

Cheltenham Borough Council

Cabinet – 15 April 2014

Budget Monitoring Report 2013/14 – position as at February 2014

Accountable member	Councillor John Rawson, Cabinet Member for Finance
Accountable officer	Paul Jones, GO Shared Services Head of Finance
Accountable scrutiny committee	All
Ward(s) affected	None
Key Decision	No
Executive summary	To update Members on the Council's current financial position for 2013/14 based on the monitoring exercise at the end of February 2014. The report covers the Council's revenue, capital, treasury management and the Housing Revenue Account. The report identifies any known variations to the 2013/14 current budget and a position statement on major schemes.
Recommendations	<p>That Cabinet:</p> <ol style="list-style-type: none"> Notes the contents of this report including the key projected variances to the current 2013/14 budget and the total projected budget saving of £11,300.

Financial implications	<p>As detailed throughout this report.</p> <p>Contact officer: Sarah Didcote, sarah.didcote@cheltenham.gov.uk, 01242 264125</p>
Legal implications	<p>None specifically arising from the recommendation.</p> <p>Contact officer: Peter Lewis, Peter.Lewis@teWKesbury.gov.uk, 01684 272695</p>
HR implications (including learning and organisational development)	<p>HR Business Partners continue to work closely with SLT and Service Managers to ensure budget savings are achieved.</p> <p>Contact officer: Julie McCarthy, julie.mccarthy@cheltenham.gov.uk, 01242 264355</p>
Key risks	As outlined in Appendix 1.
Corporate and community plan Implications	Key elements of the budget are aimed at delivering the corporate objectives within the Corporate Business Plan.
Environmental and climate change implications	None.

1. Background

- 1.1 This report provides the last monitoring position statement for the financial year 2013/14. The purpose of this report is to notify members of the anticipated outturn position for 2013/14 including any known requests for budgets to be carried forward into 2014/15. Significant variances (minimum £50,000) are highlighted in this report for consideration by members.
- 1.2 The budget monitoring report to the end of November 2013 projected an underspend for the year of £444,600. As a result of that projection, Cabinet approved recommendations to create new earmarked car parking and Leisure and Culture Trust reserves and to provide additional funding for the Leisure and Culture Trust set up costs (See Cabinet report 14 January 2014). These adjustments have now been incorporated into the 2013/14 current budget.
- 1.3 It is pleasing to note that the anticipated outturn position will deliver a small budget saving of £11,300. This is in addition to the £444,600 saving already incorporated into the current budget for 2013/14, as reported above.
- 1.4 A number of savings are the result of delays or slippage in carrying out particular tasks which are still necessary and will need to be completed in the 2014/15 financial year. Where this applies, requests for carry forwards are noted in this report.

2. Net revenue position

- 2.1 The table below summarises the net impact of the variances identified on the overall 2013/14 current budget position.

Budget variances	(Overspend) / Underspend £	para. ref:
Commissioning		
Community Development	48,000	
Community Welfare Grants	180,000	2.5
Cheltenham Strategic Partnership	2,000	
Democratic Services	34,000	
Corporate Policy Division	45,500	
Homelessness	80,000	2.6
Elections & Electoral registration	30,000	
Corporate Subscriptions	2,000	
Organisational & Development Work	30,000	
Project Management	49,000	
Leisure & Culture Set up costs	390,000	2.7
Waste & Recycling	63,000	2.8
Total Commissioning	953,500	
Ubico	127,300	2.9

