

REPORT TO	ON
Scrutiny Budget and Performance Panel Cabinet	9 September 11 September



TITLE	PORTFOLIO	REPORT OF
Budget Monitoring 2019/20 – Month 4 (July)	Finance, Property and Assets	Interim Section 151 Officer

Is this report a <b>KEY DECISION</b> (i.e. more than £100,000 or impacting on more than 2 Borough wards?)	Yes
Is this report on the <b>Statutory Cabinet Forward Plan</b> ?	Yes
Is the request outside the policy and budgetary framework and therefore subject to confirmation at full Council?	No
Is this report confidential?	No

## PURPOSE OF THE REPORT

1. This report provides an update on the Council's overall financial position as at the end of July 2019, which is month 4 of the financial year 2019-20. The report provides a forecast of the projected outturn to 31<sup>st</sup> March 2020 compared to the current approved budget and explains what the differences are and what impact they will have.

## PORTFOLIO RECOMMENDATIONS

2. Cabinet notes, reviews and comments on the contents of this report.
3. Cabinet approves a virement of the £150,000 turnover savings target budget to reflect staffing savings achieved in the first period up to the end of July.

## REASONS FOR THE DECISION

4. Robust financial monitoring, including scrutiny and challenging information, is a crucial aspect of running a successful and effective organisation.

## EXECUTIVE SUMMARY

5. The overall revenue outturn forecast for 2019/20 is a net budget saving of £681,000 which represents a variance of 4.7% of the total net budget requirement. At this early stage in the year, this is based on actuals to-date and broad assumptions in respect of spend and anticipated levels of income for the remainder of the financial year.
6. Certain income sources can be assessed with more certainty; for example with Garden Waste and Trade Waste charges the majority of the income is received early in the financial year. Other income is more volatile and therefore the forecasts are more likely to need revising as the year progresses.

7. In the staffing cost forecasts, assumptions have been made in relation to the timing of recruitment to posts which are currently vacant.
8. The forecast variance of a £681,000 surplus comprises the following main items:
  - Forecast savings in staffing costs £476,000, partly offset by £150,000 turnover target
  - Increase in income forecast including Garden Waste £135,000 and Investment interest £80,000
  - New income generated from vehicle maintenance contract £120,000; offset by additional staff costs £50,000; net increase in income £70,000
  - Increase in business rates compensatory grant funding (S31 grant) £280,000
  - Offset by: a net cost of £108,000 in relation to the waste contract
9. The Capital budgets have been updated to reflect both the approved slippage from 2018/19 and committee approval for schemes during the year to-date to reflect the current available budget. The current capital budgets have been reviewed to establish the forecast outturn expenditure and any re-phasing of schemes into future years. The total capital budget forecast for 2019/20 is £14,939,000, with £1,986,000 potential slippage identified at this stage in the year. Further details are provided in the body of the report and Appendix A (attached).

**CORPORATE PRIORITIES**

10. The report relates to the following corporate priorities: (tick all those applicable):

Excellence and Financial Sustainability	✓
Health and Wellbeing	
Place	

Projects relating to People in the Corporate Plan:

People	
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**BACKGROUND TO THE REPORT**

11. The 2019/20 budget and Medium term Financial Strategy (MTFS) 2019/20 to 2022/23 was approved by full Council on 27<sup>th</sup> February 2019.
12. The net cost of services revenue budget was £14,484,000. An increase of 1.99% in Council Tax was approved, with a budget income figure of £153,000. After applying other sources of funding as well, there was an overall surplus of £716,000 that was budgeted to be transferred back into the capital funding reserve to help fund the sizeable capital programme.
13. The capital programme totalled £41,383,000 over the next 4 financial years, with a total budget of £12,908,000 in 2019/20.

## PROPOSALS

### Revenue Summary

14. Table 1 summarises by directorate the revenue budget variations that are expected to impact on the outturn position at 31<sup>st</sup> March 2020. The overall forecast is a surplus, compared to the budget, of £681,000. If this surplus was transferred to reserves at the end of the year, which would be the default action if no further spending plans were approved, then the total contribution to reserves would increase from £550,000 to £1,231,000.

