

Report To:	CABINET	DATE:	11 MARCH 2019
Heading:	FINANCIAL MONITORING REPORT (POSITION TO JANUARY 2019) – GENERAL FUND, HOUSING REVENUE ACCOUNT (HRA) AND CAPITAL PROGRAMME		
Portfolio Holder:	CABINET MEMBER (INWARD FOCUS), COUNCILLOR ROBERT SEARS-PICCAVEY		
Ward/s:	ALL		
Key Decision:	Yes		
Subject to Call-In:	Yes		

Purpose of Report

This report sets out the detail of income and expenditure forecasts for 2018/19 compared to the latest approved budgets for the General Fund, Housing Revenue Account (HRA) and the Capital Programme. This forecast outturn position is based on activity to the end of January 2019.

Recommendation(s)

Cabinet is requested:

- (i) To note the forecast variances against revised budgets for the General Fund (underspend of £707k) and HRA (underspend of £188k).**
- (ii) To note the planned use of £317k Returned Business Rates from the Nottinghamshire Pool and £59k Business Rates Returned Levy from Central Government which are being used to support the 2019/20 General Fund Budget.**
- (iii) Note that the 2018/19 Revenue Outturn position may further improve dependant upon the timing of Capital Receipts and their use in accordance with the Capital receipts Flexibility Strategy approved by Council in October 2018.**
- (iv) To note that the significant forecast underspend in the Legal and Governance Directorate includes the financial impact of the Alliance Healthcare court case being settled.**

Reasons for Recommendation(s)

To report to those charged with Governance the financial position to January 2019 and comply with the Council's Financial Regulations.

Alternative Options Considered

There have been no alternative options identified.

Detailed Information

A) General Fund

The Table below summarises the forecast Outturn position of the General Fund by Directorate and includes details of additional funding received in year, the majority of which is being used to support the 2019/20 Revenue Budget. The current Directorate forecast underspend is £662k, an increase in the level of forecast underspend of £596k since the September monitoring report was considered by Cabinet on 26th November 2018. The overall forecast underspend, inclusive of additional (above budget) in-year funding is £376k. Details of any significant variances are shown below the summary table.

Directorate	Revised Budget £'000	Forecast Outturn £'000	Current Forecast Variance £'000	Previous Forecast Variance £'000	Change £'000	Note
Chief Executive's Office	531	528	(3)	(10)	7	1
Legal & Governance	1,622	1,370	(252)	(22)	(230)	2
Resources & Business Transformation	2,086	2,062	(24)	0	(24)	3
Place & Communities	10,538	10,218	(320)	(44)	(276)	4
Housing & Assets	2,528	2,465	(63)	10	(73)	5
TOTAL	17,305	16,643	(662)	(66)	(596)	

The Council has also received additional in-year funding as follows:

£342k Returned Funding from the Nottinghamshire Business Rates Pool of which £25k was budgeted. Of the remaining balance £298k will support the 2019/20 Revenue Budget and £19k will be transferred to the Economic Regeneration Reserve and which will fund, for example, feasibility studies including the Maid Marion Line feasibility study.

£59k Returned Business Rates Levy announced in the 2019/20 Provisional Settlement and paid in 2018/19. This is being used to support the 2019/20 Revenue Budget.

It should also be noted that the 2018/19 Revenue Outturn position may also further improve dependant on the timing of capital receipts and their use in accordance with the Capital Receipts Flexibility Strategy approved by Council on 11th October 2018.

1. Chief Executive's Office (£3k forecast underspend)

- Due to a forecast underspend of £10k due to the reduced cost of previous employees added years payments to the Pension Fund partially offset by staffing costs (unachieved vacancy factor).