Leisure & Culture		
Entertainments	18,500	
Art Gallery & Museums & Tourism services	(90,000)	2.10
Leisure@	2,800	
Sports & Play	3,400	
Wellbeing & Culture Management	1,000	
Leisure and Culture - Response maintenance budgets	(35,800)	
Total Wellbeing & Culture	(100,100)	
Strategic Directors		
Chief Executives Management & Admin	(3,700)	
Cemetery and Crematorium	(74,900)	2.11
Parks & Gardens Service	(9,800)	
Allotments	(6,400)	
Nursery	(1,300)	
Public Protection Division	5,400	
Licensing	31,200	
Pest and Pollution Control	(23,800)	
Abandoned cars	(1,500)	
CCTV Cameras and Crime and Disorder	(2,700)	
Contaminated Land	800	
Air Quality	(11,400)	
Development Task force	10,300	
Total Strategic Directors	(87,800)	
Resources		
Internal Audit	(1,600)	
Gloucestershire Airport Ltd	(800)	
ICT Services	3,000	
Customer & Support Services	48,900	
Housing benefits administration	2,000	
Revenues	17,600	
GO Shared Services	37,500	2.13
Treasury Management	(10,100)	
Corporate Management	10,700	

Property Services	2,200	
Miscellaneous Properties	16,700	
High Street Innovation grants	49,200	
Public Conveniences	(16,000)	
Total Resources	159,300	
Built Environment		
Cheltenham Environmental Fund	47,500	
Flood Risk Management	10,200	
Shop mobility	8,600	
Building Control	6,700	
Development Control	4,600	
Planning Policy	(32,400)	
Conservation	(11,500)	
Community Alarms	(4,600)	
Built Environment Division	2,900	
Housing Standards	35,000	
Housing Enabling	36,700	
Off Street car parking	29,100	
Economic Development	26,800	
Promoting Cheltenham Fund	30,100	
Community Pride	33,500	
Total Built Environment	223,200	
Vacancy Management	(175,000)	2.4
Treasury Management –Interest surplus	21,200	3.2
Sub total of net savings to Service Budgets before carry forward requests and transfers to reserves	1,121,600	
Anticipated carry forward requests/transfers to reserves	(1,110,300)	2.2
Net projected budget saving 2013/14	11,300	

- 2.2 It should be noted that the projected net underspend to service budgets of £1,121,600 includes £467,600 of one-off grant expenditure budgets and grant income received, for which expenditure has not yet been spent. This is due to the timing of grant income received and grant funded projects straddling more than one financial year. This expenditure is included in the anticipated total carry forward at the year end, to be spent in 2014/15.

The remaining anticipated carry forward will be subject to the approval of the Section 151 Officer and / or Cabinet as required. This will be determined when the actual outturn position has been finalised in June 2014.

- 2.3 The table below provides a further initial breakdown of the projected net position against current budget to assist Members in the analysis of where budget savings have occurred.

	(Overspend) / Underspend £
Net saving in employee costs	48,300
Underspend in grant related payments (see 2.2 above)	467,600
Net reduction in service costs / operational expenditure	587,400
Net shortfall in income	(2,900)
Treasury Management	21,200
Net projected budget saving 2013/14	1,121,600

Employee costs 2013/14

- 2.4 The 2013/14 original budget included a target of £450,000 from salary savings to be made throughout the Council from vacant posts arising during the year. A saving of £275,000 was achieved during the period April to November 2013 and built into the 2013/14 current budget. The remaining target of £175,000 has been exceeded by £48,300 for the year, the details of which are reported at service level throughout the report.

Commissioning

2.5 Community Welfare Grants

There is a projected underspend of £180,000 in welfare grants due to the timing of grants received but not spent on the specific activity for which they were given. A request will be made to carry this forward at the year end to fund grant related schemes in 2014/15.

2.6 Homelessness

There is a projected underspend in homelessness of £80,000 due to grant funding received in the latter half of 2013/14. A request will be made at the year end to carry this forward to support homelessness related expenditure in 2014/15.

2.7 Leisure and Culture set up costs

The new Leisure and Culture Trust is due to commence trading on 1st October 2014, for the running of the existing Entertainments, Leisure, Sports and Play, Art Gallery and Museum and Tourism services of the Council. The approved set up costs for the Trust straddle the financial years 2013/14 and 2014/15 and as such the projected remaining budget of £390,000 will be carried forward at the year end, to be spent in 2014/15.

