

Cheltenham Borough Council

Cabinet – 6 November 2018

Budget Monitoring Report 2018/19 – position as at September 2018

Accountable member	Councillor Rowena Hay, Cabinet Member for Finance
Accountable officer	Paul Jones, Executive Director Finance & Assets
Accountable scrutiny committee	All
Ward(s) affected	All
Key Decision	Yes
Executive summary	To update Members on the Council's current financial position for 2018/19 based on the monitoring exercise at the end of September 2018. The report covers the Council's revenue, capital and treasury management position. The report identifies any known significant variations (minimum £50,000) to the 2018/19 original budget and areas with volatile income trends.
Recommendations	Cabinet note the contents of this report including the key projected variances to the 2018/19 budget and the expected delivery of services within budget.

Financial implications	As detailed throughout this report. Contact officer: Sarah Didcote sarah.didcote@publicagroup.uk, Publica Finance Manager 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)	<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> Contact officer: Julie McCarthy , julie.mccarthy@publicagroup.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.
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1. Background

- 1.1** This report provides the second monitoring position statement for the financial year 2018/19. The purpose of this report is to notify members of any known significant variations to budgets for 2018/19 and highlight any key issues, allowing Members to take action if required.
- 1.2** Publica Financial 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 2018/19 agreed by Council on 12th February 2018, 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:
Employee costs		
Over achievement of employee related saving target	(85,000)	2.2
Place & Growth Directorate		
Cemetery & Crematorium - shortfall in income	420,000	2.4
Ubico Limited – additional costs (estimate)	300,000	2.5
Recyclate waste wood disposal – additional costs	50,000	2.6
Waste & Recycling – additional income	(115,000)	2.7
Green Waste – additional income	(50,000)	2.8
Total Place & Growth Directorate	605,000	
Property investment— net additional income	(199,000)	3.1
Total projected over spend for year	321,000	

Savings from employee costs

- 2.2** A target of £372.8k 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 £85k against this target for the financial year.

Off-street Car Parking Income

- 2.3** The council currently shows a shortfall of £40k in Car Parking income to the end of September 2018. However this is expected to be recovered, with the new Regent Arcade system in place, a higher peak season in the next quarter of the year and greater interest in the Town Centre due to the opening of John Lewis & Partners, Urban Outfitters and the reopening of Next. Therefore it is believed that we are on track to deliver to budget for 2018/19.

2.4 Cemetery & Crematorium Income

Following the phased closure of the Crematorium in October, there will be a deficit of £420k for the service for 2018/19. This is due to no cremations taking place between the middle of October 2018 and the start of March 2019. This reduction takes into account any costs that would be saved from the closure and any other / new income streams that may come in place of the cremations, i.e. chapel services, scattering of ashes, etc. Part of this £420k (£63k) has been caused by the reduced services performed so far this year against the expected budgeted services due to the continued issues with the cremators.

Ubico Limited – additional costs

- 2.5** The Ubico estimate of the outturn position for 2018/19, based on the period to 30th September 2018, shows a forecast overspend of circa £300k against the current budget. However, further detailed work is currently being undertaken by Ubico to verify this figure and it is anticipated that this position will improve during the year. Further details will be provided in the budget monitoring report as at December 2018. Any overspend at the year end will be partially offset by additional waste and recycling income, as below.

Waste & Recycling Income

- 2.6** The cost of recycling waste wood is expected to cost an additional £50,000 in 2018/19. This may be reduced in 2019/20 as a result of a current retendering exercise. Income from waste and recycling continues to be monitored on a regular basis in conjunction with the Joint Waste Committee.
- 2.7** Recycling credits from Gloucestershire County Council are expected to deliver a net surplus of £115k for the year as a result of increased kerbside recycling tonnages.

2.8 Green Waste Income

There is an expected surplus in green waste income for the year of £50k as a result of increased volume of subscription take up during the year.

3. Treasury Management and Investment properties

- 3.1** There is an expected net surplus for the year of £199k, generated from new rental income streams

of £960k arising from the purchase of 4 commercial properties during the year, net of one off costs of £144.7k and short term and long borrowing costs of £616.4k.

4. Capital

- 4.1** A detailed exercise has been carried out to ensure that capital schemes, approved by Council on 12th February 2018, are being delivered as planned within allocated capital budgets, some of which are timetabled to straddle two or more financial years. The following variances to capital budgets are expected upon completion of the scheme:

4.2 Leisure centre – Sports & Play Hub

The capital scheme for the provision of a new sports & play hub, including a new splashpad and changing rooms at Leisure@ has been completed within the build timescales. There is an underspend of £30k against the total scheme budget of £2.5 million which reduces the funding requirement for the scheme.

