

Report To:	Cabinet	Date:	16th September 2019
Heading:	2019/20 JULY FINANCIAL MONITORING UPDATE REPORT		
Portfolio Holder:	CLLR DAVID MARTIN – PORTFOLIO HOLDER FOR FINANCE & RESOURCES		
Ward/s:	ALL		
Key Decision:	YES		
Subject to Call-In:	YES		

Purpose of Report

This report provides a forecast outturn compared to budget for the General Fund, the Housing Revenue Account (HRA) and the Capital Programme for 2019/20. The report also requests General Fund budget revisions to recognise part year effect savings that can be delivered in 2019/20 as a result of the Base Budget Review. Additionally the report requests support for additional funded schemes to be added to the Capital Programme and revisions to some schemes in 2019/20.

Recommendation(s)

1. That Cabinet notes the forecast 2019/20 Outturn for the General Fund, the HRA and Capital Programme.
2. That Cabinet recommends to Council:
 - a. Amendments to the Capital Programme as set out in section 6.1 and 6.2 of the report noting that there are no additional borrowing implications.
 - b. Approval of revenue budget revisions for 2019/20 as set out in section 3 of the report.

Reasons for Recommendation(s)

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

Alternative Options Considered

There are no alternative options.

Detailed Information

1. General Fund Forecast Outturn as at July 2019

- 1.1 Table 1 below shows the original budget approved by Full Council on the 4th March 2019 and the revised budget following the budget adjustments agreed by Cabinet on the 24th June 2019 and Full Council on the 27th July 2019.
- 1.2 Table 1 also sets out the 2019/20 net revenue forecast outturn position based on actual income and expenditure to July 2019 compared to the revised budget.
- 1.3 The summary below excludes capital financing costs and internal recharges. The current General Fund forecast is an underspend of £242k. Details of significant variances between the revised budget and the forecast outturn are detailed in the commentaries below.

Table 1 - Net Revenue Forecast to 31 March 2020 by Directorate

Directorate	Original Budget £'000	Revised Budget £'000	Forecast Outturn £'000	Variance £'000
Chief Executive Officer	528	528	528	0
Legal and Governance	1,844	1,899	1,892	(7)
Resources and Business Transformation	1,613	1,772	1,634	(138)
Place and Communities	10,672	10,869	10,790	(79)
Housing and Assets	2,345	2,365	2,347	(18)
Total	17,001	17,433	17,191	(242)

1.4 Legal and Governance (£7k forecast underspend)

The main forecast variances within the Legal and Governance Directorate are:

- Democratic Services - £3.5k forecast underspend on the Modern Government Committee Management System.
- Legal Services - £1.5k forecast underspend on reference books and periodicals.
- Corporate Safety - £0.5k forecast underspend on car mileage and mobile phones.
- Members Services - £1.5k forecast achievement of non-budgeted income for sale of equipment.

1.5 Resources and Business Transformation (£138k forecast underspend)

The main forecast variances within the Resources and Business Transformation Directorate are:

- ICT - £17k forecast reduced costs of internet, printing and leasing costs, off-set by non-achievement of the vacancy factor.

- Commercial Property - £50k increase in forecast income. Due to an increase in gross rentals of £62k from investment properties. This is partially offset by potential costs of £12k for the use of external consultants in relation to dilapidation costs.
- Revenues and Benefits - £79k forecast underspend due to £30k additional income expected for recovery of court costs, £35k additional income expected from sundry debtors, £14k saving on payment to contractors.
- Directorate wide - £8k forecast overspend due to non-achievement of the vacancy factor.

1.6 Place and Communities (£79k forecast underspend)

The main forecast variances within the Place and Communities Directorate are:

- A number of services are forecasting salaries underspends due to vacancies. The significant variances are within the Complex Case team £14k (currently under recruitment), Environmental Services Administration section £37k, and Forward Planning £22k. These are partially offset by an overspend on agency staff in Waste collection -£25k, as a result of covering holidays, sickness and a secondment to the Transport section.
- A net underspend is forecast in Building Control £67k, where savings on staff costs are forecast with this saving partially offset by an anticipated reduction in income.
- Within Trade Waste collection, income is expected to be £139k lower than budget, however, the Base Budget Review exercise conducted earlier this year yielded expected increases in income above the budgeted levels set in Pest Control (£10k), Planning fees (£20k), and fees for Land Charges (£10k).
- As a result of staff reduction in the shared Regeneration service with Mansfield District Council, a saving of £30k is expected.
- The Base Budget Review also identified £33k in Directorate wide savings on supplies and services and the opportunity to increase some income budgets where the level of income budgeted is consistently less than the amount achieved.

