

REPORT TO	ON
Cabinet	12 February 2020



TITLE	PORTFOLIO	REPORT OF
Budget Monitoring 2019/20 – Quarter 3	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 December 2019, which is quarter 3 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 the creation of a Credit Union Reserve and to earmark £150,000 from the forecast budget underspends to pay into this reserve.

## 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 £272,000 which represents a variance of 1.9% of the total net budget requirement. This is based on actuals to-date and assumptions about spending and anticipated levels of income for the remainder of the financial year. 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.

6. Of this net underspend, it is proposed that £150,000 is set aside in reserves to provide funding for a Credit Union for South Ribble which is a priority in the Council's Corporate Plan
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 £272,000 surplus comprises the following main items:
  - Forecast savings in staffing costs £175,000
  - Increase in income forecast including Garden Waste £158,000, offset by reduced income from Trade Waste, Investment Property, Pre-planning fees and Land Charges £108,000
  - New income generated from vehicle maintenance contract offset by additional staff costs; net increase in income £59,000
  - 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 and other cost pressures £183,000 (legal costs, fees, elections, vehicle hire, benefits and ICT costs).
9. 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 £4,129,000, with £6,123,000 identified as potential slippage identified at this stage in the year against the approved 2019/20 budget. Further details with regard to progress on individual schemes is 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	
--------	--

## 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. The current budget, including slippage from 2018/19 and additional schemes approved during the year is £15,026,000.

## INFORMATION

### Revenue Summary

14. In the Quarter 2 budget monitoring report to Cabinet in November, a forecast budget surplus of £515,000 was reported. This included new budgets approved by Cabinet in September: a budget of £75,000 for hosting a music event in the Borough in summer 2020, to cash flow the initial phase of the festival preparations; and an additional budget of £50,000 for professional support for the Leisure services review.
15. 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 £272,000. The 'Current Budget' below includes approved budget changes, virements and release of budgets brought forward from reserves.
16. Table 2 below lists the main variances within particular service areas that affect the forecast.

**Table 1: Revenue Budget Summary – Quarter 3 forecasts**

	<b>Full Year Budget £'000</b>	<b>Current Budget £'000</b>	<b>Forecast Outturn £'000</b>	<b>Forecast Variances £'000</b>
Chief Executive	864	895	905	10
Neighbourhoods & Development	6,484	6,482	6,432	(49)
Planning and Property	488	526	272	(254)
Finance and Assurance	1,405	1,378	1,455	77
Legal, HR & Democratic Services	1,746	1,741	1,703	(39)
Customer Experience & Operations	2,098	2,126	2,094	(32)
Pension Deficit Contributions	414	414	521	107
Staff Turnover Savings	(150)	0	0	0
<b>Net Cost of Services</b>	<b>13,349</b>	<b>13,563</b>	<b>13,382</b>	<b>(181)</b>
Interest payable / (receivable)	(89)	(214)	(217)	(3)
Parish Precepts	397	397	397	0
Provision for repayment of debt	835	835	831	(4)
<b>Funding Requirement</b>	<b>14,492</b>	<b>14,581</b>	<b>14,393</b>	<b>(188)</b>
<u>Funding:</u>				
New Homes Bonus – City Deal	(879)	(879)	(879)	0
New Homes Bonus – SRBC	(135)	(135)	(135)	0
Retained Business Rates	(3,950)	(3,950)	(3,939)	11
Business Rates Section 31 grant	(1,750)	(1,750)	(2,041)	(291)
Council Tax	(8,328)	(8,329)	(8,329)	0
Contribution to / (from) reserves	550	461	496	35
<b>Total Funding</b>	<b>(14,492)</b>	<b>(14,581)</b>	<b>(14,826)</b>	<b>(245)</b>
<b>Net (Surplus) / Deficit</b>	<b>0</b>	<b>0</b>	<b>(434)</b>	<b>(434)</b>
<b>Less Ring-fenced Town Deal funding</b>				<b>162</b>
<b>Forecast Underspending</b>				<b>(272)</b>

