

Finance Monitoring Quarter 3 2018/19

Relevant Portfolio Holder	Councillor Brian Cooper, Portfolio Holder for Finance and Enabling Services
Relevant Head of Service	Jayne Pickering, Executive Director Finance and Corporate Resources
Non-Key Decision	

1. Purpose and Summary

To report to Cabinet on the Council's financial position for Revenue and Capital for the financial period April 2018 – December 2018.

2. Recommendations

That Cabinet is asked to resolve

- 2.1 That Cabinet note the current financial position in relation to revenue and capital budgets for the period April – December 2018/19 as detailed in the report.
- 2.2 Approve the virement of £23k in 2018/19 from Economic Development to the Bromsgrove Centres Management budget required to meet the Shared service agreement with NWEDR.

That Cabinet recommend to Council

- 2.3 Approval of the virement of £120k in 2018/19 for replacement parking machines currently held within the vehicle replacement programme budget. This is to ensure clarity of the current spend under these project headings.
- 2.4 Approval of an increase in the 2018/19 Capital Budget of £102k for the Disabled Facilities Grant budget. This is due to additional grant funding being received following the budget announcement in December 2018.
- 2.5 Approval of an increase in the 2018/19 Capital Budget of £390k for a Bromsgrove combined Footpath and Cycle Way Network funded from a grant from Worcestershire County Council.
- 2.6 Approval of an increase in the 2019/20 Capital Budget of £346k for the demolition of the Dolphin Centre to be funded from Capital Receipts (£202k) and balances (£144k) following receipt of tender quotations.

3. Revenue budgets

- 3.1 This report provides details of the financial performance of the Council. The purpose of this report is to ensure officers and members have the relevant information necessary to consider the overall financial position of the Council. The report reflects the finances across all of the Strategic Purposes to enable Members to be aware of the level of funding attributed to each

area and how this compares to budget. The summary at 3.3 shows the financial position for revenue funding for the period April – December 2018/19.

3.2 Financial reports are sent to budget holders on a monthly basis. As part of this process a detailed review is undertaken with support from the finance team to ensure that all issues are considered and significant savings or cost pressures are addressed. This report aims to focus on the key variances from budgets to ensure that these are addressed appropriately during the year.

3.3 The £10.988m original budget as included in the table below is made up of the budget approved in February 2018 of £10.583m, which is then adjusted to reflect the approved transfers from reserves of £327k along with the community group funding £79k.

In addition, the Revised Budget 2018/19 of £11.320m includes a net transfer from reserves of £297k (which is shown in appendix 1) and use of balances of £35k.

**Revenue Budget summary
Financial Year 2018/19 – Overall Council**

Please note figures have been rounded

Strategic Purpose	Original Budget 2018/19	Revised budget 2018/19	Budget to date 2018/19	Actuals 2018/19	Variance 2018/19	Projected outturn 2018/19	Projected Variance 2018/19
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Keep my place safe and looking good	4,406	4,323	3,083	3,232	149	4,514	191
Help me run a successful business	-559	-553	-388	-415	-27	-569	-15
Help me be financially independent	154	99	570	582	12	132	33
Help me to live my life independently	-8	-8	-6	-75	-69	-96	-88
Help me find somewhere to live in my locality	725	794	646	620	-26	762	-33
Provide Good things for me to see, do and visit	660	759	574	533	-41	722	-37
Enable others to work/do what they need to do (to meet their purpose)	5,609	5,905	4,392	4,269	-124	5,697	-208
Total	10,988	11,320	8,873	8,746	-126	11,163	-157
Corporate Financing	-10,988	-11,320	-12,946	-13,045	-98	-11,436	-116
Grand Total	0	0	-4,074	-4,298	-224	-273	-273

Financial Commentary:

There are a number of variances across the strategic purposes. The summary above shows the overall 2018/19 revenue position for the Council and the main variations are as a result of:

Keep my place safe and looking good (£191k overspend)

These budgets include those relating mainly to environmental services, planning, lifeline, CCTV and other activities to deliver against the purpose ensuring an area is both safe and attractive for the community.

Having reviewed the variance position, the below explains the variances:

- It is projected that Bereavement services will receive less income than expected from the burial fees by the end of 2018/19 and therefore show a year end variance for the service of **£18k**.
- Shortfall in income from Building Control of **£23k**. Building Control operates in an increasingly competitive marketplace and whilst all opportunities are explored it is clear that the number of competitors is rising. Unlike its competitors, Local Authority Building control is required by law to operate solely on a cost neutral basis and its performance and charging regimes are publically accountable.
- Whilst a significant growth in income has been achieved within Core Waste services (trade and garden waste), there have been additional costs required for running the domestic waste services. This is currently under review and therefore projecting an overspend by the end of 2018/19 of **£51k**.
- There are additional costs amounting to **£49k**, which are made up of additional costs in relation to agency staff required in the Place teams covering long term sickness and additional repairs and maintenance costs.
- A projected shortfall in planning application income of **£161k**. There have been a low number of applications approved in 2018/19 and also major applications on strategic sites have been delayed due to highway considerations.
- There have been savings projected of **£18k** for 2018/19 within Core Environmental operations on vehicle hire and repairs and maintenance budgets.
- Depot, Engineering and Environmental services management services have some small underspends on repairs and maintenance of vehicles along with temporary salary savings of **£59k**
- Trees and woodland management also have some salary savings of **£30k** while the service is under review.