1.7 Housing and Assets (£18k underspend)

The main forecast variances within Housing and Assets Directorate are:

- Supported Housing - £23k overspend due to delays in the service transferring to a provider. Transfer is now expected to complete in December 2019. The forecast overspend is due to additional costs being incurred whilst the service remains in-house pending transfer. The transfer to the new provider will deliver a greater level of budget savings from 2020/21.
- Asset Maintenance - £15k forecast underspend on repairs.
- Asset Management - £17k forecast underspend due to £16k vacancies in the first quarter of 2019/20 and £1k forecast underspend on subscriptions.
- Centralised Offices - £5k forecast underspend due to a vacancy and small forecast underspend on premises and supplies and services in line with savings identified in the base budget review.
- Building Cleaning General - £6k forecast underspend due to vacancies in the first quarter of 2019/20.
- Directorate wide - £2k forecast overspend being the net of small underspends/overspends.

1.8 Exclusions

The above Directorate forecast outturns currently exclude any one-off income which may be received during the financial year. E.g. One-off grant income and the potential for Returned Business Rates funding from the Nottinghamshire Pool, as received in previous years.

2. General Fund Savings/Efficiencies Monitoring 2019/20

2.1 The 2019/20 budget included the proposed savings and efficiencies as detailed in Table 2 below. The forecast achievement of these savings is identified, on the following basis:

- saving has been achieved (green),
- saving forecast to be achieved but actions are still required to secure the saving (amber),
- saving will not be achieved (red).

Table 2 - General Fund Savings/Efficiencies Monitoring 2019/20

Saving / Efficiency	Detail	£'000
Training Budget Reduction	£10k reduction in Divisional Training and £7k reduction in Corporate Training.	17
Insurance Contract retender savings	Savings from retendering the Insurance contract which were not factored into the original 2018/19 budget. (Timing)	75
Reduce spend on newspapers and periodicals	Reduced purchase and more sharing of local newspapers, withdrawal from MJ subscription and move to cheaper on-line access.	1
Police accommodation rental income	Increase in annual rental charge for the Police now occupying a larger proportion of Urban Road accommodation.	12
Localities Review	Annual savings from the Locality Review concluded in Spring 2018 but prior to the 2018/19 budget being set. (Timing)	91
Hub Review	Annual savings from the Hub Review concluded in Spring 2018 but prior to the 2018/19 budget being set. (Timing)	40
Cease Industrial Alliance Subscription	Considered that value for money is not being delivered from the subscription paid.	3
Citizens Advice Bureau (CAB) Grant	In line with national best practice a mutual agreement has been implemented with CAB which provides guaranteed funding at £49k per annum for 3 years, and which delivers a small annual saving to the Council.	3
Lifeline Service saving	Reduced cost of service provision for 2019/20 through working with a neighbouring Council to provide this service.	6
TOTAL		248

2.2 The Lifeline Service saving will not be achieved in 2019/20 due to delays in the transfer and an alternative service provider being identified.

2.3 The forecast achievement of these savings is included within the forecast outturn reported in section 1 of the report.

3. General Fund Base Budget Review

3.1 During April/May a Base Budget Review was conducted which entailed a line by line review of budgets with Directors and their Assistant Directors or Heads of Service. This process identified that from 2020/21 £302k less net revenue budget would be required than is currently assumed in the Medium Term Financial Strategy.

3.2 It is possible for some of the above savings to be partially achieved in 2019/20 as set out in Table 3 below.

Table 3 Base Budget Review 2019/20 Part Year Effect (PYE) savings

Directorate	Nature of 'Saving'	2019/20 (PYE) Saving
		£
Chief Executive's Office	Supplies & Services	100
Resources & Business Transformation	Supplies & Services, Staff savings – budget in excess of current establishment, additional income.	130,470
Legal & Governance	Supplies & Services	2,100
Place & Communities	Supplies & Services, additional planning, pest control and other income	72,780
Housing & Assets	Supplies & Services, Asset maintenance.	21,550
Total		227,000

3.3 Cabinet is asked to recommend to Council the above Revenue Budget changes for 2019/20 and also agree the realignment of budgets to address a one-off administrative error which will have a net nil impact.