15. Table 2 lists the main variances within particular service areas that affect the forecast.

**Table 1: Revenue Budget Summary**

Directorate	Full Year Budget £'000	Forecast Variances £'000	Forecast Outturn £'000
Chief Executive	864	8	872
Neighbourhoods & Development	6,484	(157)	6,327
Planning and Property	488	(128)	360
Finance and Assurance	1,405	(29)	1,376
Legal, HR & Democratic Services	1,746	(75)	1,671
Customer Experience & Operations	2,098	(90)	2,008
Pension Deficit Contributions	414	0	414
Efficiency Target – Staff Turnover	(150)	150	0
<b>Net Cost of Services</b>	<b>13,349</b>	<b>(321)</b>	<b>13,028</b>
Interest payable / receivable	(89)	(80)	(169)
Parish Precepts	397	0	397
Provision for repayment of debt	835	0	835
<b>Funding Requirement</b>	<b>14,492</b>	<b>(401)</b>	<b>14,091</b>
<u>Funding:</u>			
New Homes Bonus – City Deal	(879)	0	(879)
New Homes Bonus – SRBC	(135)	0	(135)
Retained Business Rates	(3,950)	11	(3,939)
Business Rates Section 31 grant	(1,750)	(291)	(2,041)
Council Tax	(8,328)	0	(8,328)
Contribution to/(from) reserves	550	0	550
<b>Total Funding</b>	<b>(14,492)</b>	<b>(280)</b>	<b>14,772</b>
<b>Net (Surplus) Deficit</b>	<b>0</b>	<b>(681)</b>	<b>(681)</b>

**Table 2: Projected Revenue Outturn Variations at Period 4 (July) 2019/20**

<b>Detail</b>	<b>Budget pressure / (saving) £'000</b>	<b>Forecast Variances at period 4 £'000</b>
<b>Chief Executive</b>		
Staffing Variances	8	8
<b>Neighbourhoods &amp; Development</b>		
Staffing Variances	(110)	
Garden Waste income - exceeded budget	(135)	
Trade Waste income - reduction in take up on renewal	20	
Waste Contract – inflation and cost recovery adjustments	108	
Waste – Special Collections charges	13	(157)
Reduced income for permits at Worden Park due to repairs	6	
Moss Side depot – Vehicle maintenance contract net additional income	(70)	
Moss Side depot – metered water	11	
<b>Planning and Property</b>		
Staffing Variances	(145)	
Civic Centre rental/room hire income	(15)	(128)
Planning Pre-application fees reduction	32	
<b>Finance and Assurance</b>		
Staffing Variances	(29)	(29)
<b>Legal, HR &amp; Democratic Services</b>		
Staffing Variances	(110)	
Forecast reduction in Land Charges income	10	(75)
Forecast reduction in Licensing income	25	
<b>Customer Experience &amp; Operations</b>		
Staffing Variances	(90)	(90)
<b>Budgets not in directorates</b>		
Efficiency Targets – Staff Turnover Target achieved	150	150
<b>Net Cost of Services</b>	<b>(321)</b>	<b>(321)</b>
Interest on short-term investments	(80)	(80)
Additional Contribution to / (from) reserves compared to budget - Retained Business Rates and s31 grant funding	(280)	(280)
<b>TOTAL</b>	<b>(681)</b>	<b>(681)</b>