2. Legal & Governance (£252k forecast underspend)

- The most significant change from the last report is due to the conclusion of the Legal case vs Alliance Healthcare (£246k);
 - Resulting in £100k income from costs awarded; allocation of £51k Legal team salaries to the provision set aside for this case; and a release of surplus provision to general fund (£95k).
- Legal Services (other than above) are forecasting an £8k underspend due to small amounts of miscellaneous legal costs being awarded which were not budgeted
- Democratic Services – £14k forecast underspend mainly due to the Scrutiny Researcher post being vacant for 6 months.
- Member Services – £7k forecast underspend.
 - This comprises £8k savings from reduced Cabinet structure, savings on the Member training budget (£4k), partially offset by an increase in Members Allowances greater than that budgeted for and additional costs for attendees at the LGA conference.
- Legal and Governance – £6k forecast overspend
 - Comprising a £10k overspend on court costs and professional legal fees partially mitigated by £5k underspend on payments to contractors for National Fraud Initiative.
- Electoral Services – £17k forecast overspend due to
 - The 3% vacancy factor being unachieved and additional printing costs to meet statutory requirement regarding electoral registration, notices, and reminders; Costs of the by-election (£7k); and additional costs of corporate postage in Governance admin (£3k).

3. Resources & Business Transformation (£24k forecast underspend)

- Commercial Property – £9k forecast overspend. The £27k forecast underspend on salaries is offset by a reduction in income from Industrial Estates and Council owned shops due to voids.
- Finance – £23k forecast underspend mainly due to vacancies during the year.
- ICT – £27k forecast overspend largely due to overspend on telephone charges (£26k).
- Corporate Support and Transformation Services – £40k forecast underspend – mainly due to vacancies in the teams at various times in the year.
- Resources and Business Transformation Directorate – £3k forecast overspend due to 3% vacancy factor being unachieved.

4. Place & Communities (£320k forecast underspend)

The key reason for the significant change in forecast outturn (£276k) since the September forecast outturn position reported to Cabinet in November is due to the recent receipt of a large planning application fee of £300k.

The main reasons for the overall net forecast underspend are:

- Directorate Wide – £102k forecast underspend in relation to vacancies across the Directorate.
- Complex Case Teams – £40k additional one off grant income from Nottinghamshire Fire and Rescue.
- Pest Control - £30k forecast underspend due to additional income generation.
- Place & Wellbeing - £35k forecast underspend.
 - An allocation was set aside from S106 monies for Sutton Realm (£34k). This will not take place in 2018/19.
- Licensing is forecast to underspend by £27k, due to increased income from higher than expected drivers' applications.
- Environmental Services – additional income from sports pitches (£5k).
- Community Protection – £14k forecast saving including: equipment savings, income from fines (£2k) and CCTV savings.
- Planning is forecast to underspend by £383k.
 - Within this Building Control income is expected to be £51k lower than budget as a result of a combination of increased competition from the private sector and reduced staff numbers available to undertake work throughout the year and £20k non-staff costs pressures. These are fully mitigated by additional planning applications fee income of £320k above budget, largely due to the receipt of one recent major application. Staff vacancies across the whole Service are also forecast to result in savings of £134k.

The above forecast underspends are partially offset by the following forecast overspends:

- Environmental Services & Maintenance – £27k forecast overspend overall, largely due to spend on the two Big Spring Cleans, fully mitigated by underspends elsewhere.
- Cemeteries - £48k forecast overspend largely due to a reduction in fee income and an increase in payments to contractors.
- Waste Services are anticipated to be £87k overspent.
 - The main forecast variances are: - a £65k net underspend on blue bin (glass collection) scheme; a £14k income pressure on Bulky items collection (although it should be noted that the cost of fly-tipping for the 9 month period to end of December 2018 compared with the same 9 month period in 2017 is £15k lower), and £138k pressure on Garden waste, largely due to lower than budgeted income.
- Garage workshop - £76k forecast overspend due to additional expenditure on vehicle parts due in part to delayed purchase of replacement vehicles pending the outcome of the Transport Review.
- Markets – £78k forecast overspend.
 - Largely due to a £50k reduction in income from Sutton Indoor Market and £6k reduced income from outdoor markets due to under occupancy, £8k unbudgeted refuse collection costs, unbudgeted fit-out costs £4k and increased employee costs (£10k).

5. Housing & Assets (£63k forecast underspend)

The key reasons for the forecast underspend within this Directorate are:

- Asset Maintenance – Forecast saving of £50k as the element of the budget held for winter weather damage and other possible large unexpected repairs has not been required so far this year.
- Asset Management – Overall £10k forecast saving.
 - A £20k forecast saving from various vacant posts is partially offset by £10k forecast under-recovery of income from car parks compared to budget.
- Disabled Facilities Grant (DFG) Management - £13k forecast saving on vacant posts.

