

**Cheltenham Borough Council
Cabinet – 5 November 2019**

Budget Monitoring Report 2019/20 – position as at September 2019

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 2019/20 based on the monitoring exercise at the end of September 2019. The report covers the Council's revenue, capital and treasury management position. The report identifies any known significant variations (minimum £50,000) to the 2019/20 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: Andrew Knott Andrew.knott@publicagroup.uk, Publica Chief Accountant 01242 264121
Legal implications	None specific directly arising from the recommendations. Contact officer: Sarah Farooqi, Sarah.Farooqi@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@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 2019/20. The purpose of this report is to notify members of any known significant variations to budgets for 2019/20 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 2019/20 agreed by Council on 18th February 2019, 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 3.1 to 3.5.

Significant budget variances	Overspend / (Underspend)£	para. ref:
Ubico	(£265,000)	3.1
Waste and Recycling	£305,000	3.2
Salary Variance	(£33,000)	3.3
Car Parking	(£60,000)	3.4
Planning	£60,000	3.5
Total	7,000	

3. Ubico Limited

- 3.1 Ubico Limited estimate an outturn position of £265k underspend against current budget for 2019/20 based on the period to the 30th September 2019.
- 3.1.1 Grounds maintenance is anticipating an underspend of £50k, due to lower than budgeted staffing costs.
- 3.1.2 Delays in procurement/purchase of vehicles operated by Ubico has resulted in a lower asset charge than budgeted to Ubico from CBC. Due to the significant value of the vehicles scheduled for replacement in 2019/20 that have been delayed, an underspend of £215k will occur during 2019/20. This is simply down to timing of the vehicle purchases and will not

continue into 2020/21.

Waste and Recycling

- 3.2** Waste and Recycling is anticipating an overspend of £305k.
- 3.2.1** A savings target of £200k was included within the waste and recycling services budget to be achieved in 2019/20 through service redesign, efficiencies and investment in new vehicles. This is a joint target between CBC and Ubico, progress has been made to identify potential savings and great deal of work has been undertaken. Some efficiencies/service delivery changes have been made during the first two quarters of 2019/20. However any saving generated by these changes has been offset by an additional refuse round that was introduced in June 2019.
- 3.2.2** Recycling Credits income which is received from Gloucestershire County Council is anticipated to have a shortfall of £60k. This is due to the lower than budgeted tonnages of recycling material being collected (particularly glass which weighs the heaviest) via the kerbside recycling collection service.
- 3.2.3** Recycling wood disposal costs are anticipated to be overspent by £50k. This is due to a higher than budgeted volume of wood disposals and delays in procurement of a new wood disposal contract which has now been awarded to a contractor.
- 3.2.4** Income from garden and bulky waste collections is higher than budgeted due to more customers than budgeted for taking up the service. This is resulting in a higher than budget surplus of by £45k. However this is being offset by lower than budget income from the trade waste service, a shortfall of £40k against budget.

Salary Variances

- 3.3** A target of £186.4k 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) in the first six months of the year indicate that there will be a likely surplus of £33k against this target for the financial year.

Car Parking

- 3.4** It is estimated that we will have an additional £60k from Car parking within this financial year.
- 3.4.1** This is split by an additional £120k in car parking income due to greater demand across all car parks.
- 3.4.2** However we have also increased our resource within the car parking team due to staff shortfalls and incurred additional pay by phone and card charges due to the way that the car parks are now operating.

Planning

- 3.5** It is currently estimated that planning income will be reduced by £60k income this financial year against an income target of £668k. This is due to a reduction in application numbers but also a reduction in the larger scale application.
- 3.5.1** It is expected that there may be a couple of larger applications in the 2nd half of the year which may reduce this deficit however this is currently unknown.
- 3.5.2** A review of resources is also taking place as the team are currently running with vacancies

which may be able to be sustained if the application numbers remain low.

4. Treasury Management

- 4.1 Borrowing Costs are in line with the revised budget. This includes both short term (temporary borrowing), long term and brokerage costs.
- 4.2 Investments as of 30th September are forecast to come in on budget based on performance so far. Average weighted investments for the first half of the year are £22.021m achieving a rate of return of 2.34%.

5. Capital

- 5.1 A detailed exercise has been carried out to ensure that capital schemes, approved by Council on 18th February 2019, 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:
- 5.2 Following the purchase of land for the Cyber Hub, the Council has now spent £39.6m of the £44m capital budget for this programme.
- 5.3 The Council has also invested £1.1m in new Vehicles & recycling equipment so far this year against a budget of £2.8m. It is expected that the remainder of this budget will be spent by the end of the Financial Year
- 5.4 There are no significant variance against any current capital programmes or projects.

6. Programme maintenance expenditure

- 6.1 A detailed exercise has been carried out to ensure that programme maintenance work, approved by Council on 18th February 2019, 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.

7. Housing Revenue Account (HRA)

- 7.1 Significant variations to HRA revenue and Capital budgets identified to 30th September 2019 are detailed as below:-

HRA Revenue:

- 7.2 The HRA Revenue Account has the following significant variances (over £50,000):-

		£'000
Dwelling Rents	Reduced Right to Buy sales and impact of increased number of acquisitions	80
Bad Debt Provision	Reduced forecast based on current position. Arrears held constant despite growing number of tenants receiving Universal Credit.	80

Interest Payable	Loan interest payable on HRA share of land acquisition in West Cheltenham.	(55)
Other		(33)
Additional surplus (net)		72

HRA Capital (Existing Stock):

7.3 The current forecast for capital expenditure on existing stock is £9,395,000, a reduction of £188,000 in comparison to budget (£9,583,000). Within that figure there have been the following significant project variations: -

- a) External Works (£859,000 forecast compared to budget of £629,000). Roofing works are progressing well. Works scheduled for 2020/21 will be brought forward to offset underspend in the overall capital budget.
- b) Internal Works (£518,000 forecast compared to budget of £827,000). The shower installation programme will not start until later this year due to delays in staff recruitment.
- c) Asbestos (£320,000 forecast compared to budget of £190,000). Additional asbestos has been identified following works to roofing, non-traditional homes, lighting and paths works.
- d) Paths (£147,000 forecast compared to budget of £247,000). All urgent paths works have been scheduled. No further works have been identified at this stage.

HRA Capital (New Build/Acquisitions)

7.4 Expenditure on new HRA build and acquisitions for the year is now forecast at £8,700,000, an increase of £1,069,000 against the original budget of £7,631,000. There is a revised budget of £8,700,00 which was approved by Full Council on 14th October 2019.

7.5 This primarily results from a contingency for potential land acquisitions for future new build.

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 2. This shows the position at the end of September 2019 and the projected outturn for 2019/20.

9. Sundry debt collection

9.1 The monitoring of the aged sundry debts and recovery is shown at Appendix 3. This shows the position at the end of September 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 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 an 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 2020, 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 Assessment 2. Council Tax and NNDR collection to 30th September 2019 3. Aged Debt Report as at 30th September 2019
Background information	<ol style="list-style-type: none"> 1. Section 25 Report – Council 18th February 2019 2. Final Budget Proposals for 2019/20 – Council 18th February 2019

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 2020/21, SLT to consider the options for offsetting reduced income streams by analysing and reducing the level of expenditure across the Council.	February 2020	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 2020/21 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 2020	Chief Finance Officer	Corporate Risk Register