## Staffing Costs

16. The forecast savings in staffing costs is £476,000 and this is partly offset by the £150,000 turnover target, giving a net saving of £326,000. The main reasons for this forecast variance are as follows:
- Neighbourhoods and Development – The directorate budget for 2019/20 included a provision of £200,000 to fund additional staff resources and equipment to support the completion of all scheduled work undertaken by the grounds maintenance and cleansing teams. This included a full year allocation of £160,000 for staffing costs. Recruitment to the new posts has been carried out during the year and £65,000 is forecast to be spent. Therefore the part-year saving forecast is £95,000.
  - Planning and Property – The staffing-related savings forecast in the directorate are mainly due to vacancies. Most of the corporate apprenticeship posts, which sit in this directorate, are currently vacant but a recruitment process is underway and the posts are expected to be filled in September. In the planning team there are 3 vacancies due to a delay in implementing a restructure. 5 posts have now been filled via internal recruitment with another to be considered. The remaining vacancies will be then be recruited from the wider organisation or externally.
  - Finance & Assurance (F & A) and Legal, HR & Democratic Services (LHR & DS) – Delays in recruitment to the approved shared senior management posts have resulted in actual underspends, and larger forecasted underspends. These are offset by extra costs relating to temporary staffing arrangements and honoraria. The overall staffing forecasts are a net saving of £29,000 in F & A and a net cost of £39,000 in LHR & DS.
  - Legal, HR & Democratic Services only – In addition to the previous point, two senior management posts in the directorate have been vacant all year, with a current cumulative net forecast saving of £132,000. There are some minor variances totalling £17,000 that take the overall staffing forecast underspend to £110,000. (£132k plus £17k less £39k equals £110k.)
  - Customer Experience & Operations – The forecast savings relate to; Gateway £43,000 due to staff turnover and maternity leave, Revenues and Benefits £22,000 due to reduced hours of some staff and ICT £39,000 due to delays in filling vacancies.
17. In calculating the current budget forecasts, assumptions have been made in relation to the recruitment to vacant posts and the likely timing of new appointments. For example, there are uncertainties in relation to the shared services agenda and therefore it is difficult to forecast accurately at this stage in the year for the shared senior management posts.
18. A resource review is currently being undertaken by the Leadership team to identify resource gaps and recruitment needs. The forecasts will be updated once this exercise is complete.

## Other Cost variations

19. The net cost of £108,000 in relation to the waste contract is a result of increases in relation to pay inflation £147,000, offset by the recovery of replacement bin costs £39,000. These costs include backdated adjustments for previous years. The pay adjustments reflect the impact of the NJC pay awards on individual pay points, which for the FCC employees works out higher than the average pay increase previously applied. The waste contract includes an annual

provision for the cost of bin replacements. As the actual cost of bin replacements has been less than this provision, the overpayment has been recovered from FCC.

## Business Rates

20. The business rates budget forecasts for 2019/20 have been revised to reflect the latest position. Some elements of the business rates budget are fixed and therefore can be forecast with certainty; conversely other elements (such as Government s31 grant) are variable and can produce in-year variations. The purpose of the Business Rates Retention Reserve is to mitigate the impact of any in-year fluctuations.
21. The current forecast is a net increase in income of £280,000. A breakdown of this forecast against the approved budget is set out in the table below. All net business rates collected in respect of the Lancashire Enterprise Zone at Samlesbury is payable to the Lancashire Enterprise Partnership.

<b>Business Rates Retention Budget</b>	<b>Budget £'000</b>	<b>Forecast Outturn £'000</b>	<b>Forecast Variance £'000</b>
<b>Expenditure</b>			
Tariff paid to Pool	15,150	15,150	0
Payment re Enterprise Zone (19/20)	174	174	0
Payments to Lancs Wide Fund	286	244	(42)
Payment to Resilience Fund	57	49	(8)
<b>Income</b>			
Local share of business rates	(19,220)	(19,095)	125
Share of surplus/deficit	(185)	(185)	0
Designated Area – Enterprise Zone	(174)	(174)	0
Renewable energy rates income	(39)	(102)	(63)
<b>Sub-Total</b>	<b>(3,950)</b>	<b>(3,939)</b>	<b>11</b>
Government S31 Grants	(1,750)	(2,042)	(291)
<b>Total</b>	<b>(5,700)</b>	<b>(5,980)</b>	<b>(280)</b>

22. A recent approach to the Council for financial support from Lunar Caravans Ltd has resulted in an offer to be made with the new potential buyers of the business for temporary business rate relief for a 12 month period. There is a cost to the Council in awarding this relief but the purpose of this course of action is to protect jobs and the local economy. The specific details of the proposed relief are still to be agreed but the cost to the council in a full year will be up to £120,000. As this will cross financial years, there will be a part-year impact in both 2019/20 and 2020/21. This cost can be met from the Business Rates Retention earmarked reserve.

