

**Cheltenham Borough Council**  
**Cabinet – 13 February 2018**  
**Budget Monitoring Report 2017/18 – position as at December 2017**

<b>Accountable member</b>	<b>Councillor Rowena Hay, Cabinet Member for Finance</b>
<b>Accountable officer</b>	<b>Paul Jones, Section 151 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 December 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>	<ol style="list-style-type: none"> <li><b>1. 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></li> <li><b>2. Cabinet recommend that Council approve the budget virements to the 2017/18 budget, as part of the revised budget 2017/18, as detailed in Appendix 6.</b></li> </ol>

<b>Financial implications</b>	<p>As detailed throughout this report.</p> <p><b>Contact officer: Sarah Didcote, <a href="mailto:sarah.didcote@cheltenham.gov.uk">sarah.didcote@cheltenham.gov.uk</a> , 01242 264125</b></p>
<b>Legal implications</b>	<p>None specific directly arising from the recommendations.</p> <p><b>Contact officer: Peter Lewis, <a href="mailto:Peter.Lewis@teWKesbury.gov.uk">Peter.Lewis@teWKesbury.gov.uk</a>, 01684 272695</b></p>
<b>HR implications (including learning and organisational development)</b>	<p>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.</p> <p><b>Contact officer: Julie McCarthy (Publica Group Ltd) <a href="mailto:julie.mccarthy@cheltenham.gov.uk">julie.mccarthy@cheltenham.gov.uk</a>, 01242 264355</b></p>
<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.

## 1. Background

- 1.1** This report provides the third 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 below.

<b>Significant budget variances</b>	<b>Overspend / (Underspend)£</b>	<b>para. ref:</b>
<b>Chief Executives</b>		
Recycling – additional expenditure	63,000	2.3
Recycling – shortfall in income	50,000	2.4
Green Waste – additional income	(30,000)	2.4
Leisure & Culture – deferral of savings in management fee	150,500	2.7
<b>Environment &amp; Regulatory Services</b>		
Car Parking – Surplus income	(100,000)	2.8
<b>Other</b>		
Savings from employee costs	(50,000)	2.2
Business Rates payable – saving in expenditure	(109,350)	2.9
Various – net additional costs	44,150	Appendix 6
<b>Treasury Management</b>	(18,300)	3.1
<b>Net forecast position</b>	-	

### **Saving from Employee costs**

- 2.2** The 2017/18 base budget includes a target of £375.5k 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 exceeded by £50k for the financial year. This will continue to be monitored in the remaining period of the financial year.

### **Waste and Recycling Income**

- 2.3** Additional recycling expenditure in respect of recycling waste wood is expected to cost £63k in 2017/18. The budget for this element of the service has been built in to the 2018/19 budget.
- 2.4** Income from cardboard recycling has been adversely affected by a sharp fall in the value of this commodity from £97 to £67 per tonne leading to a projected loss of income of £50k. This shortfall is partially offset by an expected surplus in green waste income for the year of £30k as a result of increased volume of activity.
- 2.5** Income from waste and recycling continues to be monitored on a regular basis in conjunction with the Joint Waste Committee.

### **Ubico – Additional costs**

- 2.6** As reported in the last budget monitoring report, the use of older refuse vehicles in the first half of the year incurred high operating and maintenance costs and gave rise to an additional contract charge from Ubico of approximately £120k for the period 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. It should be noted that new vehicles came into operation from October 2017 so these additional costs will not continue in the second half of the year.

### **Leisure & Culture**

- 2.7** The Cheltenham Trust was established in October 2014 and the original business case projected savings over the first 5 years of the contract totalling £835k. Whilst the Trust has delivered substantial savings totalling £642k in the first 3 years of trading, the current financial climate, with the reliance on income growth, has resulted in a request for a deferral of the savings target of £150.5k in 2017/18.

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

- 2.8** There is a likely net surplus of £100k 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 equates to an average monthly increase of 5% above target.