**Table 2: Projected Revenue Outturn Variations**

Detail	Budget pressure / (saving) £'000	Forecast Variances at Quarter 3 £'000
<b>Chief Executive</b>		
Staffing Variances – interim arrangements	(3)	10
Other	13	
<b>Neighbourhoods &amp; Development</b>		
Staffing Variances	1	(49)
Cleansing reduced costs, external work brought in-house	(18)	
Garden Waste income - exceeded budget	(158)	
Trade Waste income - reduction in take up on renewal	32	
Waste Contract – inflation and cost recovery adjustments	108	
Vehicle hire additional costs – RCV undergoing repairs	24	
Moss Side depot – Vehicle maintenance contract net additional income	(59)	
Moss Side depot – metered water	11	
Worden Hall professional fees	19	
Pest Control income	(10)	
Other	1	
<b>Planning and Property</b>		
Staffing Variances	(156)	(254)
Investment Property rental income	24	
Planning Pre-application fees reduction	32	
Town Deal Capacity Funding	(162)	
Other	8	
<b>Finance and Assurance</b>		
Staffing Variances / agency costs	59	77
Audit fees	10	
Insurance	6	
Other	2	
<b>Legal, HR &amp; Democratic Services</b>		
Staffing Variances	(111)	(39)
Elections/bi-election	18	
Legal fees	50	
Forecast reduction in Land Charges income	20	
Forecast reduction in Taxi Licensing costs	(5)	
Other	(11)	
<b>Customer Experience &amp; Operations</b>		
Staffing Variances	(71)	(32)
Cyber security funding secured	(15)	
ICT services cost increase	50	
Housing Benefits	22	
Personal budgeting support underspend	(30)	
Postage costs	5	
Other	7	

Detail	Budget pressure / (saving) £'000	Forecast Variances at Quarter 3 £'000
<b>Net Cost of Services</b>		<b>(288)</b>
Interest receivable / capital financing		(7)
Staffing Variations - Pensions contributions		106
Reduced contributions from reserves		
Additional Contribution to / (from) reserves compared to budget		34
Retained Business Rates and s31 grant funding		(280)
<b>TOTAL VARIANCE</b>		<b>(434)</b>
<b>Less:</b> Towns funding capacity payment set aside to support the establishment of the town deal board and development of investment plans		<b>162</b>
<b>FORECAST UNDERSPENDING</b>		<b>(272)</b>
<b>Less:</b> Proposed creation of Credit Union Reserve		<b>150</b>
<b>TOTAL FORECAST TRANSFER TO GENERAL RESERVE</b>		<b>(122)</b>

### Staffing Costs

17. The total forecast saving in staffing costs is £175,000. This is after allocating the £150,000 turnover target to match actual savings achieved during the year. The main reason for the underspend against budget is posts being vacant, some earlier in the year that have now been filled others that are currently vacant.
18. The posts that are currently vacant are listed below.

Directorate	Post	Notes
Chief Executive	Deputy Chief Executive (Regeneration and Growth)	These posts will be deleted from 1 <sup>st</sup> April, to reflect the new shared services arrangements.
	Deputy Chief Executive (Resources & Transformation)	
Neighbourhoods and Development	Graphic Designer	Vacant since 30/11/19
	Engineering Technician	Vacant since 14/09/19
Planning and Property	Planning Technical Support Supervisor	Vacant since 04/03/19
	Planning Compliance & Monitoring Officer	Vacant since 01/08/19, when the new structure was implemented. It is being kept vacant to assess whether it is required in the long term.

Directorate	Post	Notes
Finance and Assurance	Shared Director of Finance	Vacant all year
	Auditor 1.2 FTE	These posts are all being filled on a temporary basis.
	Insurance Officer	
Legal, HR & Democratic Services	Borough Solicitor	These posts will be deleted from 1 <sup>st</sup> April, to reflect the new shared services arrangements.
	Head of Legal HR & Democratic Services	
Customer Experience & Operations	Gateway Officer	Vacant since 01/12/19
	Gateway Receptionist	Vacant since 01/11/19
	IT Security Support Officer	Vacant since 01/07/19, when a restructure was implemented. The post has been advertised twice but there have not been suitable candidates to appoint. The job description and advert are being revised, and the post will be advertised again in February.
	Revenues & Benefits Officer	Vacant since 21/09/19. The post was being kept vacant while a restructure was being finalised. It is now being recruited to.