## Income from services

23. Table 3 shows the budgets and forecasts of the main types of income that are generated by services. (Note: this is different to general funding that isn't attributable to particular services such as non-specific government grants, council tax and business rates.)

**Table 3: Income from services**

Service Area	Last Year Income £'000	Budget £'000	Forecast £'000	Forecast (Surplus) / Deficit £'000
<b>Neighbourhoods &amp; Development</b>				
Car Parking charges and fines	(135)	(137)	(137)	-
Civic Centre banqueting suite income	(21)	(18)	(12)	6
Community Sports Coaching	(235)	(203)	(253)	(50)
Dog impounding, littering and dog fouling	(6)	(18)	(18)	-
Environmental Permits	(24)	(19)	(19)	-
Football pitches, fairs, etc.	(26)	(15)	(19)	(4)
Grounds Maintenance	(156)	(162)	(162)	-
Licensing - Piercings & Tattoos and Animals	(12)	(7)	(7)	-
Licensing - Street Traders	(28)	(25)	(25)	-
Pest Control	(44)	(39)	(39)	-
Property rental - Civic Centre	(71)	(50)	(71)	(21)
Property rental - Market	(139)	(142)	(142)	-
Property rental - Moss Side Depot	(13)	(43)	(44)	(1)
Property rental - Worden Craft Centre	(13)	(15)	(13)	2
Refuse Collection - Garden waste	(789)	(650)	(785)	(135)
Refuse Collection - New bins	(46)	(65)	(65)	-
Refuse Collection - Special collections	(41)	(40)	(27)	13
Refuse Collection - Trade Waste	(460)	(477)	(457)	20
Vehicle Maintenance contract	0	(13)	(136)	(123)
<b>Planning &amp; Property</b>				
Building Control	(221)	(191)	(191)	-
Planning application fees	(456)	(512)	(512)	-
Planning pre-application fees	(21)	(72)	(40)	32
Investment property rental	(1,076)	(1,095)	(1,096)	(1)
<b>Legal HR &amp; Democratic Services</b>				
Land Charges	(95)	(100)	(90)	10
Legal fees recovered	(13)	(15)	(15)	-
Licensing - Alcohol	(72)	(76)	(66)	10
Licensing - Gambling	(13)	(12)	(12)	-
Licensing - Taxis	(81)	(94)	(79)	15
<b>Customer Experience &amp; Operations</b>				
Court summons costs recovered	(213)	(228)	(228)	-
<b>Budgets Not In Directorates</b>				
Interest on investments	(303)	(220)	(300)	(80)
	<b>(4,823)</b>	<b>(4,753)</b>	<b>(5,060)</b>	<b>(307)</b>

24. The main income variations are as follows:

- Community Sports Coaching – the funding in respect of the bikeability scheme has been confirmed but was uncertain and therefore not included in the original budgets. This income is ring-fenced and will be spent on providing the service and therefore is not expected to impact on the final outturn position.
- Civic Centre rentals – the forecast has been updated to reflect the final agreements with DWP in respect of the lease and related service charges.
- Garden Waste Charges – the revised forecast reflects that the subscriptions in 2019/20 is consistent with the last financial year.
- Pre-Planning advice income – this was a new charge which has been introduced during 2018/19 but take-up is lower than originally forecast.

### Interest on Cash Investments

25. The forecast for Short-term investment income has been revised to £300,000 to reflect increased balances and in line with interest earned in 2018/19 which out-turned at £302,500. This is an increase in £80,000 in the current estimate of £80,000.

26. Return on investments and comparisons to the previous reporting period are set out below:

Year	Average Balance Periods 1 - 4	Average Rate Periods 1- 4	No. of days	Interest Earned
2018/19	£36,140,673	0.63%	102 / 365	£75,624
2019/20	£38,341,575	0.93%	102 / 365	£119,276

27. The average return achieved over the full year 2018/19 was 0.76% compares to 0.49% achieved in 2017/18 which reflected the gradual increase in interest rates. The Bank Rate was increased from 0.50% to 0.75% in August 2018. During 2018/19 it proved necessary to use the Debt Management Office's Debt Management Account Deposit Facility for short periods when balances with other counterparties had reached the maximum approved by Council. This results in lower returns and this was avoided later in the year by an increase in the maximum investment per UK bank or local authority from £5m to £6m in the council's approved Investment Strategy.

