*

1.12 The main factors impacting on the YTD variance position are outlined in Table G below.

TABLE G – CAPITAL - KEY FORECAST VARIANCE INFORMATION

| HRA | Description | Forecast Variance £ |
|---------------------------|--|----------------------------|
| Refurbishment Improvement | & Stock Acquisitions - There is a forecast under spend due to there being no buy backs or conversions as at quarter 1. This budget may be required to contribute towards additional spend on the new build programme | (554K) |
| GF | Description | Forecast Variance £ |
| Growth | The St Peters Hill Development project has been re-profiled to reflect the proposed procurement and delivery plan. It is anticipated that the expenditure will be incurred during 2018/19 and the budget will be re-allocated The Property Investment capital expenditure has been forecasted downwards at the position at quarter 1 to reflect the current lack of commercial investment opportunities that meet the Council's criteria. This will be reviewed on a quarterly basis to reflect the prevailing position at that time. | (4.426M) (5.000M) |

2. OTHER OPTIONS CONSIDERED

2.1 This report has been produced to brief Cabinet Members on the forecast outturn position at the end of quarter 1 against the 2017/18 budget for the General Fund Revenue Budget, the Housing Revenue Account Budget and the General Fund and Housing Revenue Account Capital Programmes.

3. RESOURCE IMPLICATIONS

3.1 There are no resource implications arising from this report.

4. RISK AND MITIGATION

4.1 Risk has been considered as part of this report and no specific high risks were identified.

5. ISSUES ARISING FROM IMPACT ANALYSIS (EQUALITY, SAFEGUARDING etc.)

5.1 No impact analysis is required.

6. CRIME AND DISORDER IMPLICATIONS

6.1 There are no crime and disorder implications arising as a result of this report.

7. COMMENTS OF FINANCIAL SERVICES

7.1 These are included in the report.

8. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES

8.1 As part of good governance it is important members are kept updated in respect of the financial position of the Council expenditure during the course of the year.

9. COMMENTS OF OTHER RELEVANT SERVICES

9.1 None

10. APPENDICES

10.1 None

11. BACKGROUND PAPERS

11.1 None