

# Cheltenham Borough Council

## Cabinet – 7 November 2017

### Budget Monitoring Report 2017/18 – position as at September 2017

<b>Accountable member</b>	<b>Councillor Rowena Hay, Cabinet Member for Finance</b>
<b>Accountable officer</b>	<b>Paul Jones, Chief Finance Officer</b>
<b>Accountable scrutiny committee</b>	<b>All</b>
<b>Ward(s) affected</b>	<b>All</b>
<b>Key Decision</b>	<b>Yes</b>
<b>Executive summary</b>	To update Members on the Council's current financial position for 2017/18 based on the monitoring exercise at the end of September 2017. The report covers the Council's revenue, capital and treasury management position. The report identifies any known significant variations (minimum £50,000) to the 2017/18 original budget and areas with volatile income trends.
<b>Recommendations</b>	<b>Cabinet note the contents of this report including the key projected variances to the 2017/18 budget and the expected delivery of services within budget.</b>

<b>Financial implications</b>	As detailed throughout this report.  <b>Contact officer: Sarah Didcote <a href="mailto:sarah.didcote@cheltenham.gov.uk">sarah.didcote@cheltenham.gov.uk</a>, GO Shared Services Finance Manager 01242 264125</b>
<b>Legal implications</b>	<i>None specific directly arising from the recommendations.</i>  <b>Contact officer: Peter Lewis, <a href="mailto:Peter.Lewis@teWKesbury.gov.uk">Peter.Lewis@teWKesbury.gov.uk</a>, 01684 272695</b>
<b>HR implications (including learning and organisational development)</b>	<i>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.</i>  <b>Contact officer: Julie McCarthy , <a href="mailto:julie.mccarthy@cheltenham.gov.uk">julie.mccarthy@cheltenham.gov.uk</a>, 01242 264355</b>
<b>Key risks</b>	As outlined in Appendix 1.
<b>Corporate and community plan Implications</b>	Key elements of the budget are aimed at delivering the corporate objectives within the Corporate Business Plan.

<b>Environmental and climate change implications</b>	None.
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## 1. Background

- 1.1** This report provides the second monitoring position statement for the financial year 2017/18. The purpose of this report is to notify members of any known significant variations to budgets for 2017/18 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 2017/18 agreed by Council on 10<sup>th</sup> February 2017, 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.

<b>Significant budget variances</b>	<b>Overspend / (Underspend)£</b>	<b>para. ref:</b>
<b>Employee costs</b>		
Over achievement of employee related saving target	<b>(110,000)</b>	2.2
<b>Premises costs</b>		
Gas & Electricity – saving in utility costs	(20,000)	2.4
Business Rates payable – saving in expenditure	(80,000)	2.5
	<b>(100,000)</b>	
<b>Environment &amp; Regulatory Services</b>		
Off Street Car Parking – surplus on income	(100,000)	2.6
Cemetery & Crematorium - surplus on income	(50,000)	2.7
<b>Total Environment &amp; Regulatory Services</b>	<b>(150,000)</b>	
<b>Chief Executives Directorate</b>		
Waste & Recycling – additional expenditure	63,000	2.9
Recycling – shortfall in income	50,000	2.9

<b>Total Chief Executives Directorate</b>	<b>113,000</b>	
<b>Treasury</b>		
Interest – net surplus General Fund	<b>(22,000)</b>	3.1
<b>Total projected under spend for year</b>	<b>(209,000)</b>	

### **Savings from employee costs**

- 2.2** A target of £375.5k from employee related savings to be made throughout the Council during the year is embedded within individual service budgets, allocated in proportion to existing service salary budgets to improve accountability and budget monitoring within council services. An assessment of vacant posts (i.e. staff turnover) and restructures in the first six months of the year indicate that there will be a likely surplus of £110k against this target for the financial year.

### **Savings in Premises costs**

- 2.3** Across all services, electricity is underspent by £101k at 30<sup>th</sup> September. However the time lag on invoicing means that an estimated further £81k of invoices have not yet been received, bringing the underspend back to an estimated £20k for the first six months.
- 2.4** Gas appears underspent by £126k, but with an estimated accrual of £38k for invoices not yet received, the underspend is expected to reduce to an estimated £87k. However, as gas usage in the summer is significantly lower than the winter, this underspend is likely to reduce over the next 6 months, with gas costs being in line with budget at the year end.
- 2.5** There is an expected saving in net business rates payable by the council on council-owned properties of £80,000 for the year, including one off rebates of circa £52k for changes in rateable values backdated from prior years.

### **Off-street Car Parking Income**

- 2.6** The income position for off-street car parking to the end of September is overachieving by £91k, which equates to an average monthly increase of 5% above target. The target income for the first half of the year is lower than in the last 6 months, to take account of holiday periods; however it is anticipated that there will be a surplus of around £100k by the year end.

### **Cemetery & Crematorium Income**

- 2.7** There is a surplus of £10k in Cemetery & Crematorium income to September. This is expected to increase further over the second half of the year, with an expected surplus of £50,000 at the year end.