The above forecast underspends are partially offset by:

- Supported Housing Services – Overall forecast overspend of £10k.
 - A £28k forecast overspend due to additional staffing costs being incurred due to needing staff cover whilst other staff undergo lone working training and due to higher telephone charges. These additional costs have been partially offset by savings of £18k on less equipment purchased and reduced marketing costs.

B) Housing Revenue Account (HRA)

The table below sets out the details of the 2018/19 forecast outturn position based on actual income and expenditure to January 2019. This forecast outturn is based on the assumed revised budget position following Council consideration (4th March 2019) and approval of the slippage to capital schemes as documented in the 2019/20 Annual Budget and Council Tax setting Report.

Details of any significant variances incorporated within the forecast Outturn are detailed in the commentaries below the table.

Description	Revised Budget £'000	Forecast Outturn £'000	Forecast Variance £'000
Income			
Rents, Charges and Contributions	-23,980	-23,971	9
Other Grants	0	0	0
Interest and Investment Income	-68	-118	-50
Total Income	-24,048	-24,089	-41
Expenditure			
Borrowing and Capital Financing Charges	3,505	3,505	0
Repairs and Maintenance	7,383	7,265	-118
Supervision and Management	4,591	4,597	6
Interest Payable and Appropriations	3,546	3,546	0
Other Expenditure	235	200	-35
Direct Revenue Financing	1,311	1,311	0
Transfer to/from Major Repairs Reserve	1,260	1,260	0
Total Expenditure	21,831	21,684	-147
(Surplus)/Deficit for the year	-2,217	-2,405	-188

Interest and Investment Income

Additional interest income of £50k is forecast on the HRA balances due to an increase in interest rates from August 2018.

Repairs and Maintenance

The forecast underspend of £118k is due to vacant posts not being recruited to until the Housing Repairs Service Review is complete (£30k) and other vacant posts across the Housing Repairs section (£53k) and a forecast £20k saving on vehicle costs due to a freeze on vehicle replacement. This underspend could reduce dependant on the level of repairs required to maintain existing vehicles by the year-end. There is also a forecast £5k saving for lower costs for the disposal of waste from house repairs and a further £10k in-year saving relating to delayed consultancy work.

Other Expenditure

The £35k forecast underspend is due to lower than expected charges for council tax payments made for empty council houses (£15k) and the reimbursement of previous year's council tax charges for two long term void properties.

C) Capital Programme

The latest proposed Capital Programme was included in the February 18th Cabinet Report which will be considered at Council on 4th March 2019. The report includes proposed budget revisions to reflect slippage (delays) in the progression of some capital schemes. If the proposed revised budget is approved, it is not anticipated that the Outturn will vary considerably from the revised budget.

Implications

Corporate Plan: The revenue and capital expenditure and income included within this report supports delivery of the priorities in the Council's Corporate Plan.

Legal: This report ensures compliance with the Council's approved Financial Regulations.

Finance:

Budget Area	Implication
General Fund – Revenue Budget	Details included in the body of the report
General Fund – Capital Programme	
Housing Revenue Account – Revenue Budget	
Housing Revenue Account – Capital Programme	

Risk:

Risk	Mitigation
Failure to spend within approved budget could impact the financial sustainability of the Council.	Financial monitoring reports to CLT and Cabinet.

Human Resources: No Implications

Equalities: No implications

Other Implications: None

Reason(s) for Urgency

Not applicable

Reason(s) for Exemption

Not applicable

Background Papers

2017/18 Outturn Report to Council – 26th July 2018

2018/19 Budget Setting Report to Extraordinary Council – 5th March 2018

July Budget Monitoring Report to Cabinet – 10th September 2018

Capital Receipts Flexibility Strategy to Council – 11th October 2018

September Budget Monitoring Report to Cabinet – 26th November 2018

2019/20 Budget Setting Report to Extraordinary Council – 4th March 2019

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