### **Business Rates payable**

- 2.9** There is an expected saving in net business rates payable by the council on council-owned properties of £109k for the year, including one off rebates of circa £70k for changes in rateable values backdated from prior years.

## **3. Treasury Management**

- 3.1** Investment income is likely to show a surplus of £34,900 against the 2017/18 budget of £407,700. The council has taken out investments of £3m with the CCLA Property Fund (known as the Local Authorities Property Fund), with the aim to achieve a return circa 4%, net of fees. The first and second dividends paid out has indicated this is on target. Due to the higher return of investments the HRA will benefit by a £16,600, with a predicted General Fund treasury surplus of £18,300 for this financial year.

## **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 31st December 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 31st December 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)**

Significant variations to HRA revenue and capital budgets identified to 31st December 2017 are detailed below.

### **HRA Revenue:**

- 6.1** Expenditure on repairs and maintenance for the year is currently forecast at £3,684,000, a reduction of £274,800 in comparison to the original budget. This reduction is due to a number of factors including lower demand following mild weather and ongoing improvements in working practices and procurement.
- 6.2** The provision for bad debts has been reduced by £35,000 to £200,000 which reflects robust control of rent arrears despite the continuing rollout of Universal Credit.
- 6.3** The HRA depreciation charges have been recalculated in accordance with approved accounting practice. Although this reduces the forecast charge by £1,030,700 there is no overall impact on the HRA resources (further detail is provided in the HRA 2018/19 budget report on this agenda).

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

- 6.4** The current forecast for capital expenditure on existing stock is £8,311,100, a reduction of £65,000 in comparison to the budget of £8,376,100 (as adjusted following 2016/17 outturn).
- 6.5** Within that figure there have been the following significant project variations:-
- External Works - reduction of £156,000 from budget of £875,000. Contract savings made on completed works on the Moors Estate.
  - Paths, Fences & Walls – reduction of £119,000 on budget of £270,000. Fewer priority schemes identified.
  - Disabled Facilities Grants - reduction of £100,000 from original budget of £400,000. Lower expenditure is forecast as a result of lower demand and external delays to the approval of

applications.

- These savings have been utilised to fund the acceleration of other projects which in turn will shorten delivery times and potentially generate further savings:-
- Windows & Doors – additional spend of £278,000 over original budget of £3,200,000.
- New heating installations – additional spend of £93,000 over budget of £758,000.

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

- 6.6** Expenditure on new HRA build and acquisitions for the year is now forecast at £1,769,600, a reduction of £689,800 against the budget of £2,459,400. This reflects the postponement of the Cakebridge Place 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 December 2017 and the projected outturn for 2017/18.

## **8. Sundry debt collection**

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

## **9. Conclusion**

- 9.1** The net effect of the variances reported above is that the general fund outturn is expected to be delivered within budget, based on the position at the end of December 2017.
- 9.2** 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.
- 9.3** 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 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 17th December 2017 .

## **10. Consultation**

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

<b>Report author</b>	<b>Contact officer: Sarah Didcote</b> <b>sarah.didcote@cheltenham.gov.uk, 01242 264121</b>
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<b>Appendices</b>	<ol style="list-style-type: none"> <li>1. Risk Assessment</li> <li>2. Capital Budget Monitoring to 31<sup>st</sup> December 2017</li> <li>3. Programme Maintenance Budget Monitoring to 31<sup>st</sup> December 2017</li> <li>4. Council Tax and NNDR collection to 31<sup>st</sup> December 2017</li> <li>5. Aged Debt Report as at 31<sup>st</sup> December 2017</li> <li>6. Budget Virements for approval – 2017/18 budget</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> <li>3. Medium Term Financial Strategy – 17<sup>th</sup> December 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 2017/18, SLT to consider the options for offsetting reduced income streams by analysing and reducing the level of expenditure across the Council.	February 2017	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	4	3	12	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.