### Reserves

28. The total balance on reserves at the beginning of the financial year was £19.519m, which was £1.190m higher than the forecast in the budget report in February 2019. The main reasons for this were:

- Budget savings of £93,000 against the 2018/19 revised budget which increased the forecast general reserve balance from £4.587m to £4.680m at outturn
- Reduction in funding of capital projects from reserves due to the re-phasing of capital expenditure (£331,000)



- Slippage of expenditure committed at the end of 2018/19 but undertaken in 2019/20 (£189,000)
- Grants received and set aside to be used in future years (£386,000). This includes external funding for Central Lancs Local Plan and New Burdens grant.
- Business Rates surplus set aside in Earmarked reserve (£196,000)

29. Table 4 below shows the forecasted movements on the reserves for 2019-20.

**Table 4: Reserves Summary**

Reserve Name	Opening Balance £'000	Transfers In £'000	Transfers Out £'000	Capital Financing £'000	Closing Balance £'000
<b>Earmarked Reserves</b>					
My Neighbourhoods	(54)	-	-	-	(54)
Borough Council Elections	(114)	(40)	154	-	-
Housing Needs Survey	(83)	(20)	-	-	(103)
Local Development Framework	(255)	-	153	-	(102)
Performance Reward Grant	(46)	-	46	-	-
Organisation Restructure Costs	(27)	-	-	-	(27)
Borough Investment Account	(4,594)	-	44	4,550	-
Business Rates Retention	(2,751)	-	65	-	(2,686)
City Deal Reserve	(1,711)	(340)	208	-	(1,843)
Capital Funding Reserve	(3,073)	(716)	-	3,789	-
Repairs and Maintenance Fund	(500)	-	-	-	(500)
Transformation Fund	(500)	-	-	200	(300)
Apprenticeship Reserve	(267)	-	3	-	(264)
Other Earmarked Reserves	(864)	-	196	67	(601)
<b>Total</b>	<b>(14,839)</b>	<b>(1,116)</b>	<b>869</b>	<b>8,606</b>	<b>(6,480)</b>
General Reserve	(4,680)	(681)	-	-	(5,361)
<b>Total General Fund Reserves</b>	<b>(19,519)</b>	<b>(1,797)</b>	<b>869</b>	<b>8,606</b>	<b>(11,841)</b>

### Capital Programme

30. Appendix A lists all the capital schemes within the programme and the detail regarding budgets, spending and forecasts.

31. The 'Allocations' column in the appendix shows where budgets have been moved between lines, mainly to allocate funding from a generic lines to a specific project.

32. The 'Approval' column in the appendix shows where new budgets have been approved, for example via a waiver or a Cabinet report. The 'Green Links Capital Programme 2019/20', which was approved by Cabinet in June, accounts for the majority of these figures.
33. At this early stage of the year there are not many schemes where we can say with certainty that the spending will be different to the budget. Therefore most of the forecasts match the budgets to show nil variance. The schemes where we expect there to be underspends are:
- Other Parks and Open Spaces – Penwortham Holme Pavilion, Withy Grove Park and Withy Grove Toilets. These schemes were part of the programme in 2018/19 and were carried forward when the budget was revised as part of the 2019/20 budget process. In compiling the green links programme, it was decided that these schemes were not as high a priority as others and therefore they have been scheduled for future years rather than 2019/20.
  - Sports Pitch Hub – This scheme is still at the early stages of planning and scoping. Given its scale, the potential involvement of other parties such as neighbouring authorities or Lancashire FA, and the procurement timescales involved with such a large value, it is highly unlikely that any significant spend will occur in 2019/20.
  - Affordable Housing unallocated – This line relates to the Section 106 funding in reserves that has constraints requiring the money to be spent on Affordable Housing only. At the time of this report there are approved plans to use this funding on specific schemes.
  - Masterplanning & Regeneration unallocated – Similar to the point above, this line relates to a generic budget that is intended to be allocated to specific schemes once they are properly defined and approved. Currently there are no projects identified that this budget would be allocated against.
  - Private Sector Home Improvement Grants – Again, this line is similar to the two points above. The budget in the MTFs across 2019/20 to 2022/23 was set at a higher level with the intention to 'use up' the remaining balance of the capital receipts funding by developing further schemes. The scheme was already in the programme but the previous budgets were much lower. A more realistic figure has been set as the forecast because there are no plans for further schemes at this stage.
  - Green Links – We do not expect there to be an overall underspend. The 'unallocated' line needs to be allocated to the relevant schemes but it is not yet clear what the final distribution needs to be.
34. Other issues to be aware of are:
- IT Unallocated Funding – There is still a balance of £177,000 to be allocated to projects. The Digital Strategy identified multiple areas for investment in IT. A review of projects, their progress against project plan projections and costings against budget is being undertaken which will inform the forecast.
  - Investment Property – This line relates to the 'Borough Investment Reserve' which is £4,550,000 set aside should any suitable properties for investment be identified. No suitable schemes have been identified to date.
  - Empty Homes Grants – The council is in partnership with Methodist Action (North West) to bring long term empty properties in South Ribble back into use. The partnership was set up in 2016 and the council has committed £100,000 to the scheme. Grant funding of

