

Cheltenham Borough Council

Cabinet – 7 February 2017

Budget Monitoring Report 2016/17 – position as at December 2016

Accountable member	Councillor Rowena Hay, Cabinet Member for Finance
Accountable officer	Paul Jones, Section 151 Officer
Accountable scrutiny committee	All
Ward(s) affected	All
Key Decision	Yes
Executive summary	To update Members on the Council's current financial position for 2016/17 based on the monitoring exercise at the end of December 2016. The report covers the Council's revenue, capital and treasury management position. The report identifies any known significant variations (minimum £50,000) to the 2016/17 original budget and areas with volatile income trends.
Recommendations	<ol style="list-style-type: none">1. Cabinet note the contents of this report including the key projected variances to the 2016/17 budget and the expected delivery of services within budget.2. Cabinet approve the budget virements to the 2016/17 budget, as detailed in Appendix 7.3. Cabinet recommend that Council approve a contribution of £110,737 to the Budget Deficit (support) reserve, as detailed in paragraph 10.1.

Financial implications	As detailed throughout this report. Contact officer: Sarah Didcote, sarah.didcote@cheltenham.gov.uk , 01242 264125
Legal implications	None specific directly arising from the recommendations. Contact officer: Peter Lewis, Peter.Lewis@tewkesbury.gov.uk, 01684 272695
HR implications (including learning and organisational development)	The Council continues to monitor vacancies and recruitment. All recruitment activity decisions are based on a business case outlining the impact on the service delivery and/or loss of income generation if the post were to remain unoccupied. In addition, the Council also continues to monitor its capacity to deliver on key projects with regular updates being provided to the Operational Programme Board on a quarterly basis. Contact officer: Julie McCarthy , julie.mccarthy@cheltenham.gov.uk, 01242 264355

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 third monitoring position statement for the financial year 2016/17. The purpose of this report is to notify members of any known significant variations to budgets for 2016/17 and highlight any key issues, allowing Members to take action if required.
- 1.2** GO Shared Services carry out a regular budget monitoring exercise for services in liaison with Directors and cost centre managers. This identifies any major variations from the current approved budget that are anticipated to occur in the financial year. The current approved budget is the original budget for 2016/17 agreed by Council on 12th February 2016, subject to any amendments made under delegated powers (for example supplementary estimates, virement, etc). Possible significant variations to revenue budgets are outlined in this report.

2. Net revenue position

- 2.1** The table below summarises the net impact of the variances identified at this stage in the financial year, projecting the position to the end of the financial year for all budget variances in excess of £50,000 and areas with volatile income trends, details of which are provided in paragraphs 2.2 to 3.1

Significant budget variances	Overspend / (Underspend)£	para. ref:
Head of Paid Service Directorate		
Recycling – shortfall in income	176,270	2.3
Green Waste – additional income	(19,970)	2.4
Recycling – additional collection costs	50,000	2.5
Ubico – new joiners fee	(45,300)	2.6
Resources Directorate		
Internal Audit – saving in expenditure	(20,000)	2.7
Corporate Fraud Unit – saving in expenditure	(30,000)	2.7
Capital charges – reduction in Minimum Revenue	(104,400)	2.8
Housing Benefit - increased admin subsidy grants	(110,000)	2.9

Environment & Regulatory Services		
Car Parking – Surplus income	(25,000)	2.10
Other		
NNDR –Net increase in NNDR income	(47,937)	2.11
Utility costs – saving in gas premises costs	(25,000)	2.12
Various – net savings	(6,600)	Appendix 7
Use of reserves		
Contribution to Rent allowances reserve	110,000	2.13
Treasury Management	(12,800)	3.1
Total projected underspend for the year	(110,737)	
Contribution to Budget Deficit (Support) Reserve	110,737	10.1
Total Forecast Outturn	-	

Saving from Employee costs

- 2.2** The 2016/17 base budget includes a target of £350,000 from employee related savings to be made throughout the Council during the year. This target has been embedded within individual service budgets, allocated in proportion to existing service salary budgets. This improves accountability and budget monitoring within council services. An assessment of vacant posts (i.e. staff turnover) in the first ten months of the year indicates that this target is likely to be achieved for the financial year.

Waste and Recycling Income

- 2.3** Income from waste and recycling continues to be monitored on a regular basis in conjunction with the Joint Waste Committee. The original 2016/17 budget for recycling, set based upon expected additional income from the new bulking facility, will now not be achieved. Recycling levels have improved since 2015/16, reflecting better commodity prices to CBC following the creation of the bulking facility and generally improved market conditions, mainly on paper, cardboard, steel and aluminium. However, total recycling income for 2016/17 is now forecast to be £482k (£320k in 2015/16) with an underachievement of £176k against the original estimate.
- 2.4** This shortfall is partially offset by an expected surplus in green waste income for the year of £19,970 as a result of increased volume of activity.

