

Cheltenham Borough Council

Cabinet – 15th October 2013

Budget Monitoring Report 2013/14 – position as at August 2013

Accountable member	Councillor John Rawson, Cabinet Member for Finance
Accountable officer	Paul Jones, Head of Financial Services
Accountable scrutiny committee	All
Ward(s) affected	All
Key Decision	Yes
Executive summary	To update Members on the Council's current financial position for 2013/14 based on the monitoring exercise at the end of August 2013. The report covers the Council's revenue, capital, treasury management and the housing revenue account. The report identifies any known significant variations (minimum £50,000) to the 2013/14 original budget and areas with volatile income trends.
Recommendations	<ol style="list-style-type: none">1. Note the contents of this report including the key projected variances to the original 2013/14 budget, and the projected total budget saving of £133,000.2. If, following the more detailed monitoring process currently being undertaken as part of the budget setting process for 2014/15, a potential overspend is identified, take corrective action to ensure that the Council delivers services within the overall net budget for the year.

Financial implications	As detailed throughout this report. Contact officer: Sarah Didcote, sarah.didcote@cheltenham.gov.uk, 01242 775154
Legal implications	None directly arising from the recommendations. The current legal position regarding Icelandic Banks is referred to in the report. Contact officer: Peter Lewis, Peter.Lewis@teWKesbury.gov.uk, 01684 272695

HR implications (including learning and organisational development)	<p>Service Managers and the HR Business Partners are continuing to monitor vacancies and recruitment. A request to recruit to a new or vacant post must be approved by the divisional Director, and all recruitment is 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. Capacity to deliver key projects is also being monitored, and regular updates are provided to the Senior Leadership Team.</p> <p>Contact officer: Julie McCarthy , julie.mccarthy @cheltenham.gov.uk, 01242 264355</p>
Key risks	<p>As outlined in Appendix 1.</p>
Corporate and community plan Implications	<p>Key elements of the budget are aimed at delivering the corporate objectives within the Corporate Business Plan.</p>
Environmental and climate change implications	<p>None.</p>

1. Background

- 1.1 This report provides the second monitoring position statement for the financial year 2013/14. The purpose of this report is to notify members of any known significant variations to budgets for 2013/14 and highlight any key issues, allowing Members to take action if required.
- 1.2 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 2013/14 agreed by Council on the 8th February 2013, 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 3.3. A more detailed exercise will be undertaken and reported in the next budget monitoring report in November 2013.

Significant budget variances	Overspend / (Underspend) £	para. ref:
Employee costs		
Shortfall in salary savings target	-	2.2
Built Environment		
Off Street car parking and fines– shortfall of income	20,000	2.3
Off Street car parking – shortfall against savings target	63,000	2.4
Development control – surplus on income budget	(52,000)	2.5
Commissioning		
Bring Sites – shortfall in income	27,000	2.6
Recycling Collection Schemes – shortfall in income	26,000	2.7
Leasing costs	(200,000)	2.8
Treasury		
Interest – net surplus General Fund	(17,000)	3.3
Total projected underspend for year	(133,000)	

Savings from employee costs

- 2.2 The 2013/14 original budget includes a target of £450,000 from salary savings to be made throughout the council from vacant posts arising during the year. An initial assessment of vacant posts (i.e. staff turnover) and restructures in the first five months of the year indicates that this target is likely to be achieved for the financial year.

Off-street Car Parking Income

- 2.3** The income position for off-street car parking to the end of August is falling short of target by around £18k, which equates to around 1.03% of the target. However, a compensating surplus in fine income is also being generated, with income being around £8k up against target. Should these trends continue as currently anticipated, car parking income is likely to be £38,000 short of target, and fine income up by around £18,000. This will leave a total forecasted shortfall against income targets of around £20,000. Future budget monitoring reports will provide updated positions with a greater degree of accuracy.
- 2.4** Following the return of the on-street car parking function to Gloucestershire County Council on 1st April 2013, it was anticipated the retained car parking function would deliver £150k of savings against its expenditure budgets. Work towards this target has been ongoing to date, resulting in a new staffing structure and significant contract reviews. However, the service has been unable to deliver full year savings in the current year due to transitional arrangements following the termination of the on-street car parking contract and the subsequent staff changes. The full saving is anticipated to be delivered in 2014/15, whilst there is currently forecast to be a shortfall of around £63k in 2013/14.

Development Control fees

- 2.5** The income position for Development Control (including pre-application advice) is currently exceeding target by around £26k. Should this trend continue to the end of the financial year, a surplus of around £52k is anticipated.

Commissioning

2.6 Bring Sites

Income is slightly under target due to the price of recyclates reducing – this is estimated at £27,000 for the year. A review of the Council's Bring Sites scheme is currently being undertaken to ensure that the sites are working effectively and that the bins provided are meeting the local needs.

2.7 Recycling Collection Schemes

Income levels are lower than anticipated due to the fluctuations in the price of recyclates – this is estimated at £26,000 for the year.

2.8 Leasing costs

The decision to fund the replacement of vehicles and recycling bins through prudential borrowing has resulted in a one-off saving of £200k in leasing costs. This is due to the accounting entries surrounding the financing of assets from prudential borrowing in so much that they equate to the depreciation charge levied on that asset. The depreciation policy for CBC is that newly acquired assets are depreciated from the year following that in which they are acquired. Consequently the financing costs via Minimum Revenue Provision (MRP) are also deferred by one year which results in a one-off saving.