4. Summary for Housing Revenue Account (HRA)

4.1 Table 4 sets out the 2019/20 HRA forecast outturn position based on actual income and expenditure to July 2019, compared to the revised budget (i.e. the original budget approved by Full Council on the 4th March 2019 adjusted for capital programme slippage by Council on 27th July 2019).

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

Table 4 – HRA Forecast Outturn to 31 March 2020

Description	2019/20 Original Budget £'000	2019/20 Revised Budget £'000	2019/20 Forecast Outturn £'000	Variance £'000
Income				
Rents, Charges and Contributions	(24,260)	(24,260)	(24,260)	0
Other Grants	0	0	0	0
Interest and Investment Income	(210)	(210)	(210)	0
Total Income	(24,470)	(24,470)	(24,470)	0
Expenditure				
Borrowing and Capital Financing Charges	3,599	3,599	3,599	0
Repairs and Maintenance	7,783	7,783	7,783	0
Supervision and Management	4,844	4,844	4,837	(7)
Interest Payable and Appropriations	3,548	3,548	3,548	0
Other Expenditure	298	298	290	(8)
Direct Revenue Financing	1,157	1,626	1,508	(118)
Transfer to/from Major Repairs Reserve	4,768	5,572	2,780	(2,792)
Total Expenditure	25,997	27,270	24,345	(2,925)
(Surplus)/Deficit for the year	1,527	2,800	(125)	(2,925)

3.3 Supervision and Management (£7k forecast underspend)

The forecast underspend is across several budget areas including printing, housing scheme internal furnishings, parking permits.

3.4 Other Expenditure (£8k forecast underspend)

The forecast underspend is due to lower than expected charges for council tax payments made for empty council houses.

3.5 Direct Revenue Financing (£118k forecast underspend)

The current forecast shows a reduced direct revenue financing requirement from the HRA based on the latest Capital Programme forecast.

3.6 Transfer to/from Major Repairs Reserve (£2.792m forecast underspend)

The current forecast outturn shows the reduced level of financing required from the HRA for the capital programme for 2019/20, based on the 2019/20 HRA capital monitoring update. A future monitoring report will revise the programme based on revised forecast activity levels which will in turn reduce the financing requirement from the Major Repairs Reserve.

4. HRA Savings/Efficiencies Monitoring 2019/20

- 4.1 The 2019/20 HRA budget included the proposed savings and efficiencies as detailed in Table 5 below. The forecast achievement of these savings is identified, on the same basis as the General Fund savings in Table 2 above.

Table 5 - HRA Savings/Efficiencies Monitoring 2019/20

<u>Saving/Efficiency</u>	<u>Detail</u>	£'000
Redecoration Allowance	Freeze Redecoration Allowance at 2018/19 rates.	4
Training	Reduction to Training Budget	8
Council Tax Charges	Reduction in Council Tax charges for void properties	15
Insurance Contract retender savings	Savings from retendering the Insurance contract which were not factored into the original 2018/19 budget.	37
Hub Review	Annual savings from the Hub Review concluded in Spring 2018 but prior to the 2018/19 budget being set.	18
Additional Rent Income	Hope Lea – annual market rent	7
TOTAL		89

- 4.2 The forecast achievement of these savings is included within the forecast outturn reported in section 3 of the report.

5. Capital Programme Summary 2019/20

- 5.1 Table 6 below details the current approved Capital Programme for 2019/20 as at 31 July 2019. This is the original budget approved by Full Council on the 4th March 2019 adjusted to include £4.715m slippage on the 2018/19 Capital Programme as approved by Full Council on the 27th July 2019.

- 5.2 Current key reasons for the forecast variances on the Capital Programme shown in Table 6 below are:

- HRA Decent Homes reduced spend of £2.9m mainly as a result of the review of component lifecycles and tenant refusals.
- Area schemes forecast underspend of £268k with schemes to be re-profiled to 2020/21.
- Disabled Facility Grants spend now forecast to be £900k in 2019/20.
- Hucknall Car Park – Titchfield Street works delayed to 2020/21.