Recycling collection costs

- 2.5** There is an overspend in the cost of recycling collection schemes of £50k, due to various cost pressures including an additional vehicle being employed to accommodate a growth in property numbers and inefficient rounds - food waste is also being collected separately to better utilise the

vehicles available. The planned service redesign scheduled for September 2017 will include new vehicles and optimisation of rounds, and provide for increased property numbers for the next 3 to 5 years.

Ubico – Joiners fee income

- 2.6 Ubico have expanded to take on the waste and environmental services of other local authorities. The council has received one off income in 2016/17 of £45,300, representing Cheltenham's share of joiners' fee income from two new partners.

Audit Cotswolds – Internal Audit and Corporate Fraud Unit

- 2.7 As reported in the September budget monitoring report, Audit Cotswolds have delivered an in year saving of £20,000, following a review of the council's audit requirements for 2016/17. Further to this, the Corporate Fraud Unit has supported an under spend of £30,000 in the current year pending the business case for the future of the service, which has now been approved. This has resulted in a total one-off underspend of £50,000.

Capital charges – Minimum Revenue Provision

- 2.8 There is a net saving in the Minimum Revenue Provision (MRP) for the repayment of debt of £104,400, due to slippage in the purchase of vehicles and recycling caddies from 2015/16 to 2016/17 and later years and their funding from capital receipts instead of prudential borrowing. The vehicles and caddies are initially purchased on behalf of the council by Ubico, funded by prudential borrowing and/or capital receipts and then leased back to the company. MRP is payable on any prudential borrowing in the year following that in which the borrowing was taken out.

Housing Benefit Administration Grants

- 2.9 The council has received additional one off housing benefit administration grant funding of £110,000 in respect of universal credits, admin subsidy and new burdens funding. This income will be transferred to the rent allowances reserve to support the future one-off costs of the service, as elements are transferred to the DWP.

Off-street Car Parking Income

- 2.10 There is a likely net surplus of £25,000 in car parking income for the year, based on the position at 31st December and expected trends for the remaining period of the year. This is in addition to the net surplus of £200,000 detailed in the September 2016 budget monitoring report, for which Cabinet approved a corresponding reduction in the contribution from the car parking equalisation reserve for the year.

Business Rates

- 2.11 There is an expected net increase in business rates income of £47,937 for the year, including £41,154 additional section 31 grant funding.

Utility Costs

- 2.12 Based on utility costs incurred in the first seven months of the year, there is an estimated saving in the gas utility budgets across the council properties of £25,000 for the year. The contract will continue to be monitored in the remaining period of the year, as usage can be affected by adverse weather conditions.

Use of Reserves

- 2.13** Financial rule B11.4 provides the Section 151 Officer with delegated authority to approve in year transfers to and from earmarked reserves to support the activities of the Council. In light of the above, the Section 151 Officer recommends that transfer of £110,000 to the rent allowances reserve, as detailed in paragraphs 2.9.

3. Treasury Management

- 3.1** Since the budget monitoring report to 30th September, investment income has marginally improved further and is likely to show a surplus of £12,800 against the 2016/17 budget.

4. Capital

- 4.1** A detailed exercise has been carried out to ensure that capital schemes, approved by Council on 12th February 2016, are being delivered as planned within allocated capital budgets. The monitoring position at 31st December is included as Appendix 2 to this report.

5. Developer Contributions

- 5.1** Detailed work is in progress to ensure that all developer contributions are being properly utilised and that members are informed of expenditure. An update on developer contributions is included in this report at Appendix 3. This information is presented at summary level apart from any areas where spend has occurred in the period to 31st December 2016.

6. Programme maintenance expenditure

- 6.1** A detailed exercise has been carried out to ensure that programme maintenance work, approved by Council on 12th February 2016, is being delivered as planned within the allocated budgets. The monitoring position at 31st December is included as Appendix 4 to this report. Any slippages in schemes or underspend against budget will be transferred to the Programme Maintenance reserve at the year end, to fund future programme maintenance expenditure.

7. Housing Revenue Account (HRA)

- 7.1** A revised forecast for HRA revenue and capital income and expenditure in 2016/17 was presented to Cabinet on 13th December 2016 as part of the interim budget proposals for 2017/18. This included explanation of significant variations to budget that had been identified to 31st October.
- 7.2** The final budget report for 2017/18 is also reported to Cabinet on 7th February 2017 and shows revised forecasts for the current year updated to December 2016. The only amendments to the October figures are a further anticipated saving of £49,600 on repairs and maintenance which now shows an expected outturn of £3,789,000, a reduction of £350,000 against the original budget. Overall capital expenditure is expected to be £74,500 lower at £11,583,100, reducing revenue contributions by the same amount. These variations increase the forecast revenue reserve at 31st March 2017 by £124,100 to £6,176,100.