2.8 Waste and Recycling

There is an underspend in waste and recycling supplies and services budgets of £103,000 for the year, made up of £46,000 budget for leasing costs not required in 2013/14 and £57,000 capitalised expenditure. This is partially offset by a projected shortfall in recycling income of £40,000. There is therefore a total projected net underspend of £63,000 for the year.

Ubico Waste company

2.9 Ubico

There is a projected underspend in Ubico services of £205,000 for the year. This is offset by a predicted overspend of £77,700 on the waste and recycling budgets due to the changes in the way in which recycling from communal properties is collected. Previously communal bins were collected with household recycling but due to the contamination of recycle, which was impacting on the price we received for the sale of materials, it was agreed to have a separate collection. There is therefore a net projected underspend of £127,300 in Ubico trading activities.

Leisure & Culture

2.10 Art Gallery & Museums & Tourism

There is an expected net overspend of £90,000 in the Art Gallery & Museum / Tourism services, through unexpected additional costs incurred on the reopening of the new building and galleries, staff vacancies covered by contractor costs, and also as a result of major exhibitions held in the latter part of the financial year. These exhibitions have attracted a total of 106,000 visitors to the new galleries, free of charge, although voluntary donations have been encouraged. A strategy has been put in place to ensure that costs for future high profile exhibition programmes are fully covered.

Built Environment

2.11 Cemetery & Crematorium

There is a projected overspend of £74,900 on the Cemetery & Crematorium in 2013/14. This includes a shortfall in income of £33,300. The cremators were replaced in 2012 using the firm Crawford Equipment Europe Ltd. Following the installation of the cremators, a number of issues regarding the quality of the equipment supplied arose which were being managed in conjunction with the Crawford. However, in July 2013 Crawford entered into Voluntary Liquidation and thus were no longer in a position to continue working with the Council in remedying the issues. Since then remedial interim repairs have been undertaken to keep the cremators operational whilst work is being done to achieve a long term resolution of the situation.

The shortfall in income has been as a result of these operational issues which has meant that for periods of time only one cremator has been available and thus it has not be possible for the service to work at its optimum capacity.

2.12 In 2005 DEFRA introduced a requirement for the cremation industry to remove mercury from 50% of cremations. The national target, based on the available science, achieves a proportionate response for removing mercury from cremations, whilst not burdening the bereaved with excessive cost and the possibility of closing local crematoria. Along with the 50% target the principle of "burden sharing" was introduced, a process whereby Operators who could install abatement plant do so, and the cost is shared with those that could not install such abatement equipment. DEFRA recognised this as the most equitable way of achieving the target, whilst the cost or "burden" is shared by the entire sector. The mercury abatement equipment purchased from Crawford's has not been operational during 2013 and therefore the Council is now required to make a payment to the "burden sharing scheme" called CAMEO in line with the principles outlaid by DEFRA. This had not been budgeted for as it was anticipated that the abatement

equipment would be operational and the Council would therefore be an operator, whose abatement costs could be shared under the scheme. The payment to CAMEO is £46,700 for the calendar year 2013 but has been marginally offset by supplies and services savings of £5,100.

Resources

GO Shared Services, Finance, Human Resources and Procurement

Across GO Shared Services there is a projected underspend of £37,500. This has been mainly due to the delay in the upgrade of Agresso to Autumn 2014. As a result a carry forward request will be made for £25k being the Council's contribution to the cost of the upgrade in 2014/15. Further to this, a carry forward request will be made for £5k to continue to support training and development needs following the implementation of Agresso and other organisational development work.

3. Treasury Management

Icelandic Banks

The Council has received no further monies since the last reported position in February 2014, though further payments are due in the future.