19. The main variances across the directorates are summarised below:

- Chief Executive – Overall the variance is a small underspend of £3,000. There are additional costs for the Interim Chief Executive but these are offset by savings against the vacant Deputy Chief Executive posts. There is a saving in the Policy and Performance team due to a post not being filled until recently, at being at a lower grade than budgeted, which is offsetting the cost of a new Communications Officer.
- Neighbourhoods and Development – Overall the variance is a small overspend of £1,000. There is an additional cost for the new Environmental Health Officer (Climate Change) but this is offset by underspends against posts that were vacant earlier in the year.
- Planning and Property – The two areas with underspends are Apprentices and Planning. The corporate apprenticeship posts, which sit in this directorate, have been recruited to during the year but there is a part-year saving of £60,000 due to the period that they were vacant. The Planning team has undergone a restructure but some posts were not filled until quite recently. There are currently two vacancies. An Enforcement Officer post is being kept vacant to determine whether the role is needed on an ongoing basis or could be taken as a saving. The other vacancy is the Planning Technical Support Supervisor. The forecasted underspend in relation to Planning is £76,000.
- Finance & Assurance – There is an underspend of £63,000 against the shared senior management posts. The Assistant Director role is now filled but the Director role will not be filled this financial year. However, these underspends have been outweighed by additional costs for the Interim Head of Shared Assurance and other temporary arrangements in that team of £79,000 and additional costs for financial services of £48,000 also due to interim staffing arrangements.

- Legal, HR & Democratic Services – There is a total underspend of £118,000 against the shared senior management posts, due to vacancies. There have been some offsetting additional costs for additional HR support of £24,000 but there is still a large overall underspend.
- Customer Experience & Operations – There is an underspend of £83,000 in the Gateway team due to several posts being vacant during the year. Several posts have been filled but there are currently two vacancies in the team. There is a net budget overspend of £36,000 in ICT due to one-off pension costs for an employee that is retiring, partly offset by turnover vacancies. The one-off costs are being paid back through retaining a vacancy for a fixed period.

### **Other Cost variations**

20. 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.

Other cost increases include vehicle hire costs due to refuse vehicle to be replaced this year having essential bodywork repairs to keep them roadworthy until the new ones begin service, election costs and pressures on the ICT budget.

### **Business Rates**

21. The business rates budget forecasts for 2019/20 have been reviewed based on the latest available data. Some elements of the business rates budget are fixed and therefore can be forecast with certainty; while other elements (such as Government S31 grants) 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.
22. The current forecast is unchanged overall from that reported in September, which showed a net increase of £280,000 compared to the original budget for the year. This was driven by a higher than originally expected entitlement to Section 31 Grants and the latest figures indicate that this level of income will be achieved. A small reduction is shown in the income forecast to be collected in respect of the Lancashire Enterprise Zone at Samlesbury, but this is wholly payable to the Lancashire Enterprise Partnership and so there is no impact on the overall net amount for the year.



<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	167	(7)
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)	(167)	7
Renewable energy rates income	(39)	(102)	(63)
<b>Sub-Total</b>	<b>(3,951)</b>	<b>(3,939)</b>	<b>12</b>
Government S31 Grants	(1,750)	(2,042)	(292)
<b>Total</b>	<b>(5,701)</b>	<b>(5,981)</b>	<b>(280)</b>

### 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)	(140)	(2)
Civic Centre banqueting suite income	(21)	(18)	(31)	(13)
Community Sports Coaching	(235)	(203)	(235)	(32)
Dog impounding, littering and dog fouling	(6)	(18)	(6)	12
Environmental Permits	(24)	(19)	(23)	(4)
Football pitches, fairs, etc.	(26)	(15)	(29)	(14)
Grounds Maintenance	(172)	(164)	(156)	8
Licensing - Piercings & Tattoos and Animals	(12)	(7)	(8)	(1)
Licensing - Street Traders	(28)	(25)	(26)	(1)
Pest Control	(44)	(39)	(50)	(10)
Property rental - Civic Centre	(71)	(50)	(71)	(21)
Property rental - Market	(139)	(142)	(142)	-
Property rental - Moss Side Depot	(13)	(43)	(47)	(5)
Property rental - Worden Craft Centre	(13)	(15)	(14)	1
Refuse Collection - Garden waste	(789)	(650)	(809)	(158)
Refuse Collection - New bins	(46)	(65)	(57)	8
Refuse Collection - Special collections	(41)	(40)	(40)	-
Refuse Collection - Trade Waste	(460)	(477)	(445)	32
Vehicle Maintenance contract	0	(13)	(112)	(99)
<b>Planning &amp; Property</b>				
Building Control	(221)	(191)	(201)	(10)
Planning application fees	(456)	(505)	(505)	-
Planning pre-application fees	(21)	(72)	(40)	32
Investment property rental	(1,076)	(1,095)	(1,069)	26
<b>Legal HR &amp; Democratic Services</b>				
Land Charges	(95)	(100)	(80)	20
Legal fees recovered	(13)	(15)	(15)	-
Licensing - Alcohol	(72)	(76)	(74)	2
Licensing - Gambling	(13)	(12)	(12)	-
Licensing - Taxis	(81)	(94)	(95)	-
<b>Customer Experience &amp; Operations</b>				
Court summons costs recovered	(213)	(228)	(228)	-
<b>Budgets Not In Directorates</b>				
Interest on investments	(303)	(320)	(320)	-
	<b>(4,839)</b>	<b>(4,848)</b>	<b>(5,075)</b>	<b>(227)</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 higher than 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.
- Investment Property rental – there is a forecast shortfall against the budget due to vacancies in year (£17,000) and write-offs in relation to previous years (£9,000).
- Vehicle Maintenance Contract – this is a new income stream as a result of the council securing the maintenance work for the Chorley Council waste contractor vehicles.