Help me run a successful business (£15k saving)

The budgets within the strategic purpose include economic development, car parking, all licenses and costs associated with the town and other centres within the District.

- There are no significant variances in the quarter 3 to report.

Help me be financially independent (£33k overspend)

The strategic purpose includes all costs relating to the support of benefits and the administration and delivery of Council Tax services in the District.

- The variance projected of **£33k** mainly relates to additional resources required in the Revenues and Benefits teams to ensure the service can meet all the demands it faces at present.

Help me to live my life independently (£88k saving)

There are a number of budgets relating to the delivery of the strategic purpose including; Lifeline, Community Transport and Disabled Facilities Grants.

- There has been significant additional income received within the Lifeline service due to a new contract that has been procured with Cannock Chase District Council. This has been reflected in 2019/20 budgets.

Help me find somewhere to live in my locality (£33k saving)

The costs associated with homeless prevention, housing strategy and land charges are all included in the strategic purpose.

- Housing strategy and enabling services have an underspend due to salary savings and savings on other general supplies and services of **£33k**.

Provide Good things for me to see, do and visit (£37k saving)

The majority of budgets within this purpose relate to Leisure and Culture services.

- The variance projected is due to a shortfall in income of **£8k** within Business Development. This is due to a low interest this year on road island sponsorship
- This is offset by salary savings within parks and green spaces and sports services due to a new service structure implementation **£42k**.

Enable others to work/do what they need to do (to meet their purpose) (£208k saving)

All support services and corporate overheads are held within the enabling purpose. These include; IT, HR, Finance, Management team and other support costs.

- Accounts and Financial Management have saving of **£34k** which are due to vacant posts being held whilst the impact of the new financial system is considered.
- There are a number of unallocated savings that sit within the corporate / enabling services. Service savings have been identified during the year and have been allocated to reduce the figure at quarter 3. It is anticipated that the projected balance of **£102k** will be offset by further service savings during the final quarter of the year as detailed with savings monitoring at point 4 below.
- There is a projected underspend of **£91k** within Customer Services centre due to a one off business rate refund and salary vacancies.
- There are other salary vacancies within Equalities & Policy, Financial support, ICT and Legal Services projected **£176k** by the end of 2018/19.

It is worth noting that a vacancy management savings has been included in the 2019/20 budgets to offset the impact of vacant posts during the year.

Corporate Financing

- The projected outturn variance shown within Corporate Financing relates to two main factors. The Council have received a £85k discount for the advanced payment of Pension Contributions and there is small budget saving of £10k relating to minimum revenue provision.

3.4 Virement

The request for the virement from Economic Development to the Bromsgrove Centres Management budget of £23k detailed in 2.1 relates to consolidating the budgets associated with the Shared service agreement with NWEDR to ensure the allocation of funding is within one cost area.

4. Savings Monitoring

- 4.1 The medium term financial plan included £580k of savings identified to be delivered during 2018/19 and it is anticipated that these savings will be delivered during 2018/19 as detailed in Appendix 2.
- 4.2 In addition the £454k of unidentified savings for 2018/19, which sit within the corporate / enabling service as highlighted in the table above are also expected to be delivered based on current projections.
- 4.3 The year projected overall saving of £157k relates to further savings as detailed in the narrative above.

5. Cash Management

- 5.1 The financial position in relation to borrowing at the start of the financial year and year to date positions are shown in the table below:

Date	£m	Position
As at 31 st March 2018 (Actual)	13.0	Borrowing
As at 31 st December 2018	1.0	Borrowing

5.2 Borrowing

Outstanding as at the 31st December 2018 are £1m in short term borrowing with associated borrowing costs within the quarter of £0.5k.

An interest payable budget has been set of £71k for 2018/19 due to expenditure relating to current capital projects.

5.3 Investments

At 31st December 2018 there were no investments held.