4.3 High Street Public Realm

There is currently a projected £65k overspend against the scheme budget of £989k, as a result of delays to the completion of the works, due to hoardings and design issues. This is under review and may be mitigated by discussions with various parties, up to a value of £45k.

There are also on-going discussions in respect of utilities and there is a risk of additional, unforeseen utility costs that may need to be incurred. An update on these discussions and any mitigation will be provided in the next budget monitoring report in December 2018.

5. Programme maintenance expenditure

- 5.1** A detailed exercise has been carried out to ensure that programme maintenance work, approved by Council on 12th February 2018, is being delivered as planned within the allocated budgets. Some programme maintenance expenditure is not expected to be utilised in the current year and will be transferred back into the Property Maintenance reserve. However, there is a requirement for additional budget to meet higher than expected reactive repairs in the year, which will be funded from this reserve. Further details will be reported in the next budget monitoring report. Any slippages in schemes or underspend against budget at the end of the year will be transferred to the Programme Maintenance reserve 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 2018 are detailed as below:-

6.2 HRA Revenue:

There are no significant variations to report.

6.3 HRA Capital (Existing Stock):

The current forecast for capital expenditure on existing stock is £7,666,000, a reduction of £396,000 in comparison to budget (£8,062,000). Within that figure there have been the following

significant project variations:-

a) External Works (£143,000 reduction from budget of £543,000).

There will be a delay in the delivery of this contract following the need to re-tender due to insufficient response to the original tender. It is expected that the work will commence later this financial year, resulting in the works being undertaken over two financial years, with a forecast spend of £400k in 2018/19 and £143k in 2019/20.

b) Windows & Doors (£121,000 reduction from budget of £2,425,000)

Fire door replacement has been put on hold pending a potential Government announcement on changes to specification following the Grenfell fire. It is expected that the work will commence later this financial year, with a forecast spend of £2,304k in 2018/19 and £121k in 2019/20.

c) Door Entry Systems (£95,000 reduction from budget of £130,000)

Need to retender will delay expenditure in the current year. It is expected that the work will commence later this financial year, with a forecast spend of £35k in 2018/19 and £95k in 2019/20.

HRA Capital (New build/ Acquisition):

- 6.4** Expenditure on new HRA build and acquisitions for the year is now forecast at £2,789,000, a reduction of £711,000 against the budget of £3,500,000.
- 6.5** This primarily results from a revised spend on acquisitions in the current year (now £1,325,000 against budget of £2,000,000). The acquisition of suitable properties that demonstrate financial viability is part of an overall strategy which, together with new build development, seeks to increase the number of affordable units to meet demand. It also ensures that the Council is able to use Right to Buy receipts before the three year deadline, after which they have to be repaid to Government with interest.
- 6.6** Good progress on development sites in both 2017/18 and the current year has reduced the pressure to identify potential acquisitions this year. It is proposed that any unspent budget will be rolled forward as required into 2019/20.

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 September 2018 and the projected outturn for 2018/19.

8. Sundry debt collection

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

9. Use of Reserves

- 9.1** A review of usable reserves held by the council is to be undertaken in the next quarter. It is likely that some reserves may be used to offset the projected overspend reported above, subject to the final outturn position, to be reported in July 2019.

10. Conclusion

- 10.1** This report summarises the results of a broad monitoring exercise at an early stage in the year. This projected position is highly likely to improve through the identification of further projected net savings in the second half of the year. It is therefore envisaged that the outturn for the year will show a significantly improved position than reported in paragraph 2.1 above.
- 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 2019, when outturn is finalised, how to apply any potential savings. However it is recommended that any 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.

11. Consultation

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

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Appendices	<ol style="list-style-type: none">1. Risk Assessment2. Council Tax and NNDR collection to 30th September 20183. Aged Debt Report as at 30th September 2018
Background information	<ol style="list-style-type: none">1. Section 25 Report – Council 12th February 20182. Final Budget Proposals for 2018/19 – Council 12th February 2018

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 2019/20, SLT to consider the options for offsetting reduced income streams by analysing and reducing the level of expenditure across the Council.	February 2019	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 2019/20 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 2019	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.