#### Interest on Cash Investments

25. The forecast for Short-term investment income has been revised to £320,000 to reflect increased balances and in line with interest earned in 2018/19 which out-turned at £302,500. This is an increase of £100,000 in the current estimate of £220,000.

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

Year	Average Balance Periods 1 - 9	Average Rate Periods 1 - 9	No. of days	Interest Earned
2019/20	£ 41,902,681	0.894%	276/366	£283,163
2018/19	£39,197,067	0.706%	276/365	£208,551

27. The average return of 0.89% achieved over the first six months of the financial year represents a significant increase on the 0.71% achieved in the corresponding period in 2018/19. This reflects the same trend as was seen in the previously reported results for the full year in 2018/19, where the average rate achieved was 0.76%, compared to 0.49% in 2017/18. The key element in producing the increased returns is that the Bank of England Base Rate was increased from 0.50% to 0.75% in August 2018 and has remained at this level since. This position is consistent to date with the forecasts made in the Council's approved Treasury Management Strategy for 2019/20. Those forecasts did envisage a further rise in the Base Rate, to 1.00%, in the second half of the year. The likelihood of this rise has been affected by the impact of continuing domestic political and economic uncertainty.

## Reserves

28. The total balance on reserves at the beginning of the financial year was £19.519m. The forecast underspend in the year provides an opportunity to set aside funding of £150,000 for a South Ribble Credit Union.

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)	-	-	-	(255)
CIL admin	-	(149)	-	-	(149)
Performance Reward Grant	(46)	-	46	-	-
Organisation Restructure Costs	(27)	-	-	-	(27)
Borough Investment Account	(4,594)	-	-	-	(4,594)
Business Rates Retention	(2,751)	-	65	-	(2,686)
City Deal Reserve	(1,711)	(340)	208	-	(1,843)
Capital Funding Reserve	(3,073)	(716)	-	682	(3,107)
Repairs and Maintenance Fund	(500)	-	-	-	(500)
NEW : Credit Union Reserve	-	(150)			(150)
Transformation Fund	(500)	-	-	210	(290)
Apprenticeship Reserve	(267)	-		-	(267)
Other Earmarked Reserves	(864)	-	180	90	(594)
<b>Total</b>	<b>(14,839)</b>	<b>(1,415)</b>	<b>653</b>	<b>982</b>	<b>(14,619)</b>
General Reserve	(4,680)	(122)	-	-	(4,802)
<b>Total General Fund Reserves</b>	<b>(19,519)</b>	<b>(1,537)</b>	<b>653</b>	<b>982</b>	<b>(19,421)</b>

## Capital Programme

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

31. There are several schemes where the forecast is below budget and we expect slippage to next financial year. The overall forecast is £4.129m against a budget of £15.026m.

32. A large part of the forecasted underspend is the 'Investment Property' scheme for £4.55m which relates to using the 'Borough Investment Reserve' to purchase properties for the purposes of generating additional income. No suitable properties have been identified and it is assumed that the reserve will be used for different purposes in future years.

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

33. Not applicable

## **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

34. Not applicable

## **FINANCIAL IMPLICATIONS**

35. The financial implications are contained within the report.

## **LEGAL IMPLICATIONS**

36. 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**

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

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

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

## **ICT / TECHNOLOGY IMPLICATIONS**

39. 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, £84,000 has been allocated to four schemes, leaving a balance of £116,000. There are also two other IT related schemes that have been funded from alternative sources.

## **PROPERTY AND ASSET MANAGEMENT IMPLICATIONS**

40. 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**

41. 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**

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

## **RELEVANT DIRECTOR'S RECOMMENDATIONS**

43. None

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

44. No further comments.

## **COMMENTS OF THE MONITORING OFFICER**

45. 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:
Jane Blundell, Principal Management Accountant and Interim Section 151 Officer	01772 62 5245	23 <sup>rd</sup> January 2020
James McNulty, Senior Management Accountant	01772 62 5289	