3. Treasury Management

3.1 Icelandic Banks

Members will be aware that the Council has outstanding loans with the Icelandic owned banks Glitnir, Landsbanki and Kaupthing, Singer & Freidlander (KSF). Since the decision was made by the Icelandic Supreme Court that Local Authority wholesale depositors are considered preferential

creditors, both the Landsbanki and Glitnir Winding up Boards have made repayments to the Council, with further amounts expected in the future.

- 3.2** KSF administrators have returned 79p in the pound so far with further distributions to be made. It is estimated that between 84p/86.5p in the pound will be recovered in total. Glitnir returned 82p in the pound with the remaining 18% being held in an escrow account in Iceland. Landsbanki have returned approximately 55p in the pound with 2p in the pound being held in escrow in Iceland. It is expected to recover 100%, but repayable over a number of years.

3.3 Treasury Management Activity

There is a predicted surplus of interest of £17,000 to report on Treasury Management within the general fund for 2013/14. Lending interest is forecast to be around £17,000 better off compared to the original budget set due to holding higher cash balances on a daily basis. Even though investment rate returns are very low it has benefited the council to invest in longer periods (still within one year). Temporary borrowing interest is predicted to be around the original budget set in February 2013.

A Public Works Loan Board loan for £1.2m was taken out on 23rd May 2013, on behalf of Gloucestershire Airport for ten years at a rate of 1.80% for the airport runway safety project. This loan is cost neutral to the General Fund as the airport will be repaying the loan in line with the repayment schedule.

4. Capital expenditure

- 4.1** There are no significant variances to the 2013/14 original capital budgets at this time. A detailed exercise will be carried out in November 2013 to ensure that these schemes are being delivered as planned within the allocated capital budgets.

5. Programme maintenance expenditure

- 5.1** All the work that has been planned for completion in 2013/14 remains as scheduled. However, a detailed exercise will be undertaken to ensure that the priorities in place remain appropriate.

6. Housing Revenue Account (HRA)

- 6.1** The HRA budget for 2013/14, approved in February 2013, showed a deficit of £285,800 for the year which would result in a balance of £2,827,200 to be carried forward in revenue reserves at 31st March 2014.
- 6.2** Variations to the budget for the current year following completion of the final accounts for 2012/13 were reported to Cabinet in July:-
- The outturn position for 2012/13 showed an increased level of reserve at 31st March 2013 of £3,561,800 (previously estimated at £3,113,000).
 - Capital expenditure totalling £603,000, originally programmed for 2012/13, was delayed into 2013/14 increasing the budget for the current year to £6,365,000. Funding for that expenditure was carried forward in the revenue reserve and major repairs reserve.

6.3 Additional variations to the revenue budget that have been identified to date are as follows:-

- Rent income – a combination of higher than anticipated sales and higher number of tenancy terminations is forecast to reduce rent income by £100,000.
- The bad debt provision was increased to £320,000 in the 2013/14 budget as a contingency measure against the impacts of welfare reform. Although arrears are running at £40,000 higher than the previous year, delays in the introduction of universal credit and rent direct will reduce the risk of higher bad debt this year. As a result it is anticipated that a saving of £120,000 will be made.
- Repairs and maintenance expenditure is forecast to exceed budget by approximately £125,000 in response to a higher number of terminations and consequential void works.

6.4 Variations to the capital programme include:-

- As detailed above the revised budget for capital expenditure for the year is £6,365,000. Current forecast is a spend of £6,310,000. Within that figure two significant schemes, the replacement of warden call technology at sheltered schemes and improvement of non-traditional stock, will be delayed by ongoing appraisal work to ensure best value. To compensate additional neighbourhood and fire protection works have been brought forward from 2014/15. In addition it is expected that major void expenditure will exceed budget by £125,000 following a higher incidence of significant works required to restore properties to letting standard.

6.5 In summary the overall impact of the variations detailed above will be an additional net reduction in HRA revenue reserves of £50,000 at 31st March 2014.

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 August 2013 and the projected outturn for 2013/14.

8. Sundry debt collection

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

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 continued impact of the economic recession 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 a wide number of services and cost centre managers.

Report author	Contact officer: Paul Jones paul.jones@cheltenham.gov.uk, 01242 775154
Appendices	<ol style="list-style-type: none"> 1. Risk Assessment 2. Council Tax and NNDR collection
Background information	<ol style="list-style-type: none"> 1. Section 25 Report – Council 8th February 2013 2. Final Budget Proposals for 2013/14 – Council 8th February 2013

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 2014/15, SLT to consider the options for offsetting reduced income streams by analysing and reducing the level of expenditure across the Council.	December 2013	SLT	Corporate Risk Register
2.	If the requirement to fund projected overspend from General Balances result in General Balances falling below the minimum range of £1.5m to £2m set by the Chief Finance Officer then it would reduce the Councils reserves.	Cabinet	June 2010	3	3	9	Reduce	In preparing the budget for 2014/15, an exercise to realign earmarked reserves will be undertaken in order to strengthen the level of General Balances.	December 2013	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.