c£60,000 has been provided to-date which has brought 5 empty properties back into use which Methodist Action have rented out to applicants from the council's housing options list. The partnership agreement requires the rental income from the properties funded from the grant to be ring-fenced to fund work to further properties in South Ribble. Unfortunately Methodist Action went into liquidation in August and the council has requested the repayment of the cumulative rental income held by Methodist Action which is in the region of £21,000.

## **CONSULTATION CARRIED OUT AND OUTCOME OF CONSULTATION**

35. Not applicable

## **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

36. Not applicable

## **FINANCIAL IMPLICATIONS**

37. The financial implications are contained within the report.

## **LEGAL IMPLICATIONS**

38. The report is primarily for information purposes. Overall it presents a positive picture. There are no concerns or issues to raise from a legal perspective.

## **AIR QUALITY IMPLICATIONS**

39. There are no air quality implications that are specific to this report.

## **HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT IMPLICATIONS**

40. There are no specific implications regarding this report. The main considerations are vacant posts, in particular within shared services senior management.

## **ICT / TECHNOLOGY IMPLICATIONS**

41. The revenue budget for IT has a forecasted underspend due to vacancies, as detailed in the Staffing Costs section above. The capital programme includes a total budget of £200,000 for IT projects. To date, £23,000 has been allocated to two schemes, leaving a balance of £177,000. There are also two other IT related schemes that have been funded from alternative sources.

## **PROPERTY AND ASSET MANAGEMENT IMPLICATIONS**

42. The main consideration relating to property and assets is the 'Investment Property' line in the capital programme reflects the intended use of the 'Borough Investment Reserve', which has a balance of £4,550,000.

## **RISK MANAGEMENT**

43. Where applicable, particular risks are mentioned in the previous sections of this report. The main overarching risk is that the assumptions made in compiling a forecast outturn are unreliable or inaccurate. Forecasts have been made using the best information available and drawing on the knowledge and expertise of officers within service areas and the finance team itself.

## **EQUALITY AND DIVERSITY IMPACT**

44. This report is not considered to have any adverse impact on equality.

## **RELEVANT DIRECTOR'S RECOMMENDATIONS**

45. None

## **COMMENTS OF THE STATUTORY FINANCE OFFICER**

46. No further comments.

## **COMMENTS OF THE MONITORING OFFICER**

47. Clearly it is important that a council should report openly and transparently with regard to the monitoring of the budget. Residents need to know how the council is performing. From a legal perspective there are no concerns to report.

## **BACKGROUND DOCUMENTS**

Budget Report and Medium Term Financial Strategy – February 2019.

## **APPENDICES**

Appendix A – Capital Programme 2019-20

Leadership Team Member's Name: Jane Blundell

Job Title: Interim s151 Officer

Report Author:	Telephone:	Date:
James McNulty, Senior Management Accountant	01772 62 5289	7 <sup>th</sup> August 2019
Jane Blundell, Principal Management Accountant and Interim Section 151 Officer	01772 62 5245	