8. Council tax and Business rates collection

- 8.1** The monitoring report for the collection of council tax and business rates (NNDR) income is shown in Appendix 5. This shows the position at the end of December 2016 and the projected outturn for 2016/17.

9. Sundry debt collection

9.1 The monitoring of aged sundry debts and recovery is shown at Appendix 6.

10. Conclusion

- 10.1 The net effect on the general fund of the variances reported above is that there is a forecast net underspend against the budget of £110,737 for 2016/17. It is recommended that Cabinet and Council approve a contribution of £110,737 to the Budget Strategy (Support) Reserve, based on the position at the end of December 2016.
- 10.2 The continued impact of the changes in government funding arrangements and the economic climate present particular concerns for the Council's budgets. It is clearly important to ensure that budgets continue to be 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 delivers services within budget.
- 10.3 It will be for Cabinet and Council to decide in July 2017, when outturn is finalised, how to apply any potential further savings. However it is recommended that any underspend identified on outturn be transferred firstly to the Budget Deficit (Support) Reserve and secondly to support general balances, bearing in mind the need to keep the level of reserves robust and the uncertainty surrounding future budget funding gaps, as outlined in the Council's Medium Term Financial Strategy report dated 11th October 2016 .

11. Consultation

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

Report author	Contact officer: Sarah Didcote sarah.didcote@cheltenham.gov.uk, 01242 264121
Appendices	<ol style="list-style-type: none">1. Risk Assessment2. Capital Budget Monitoring to 31st December 20163. Developer Contributions and Expenditure at 31st December 20164. Programme Maintenance Budget Monitoring to 31st December 20165. Council Tax and NNDR collection to 31st December 20166. Aged Debt Report as at 31st December 20167. Budget Virements for approval – 2016/17 budget
Background information	<ol style="list-style-type: none">1. Section 25 Report – Council 12th February 20162. Final Budget Proposals for 2016/17 – Council 12th February 20163. Medium Term Financial Strategy – 11TH October 2016

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.	If we are unable to take corrective action in respect of reduced income streams then there is a risk that Council will not be able to deliver its budget	Cabinet	June 2010	3	3	9	Reduce	In preparing the budget for 2016/17, SLT to consider the options for offsetting reduced income streams by analysing and reducing the level of expenditure across the Council.	December 2016	SLT	Corporate Risk Register
2.	If the Budget Deficit (Support) Reserve is not suitably resourced insufficient reserves will be available to cover anticipated future deficits resulting in the use of General Balances which will consequently fall below the minimum required level as recommended by the Chief Finance Officer in the Council's Medium Term Financial Strategy.	Cabinet	October 2015	3	3	9	Reduce	In preparing the budget for 2016/17 and in ongoing budget monitoring, consideration will be given to the use of fortuitous windfalls and potential future under spends with a view of strengthening reserves whenever possible.	June 2016	Chief Finance Officer	Corporate Risk Register

Guidance

Types of risks could include the following:

- Potential reputation risks from the decision in terms of bad publicity, impact on the community or on partners;
- Financial risks associated with the decision;
- Political risks that the decision might not have cross-party support;
- Environmental risks associated with the decision;
- Potential adverse equality impacts from the decision;

- Capacity risks in terms of the ability of the organisation to ensure the effective delivery of the decision
- Legal risks arising from the decision

Remember to highlight risks which may impact on the strategy and actions which are being followed to deliver the objectives, so that members can identify the need to review objectives, options and decisions on a timely basis should these risks arise.

Risk ref

If the risk is already recorded, note either the corporate risk register or TEN reference

Risk Description

Please use “If xx happens then xx will be the consequence” (cause and effect). For example “If the council’s business continuity planning does not deliver effective responses to the predicted flu pandemic then council services will be significantly impacted.”

Risk owner

Please identify the lead officer who has identified the risk and will be responsible for it.

Risk score

Impact on a scale from 1 to 4 multiplied by likelihood on a scale from 1 to 6. Please see risk [scorecard](#) for more information on how to score a risk

Control

Either: Reduce / Accept / Transfer to 3rd party / Close

Action

There are usually things the council can do to reduce either the likelihood or impact of the risk. Controls may already be in place, such as budget monitoring or new controls or actions may also be needed.

Responsible officer

Please identify the lead officer who will be responsible for the action to control the risk.

For further guidance, please refer to the [risk management policy](#)

Transferred to risk register

Please ensure that the risk is transferred to a live risk register. This could be a team, divisional or corporate risk register depending on the nature of the risk and what level of objective it is impacting on.