### **Ubico Limited – additional costs**

- 2.8** The continued use of older refuse vehicles which are becoming less efficient and incurring higher operating and maintenance costs has given rise to an additional contract charge from Ubico of approximately £120k for the half year to 30<sup>th</sup> September 2017. These additional costs will be mitigated by a finance lease payment due back to the council from Ubico for the same period, due to the delay in purchase of new vehicles. It should be noted that new vehicles have now come into operation from October 2017 so these additional costs will not continue in the second half of the year.

## **Waste & Recycling Income**

- 2.9** The cost of recycling waste wood previously met by Ubico was not factored into the budget and is expected to cost £63,000 in 2017/18. Income from cardboard recycling has been adversely affected by sharp fall in the value of this commodity from £97 to £67 a tonne leading to a projected loss of income of £50,000. Income from waste and recycling continues to be monitored on a regular basis in conjunction with the Joint Waste Committee.

## **3. Treasury Management**

- 3.1** Investment interest is likely to be around £22,000 in surplus against the expected budget of £385,700 for the financial year. The council invested £1m with the CCLA Property Fund (known as the Local Authorities Property Fund) in August 2017 with the aim to achieve a return circa 4%. The first dividend has indicated this is on target. For this financial year the council has held an average balance of £23.4m investments achieving an average rate of 0.50%.
- 3.2** No new borrowing has taken place this year and borrowing costs are expected to remain on target.

## **4. Capital**

- 4.1** A detailed exercise has been carried out to ensure that capital schemes, approved by Council on 10th February 2017, are being delivered as planned within allocated capital budgets. The monitoring position at 30th September is included as Appendix 2 to this report.

## **5. Programme maintenance expenditure**

- 5.1** A detailed exercise has been carried out to ensure that programme maintenance work, approved by Council on 10th February 2017, is being delivered as planned within the allocated budgets. The monitoring position at 30th September is included as Appendix 3 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.

## **6. Housing Revenue Account (HRA)**

- 6.1** Significant variations to HRA revenue and Capital budgets identified to 30th September 2017 are detailed as below:-

### **6.2 HRA Revenue:**

Expenditure on repairs and maintenance for the year is currently forecast at £3,802,000, a reduction of £157,000 in comparison to budget. This reduction is due to a number of factors including lower demand following mild weather and ongoing improvements in working practices and procurement.

### **6.3 HRA Capital (Existing Stock):**

The current forecast for capital expenditure on existing stock is £7,973,000, a reduction of £403,100 in comparison to budget (£8,376,100). Within that figure there have been the following significant project variations:-

- a) External Works (£210,000 reduction from original budget of £875,000)

Contract savings of £145,000 have been made on completed works and a further £65,000 of works has been postponed pending completion of a retendering exercise.

b) Disabled Facilities Grants (£100,000 reduction from original budget of £400,000)

Lower expenditure is forecast as a result of lower demand and external delays to the approval of applications.

#### **6.4 HRA Capital (New build/ Acquisition):**

Expenditure on new HRA build and acquisitions for the year is now forecast at £1,719,000, a reduction of £740,000 against the budget of £2,459,000. This reflects the postponement of the Cakebridge Palace project and delays to the redevelopment of two garage sites whilst rights of access issues are resolved.

### **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 4. This shows the position at the end of September 2017 and the projected outturn for 2017/18.

### **8. Sundry debt collection**

**8.1** The monitoring of the aged sundry debts and recovery is shown at Appendix 5.

### **9. Conclusion**

**9.1** This report summarises the results of a broad monitoring exercise at an early stage in the year which reports a position which may result in the identification of further projected net variances identified during the more detailed budget monitoring exercise referred to above.

**9.2** The next detailed budget monitoring report in January 2018 may result in the identification of further projected net variances. It will be for Cabinet and Council to decide in July 2018, when outturn is finalised, how to apply any potential savings. However it is recommended that any such underspend is 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 possible future budget funding gaps as outlined in the Council's Medium Term Financial Strategy.

**9.3** 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. Consultation**

**10.1** The work undertaken to produce this report has involved consultation with services and cost centre managers.

<b>Report author</b>	<b>Contact officer: Sarah Didcote sarah.didcote@cheltenham.gov.uk, 01242 264125</b>
<b>Appendices</b>	<ol style="list-style-type: none"> <li>1. Risk Assessment</li> <li>2. Capital Budget Monitoring to 30<sup>th</sup> September 2017</li> <li>3. Programme Maintenance Budget Monitoring to 30<sup>th</sup> September 2017</li> <li>4. Council Tax and NNDR collection to 30<sup>th</sup> September 2017</li> <li>5. Aged Debt Report as at 30<sup>th</sup> September 2017</li> </ol>
<b>Background information</b>	<ol style="list-style-type: none"> <li>1. Section 25 Report – Council 10<sup>th</sup> February 2017</li> <li>2. Final Budget Proposals for 2017/18 – Council 10<sup>th</sup> February 2017</li> </ol>

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 2018/19, SLT to consider the options for offsetting reduced income streams by analysing and reducing the level of expenditure across the Council.	February 2018	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 2018/19 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.	February 2018	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.