Treasury Management Activity

- 3.1** There is a predicted surplus of interest of £21,200 to report on Treasury Management for 2013/14. However there is a predicted overspend on the Treasury Management cost centre of £10,000 due to the additional legal costs in relation to Icelandic banks amounting to £7,300 and a further £2,700 on additional bank charges and fees for the year.
- 3.2** The Council's borrowing costs are expected to be £9,500 lower than the 2013/14 budget as the Council's cash resources have improved in late 2013 through to March 2014, reducing the need to borrow temporary for daily cash flow purposes. The Council's average borrowing rate for 2013/14 was 3.86% on an average of £57m loans.
- 3.3** Lending interest is forecast to be favourable by £11,700. As mentioned in paragraph 3.2 cash resources have improved in the year which has assisted the Council in receiving more interest on its Business Call Accounts and fixed term deposits. For 2013/14 the Council averaged a return of 0.53% on its investments with a weighted average of £8.28m.

4. Capital Expenditure

- 4.1** Possible significant variances to the 2013/14 revised capital budgets and a position statement on major capital schemes are detailed below:
- 4.2 Art Gallery & Museum Redevelopment**

The redevelopment of the art gallery & museum was completed in July 2013 and the service fully reopened. The final financial position for the scheme was reported to Council in February 2014 and the revised budget approved as part of the budget setting process.

5. Programme maintenance expenditure

- 5.1** The majority of work planned for completion in 2013/14 remains as scheduled. However any slippage in schemes not completed in 2013/14 will be carried forward, pending completion in 2014/15. Any saving in expenditure will be transferred to the property repairs & renewals reserve at the year end to fund future programme maintenance.

6. Housing Revenue Account (HRA)

- 6.1 The report to Cabinet on 11th February 2014 estimated a deficit of £23,100 for 2013/14 leaving revenue reserves of £3,538,800 at 31st March 2014. The only significant variation from that position is an anticipated slippage of £400,000 in capital expenditure for the year, primarily due to adverse weather conditions in January and February which have delayed the installation of pv panels. This work will now be completed in 2014/15 and associated funding resources will be rolled forward in revenue.
- 6.2 The revised forecast for the year is therefore a surplus of £376,900 leaving a reserve balance of £3,938,800 at 31st March 2014. Capital expenditure within the year will reduce from £7,091,400 to £6,691,400.

7. Council tax and Business rates collection

- 7.1 The monitoring report for the collection of council tax and business rates (NNDR) income is shown in Appendix 2. This shows the position at the end of February 2014 and the projected outturn for 2013/14.

8. Sundry debt collection

- 8.1 The monitoring of the aged sundry debts and recovery is shown at Appendix 3.

9. Conclusion

- 9.1 The net effect on the general fund of the variances reported above is that there may be a small net saving of £11,300 against the budget for 2013/14. It will be for Cabinet and Council to decide in July 2014, when outturn is finalised, how to apply any saving that may be realised, bearing in mind the need to keep the level of reserves robust and the uncertainty surrounding possible future budget funding gaps.
- 9.2 The current economic situation presents particular concerns for the Council's budgets. It is clearly important to ensure that the 2014/15 budgets are closely monitored over the coming months with a view to taking action at a future date, if necessary, in order to ensure that the Council continues to deliver services within budget.

10. Consultation

- 10.1 The work undertaken to produce this report has involved consultation with a wide number of services and cost centre managers.

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Appendices	<ol style="list-style-type: none">1. Risk Assessment2. Council Tax and NNDR collection3. Sundry Debt Collection
Background information	<ol style="list-style-type: none">1. Section 25 Report – Council 8th February 20132. Final Budget Proposals for 2013/14 – Council 8th February 2013

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	I	L	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1.	Unable to take corrective action in respect of reduced income streams.	Cabinet	June 2010	3	3	9	Reduce	In preparing the revised budget for 2012/13, SLT to consider the options for offsetting reduced income streams by analysing and reducing the level of expenditure across the Council.	June 2013	SLT	Corporate Risk Register
2.	If the council continues with its zero recruitment policy, then capacity may be impacted adversely, plus morale and motivation of employees	Cabinet	October 2010	3	3	9	Reduce	Executive Board will monitor the process, via quarterly reviews.	March 2013	Executive Board	Corporate Risk Register