Table 6 - Capital Programme Summary 2019/20

Description	2019/20 Revised Capital Programme £000s	2019/20 Forecast Capital Programme Outturn £000s	2019/20 Forecast Variance £000s
Housing Revenue Account			
<i>Decent Homes Schemes</i>			
Management Fee	556	557	1
Catch Up and Future Major Works	6,503	5,562	-941
Service Improvements	1,323	50	-1,273
Contingent Major Repairs	236	50	-186
Exceptional Extensive Works	858	465	-393
Kirkby & Rural	0	0	0
Disabled adaptations - Major adaptations	496	173	-323
Disabled adaptations - Minor adaptations	27	350	323
Sub Total	9,999	7,207	-2,792
<i>Other Housing Revenue Account Schemes</i>			
Investment in New or Existing Dwellings	1,394	1,394	0
Major Repairs Temporary Accommodation	148	30	-118
Housing Vehicles	417	417	0
Other Housing Revenue Account Schemes (less than £100k)	110	110	0
Sub Total	2,069	1,951	-118
Total	12,068	9,158	-2,910
General Fund			
Hucknall Car Park - Titchfield Street	115	0	-115
Hucknall Leisure Centre	140	140	0
Improvement Grants 1996 Act Disabled Facility Grant	1,110	900	-210
Investment Properties	21,251	21,251	0
Kings Mill Reservoir (The King and Miller to Kingfisher)	1,403	1,403	0
Kirkby Leisure Centre	2,000	2,000	0
Leisure Transformation Programme	297	297	0
Piggins Croft Car Park	154	154	0
Purchase of Vehicles	2,529	2,529	0
Play Areas	120	120	0
Lindleys Lane Play/Youth Area	102	0	-102
Friezeland Recreation Ground - Scooter Park	118	118	0
Other General Fund Schemes (less than £100k)	838	672	-166
Total	30,177	29,584	-593
Grand Total	42,245	38,742	-3,503

6. Proposed amendments to the Capital Programme

- 6.1 Cabinet is asked to consider and recommend to Council for approval the following proposed amendments to existing Capital Schemes as detailed in Table 7 below.

Table 7 – Proposed amendments to the Capital Programme

Scheme	Current Approved Scheme	Revised Scheme	Change	Explanation
	£'000	£'000	£'000	
2019/20 Capital Programme amendments:				
Additions to existing schemes				
Kirkby footpaths/cycle ways	15	129	114	Funded by Section 106 monies - Kirkby TR6 funding
Titchfield Park Brook	35	385	350	Funded by grant from Nottinghamshire County Council/Environmental Agency Flood Levy.
Re-allocation				
Play Areas	120	68	-52	£12k proposed reallocation to Roundhill (John Whetton) recreation ground. £40k proposed reallocation to Nabbs Lane Park play area.
Roundhill (John Whetton) recreation ground	70	82	12	£12k proposed transfer from approved play areas budget.
Common Farm	10	0	-10	Proposed reallocation to Nabbs Lane Park play area
New Scheme				
Nabbs Lane Park play area	0	68	68	£10k re-allocated from Common Farm. £40k re-allocated from Play areas. £2k Direct Revenue Finance. £6k unallocated Section 106 monies. £10k from MHCLG Local Authority Parks Improvement Fund.
Total	250	732	482	

- 6.2 Cabinet is also asked to consider and recommend to Council approval of the use of up to £41k insurance funding received in respect of Hucknall Swimming Pool.

The original capital budget for Hucknall Swimming Pool (£140k) was an estimate for the rectification of the pool leak and an upgrade to the fire alarm system. The pool works have now been completed at a cost of £56k. Tenders are currently being prepared for the fire alarm

system. It is expected that the cost of the fire alarm system is going to be greater than the remaining budget of £84k. The Council has received a £43k contribution from its Insurers to contribute to the pool works. It is requested that £41k of the Insurers money be used to increase the capital budget to fund the anticipated additional cost of works to the fire alarm system. If approved the revised capital budget for this work will increase to £181k.

6.3 It should be noted that the proposed capital scheme amendments in 6.1 and 6.2 above will not require additional borrowing by the Council.

Implications

Corporate Plan:

The revenue and capital funding included within this report supports delivery of the priorities in the Corporate Plan.

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

Finance:

Budget Area	Implication
General Fund – Revenue Budget	As set out in the detailed information section 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 budgets could impact on 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

Annual Budget and Council Tax 2019/20 and Medium Term Financial Strategy Update to Council 4th March 2019

Draft Outturn 2018/19 Accounts Report to Council 25th July 2019

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