6. Capital Budgets

<p>Capital Budget summary Financial Year 2018/19 – Overall Council</p>

Please note figures have been rounded

Strategic Purpose	Original Budget 2018/19 £'000	Revised budget 2018/19 £'000	Budget to date 2018/19 £'000	Actuals 2018/19 £'000	Variance 2018/19 £'000	Projected outturn 2018/19 £'000	Projected Variance 2018/19 £'000
Keep my place safe and looking good	2,238	2,238	1,706	1,236	-470	1,264	-974
Help me be financially independent	6	6	4	1	-3	1	-5
Help me to live my life independently	1,257	1,257	943	543	-400	808	-449
Provide good things for me to see, do and visit	566	1,167	976	269	-706	355	-812
Enable others to work/do what they need to do (to meet their purpose)	96	96	72	69	-3	92	-4
Totals	4,163	4,763	3,700	2,118	-1,583	2,520	-2,243

Finance commentary:

Keep my place safe and looking good

- The variance for quarter 2 relates to the following two projects;
 - Infrastructure works at the Bromsgrove depot - it is unlikely this will be spent this financial year due to the detailed design required for the works to be undertaken.
 - Vehicle replacement budget - there are delays on the vehicle replacement programme due to specification delays it is therefore anticipated that a request to carry forward the budget into next financial year 2019/20 will be made.

Help me be Financially independent

- The variance relates to funding originated from a grant obtained from the government by Warmer Worcestershire via WCC to be spent on Park Homes insulation within the Bromsgrove District however there are currently no suitable projects to spend this grant on therefore officers request that the budget is retained until suitable projects are available.

Help me to live my life independently

- The underspend projected relates to a number of projects ;
 - Energy Efficiency installations. This fund has been unable to be spent this year due to the need to procure the energy advice service prior to restarting the Bromsgrove Energy Efficiency Fund. The energy advice service will be procured with a 3 year contract April 2019 - March 2022.
 - Discretionary home repairs assistance which is due to a lack of applications being received

despite advertising.

- There will be a request to carry forward an underspend on the Disabled Facilities Grants due to delays in referrals from occupational therapists.

Provide Good things for me to see, do and visit

- The underspend projected relates to a number of projects ;
 - The project in relation to the Dolphin centre demolition is expected to be undertaken in the spring of 2019. Therefore the budget of £734k will be requested to be carried forward into the new financial year 2019/20.
 - The project providing £62k towards refurbishment of the Barnt Green Millennium Park - Toilets, remains under review by the Parish Council and it is likely it will be requested to be carried forward into the 2019/20 budget.

Enable others to work/do what they need to do (to meet their purpose)

- There are no significant individual variances in the quarter 3 to report. It is projected that all schemes will be completed by the end of the financial year 2018/19.

6.1 Parking Machines

The request for the virement of £120k for replacement parking machines currently held within the vehicle replacement programme budget as detailed in 2.3. This is to disaggregate the current programme to ensure clarity of the current spend under these project headings.

6.2 Disabled Facilities Grants

The request for approval of an increased budget £102k at 2.4 is due to an additional £55m for Disabled Facilities Grant being distributed to all relevant authorities for the ministry of Housing, Communities and Local Government. The £102k allocated to Bromsgrove district council is planned to be used for the delivery of agreed joint plans between Adult Social Care, Clinical Commissioning Groups and the Housing authorities across the county.

6.3 Footpath and Cycle Network

The request for approval of an increased budget £390k at 2.5 is due to a scheme that is worth £3.4 million to Worcestershire County Council funded through a Department for Transport initiative, (NPIF) National Productivity Investment Fund, which forms part of the wider transport and highways plan for the area and will see an additional six walking and cycling pathways being introduced over the next couple of years. This Capital Project is being designed by Bromsgrove District Council's Engineering and Design Services. It is a combined Footpath/Cycle Way link through Sanders Park from Whitford Road to Kidderminster Road. The construction works are programmed to commence Spring 2019, and are being undertaken to ensure that the Parks planned activities are inconvenienced as little as possible. Sanders Park is the largest scheme in the area and is to be completed by Spring 2020.

6.4 Dolphin Centre Sports Hall

As Members are aware the sports hall has been closed due to a number of health, safety and security issues. In addition approval was given in July 2018 to continue with the demolition of the site following members consideration of alternative hall provision and agreeing that the associated costs were prohibitive. Over the last few months officers have

continued to work with BAM and Everyone Active to secure an agreement on the use of the school hall. The Heads of Terms are agreed and the draft contract is currently with BAM. It is worth noting that agreements have to be approved at County and BAM Board and these decisions can often take a significant period of time.

- 6.4.1 Following member decision to demolish the site our professional advisors (MACE) formally tendered for the works for both demolition and the associated car park works. Everyone Active have discussed the impact that the current car parking arrangements and the visibility of the new centre with the old site and hoarding has on their customers and therefore the demolition and associated works is becoming increasingly urgent.
- 6.4.2 In total 7 contractors provided a submission for the works and the successful tender in terms of price and quality is at a value of £1.050m. This is £346k more than the current budget allocation of £734k which was based on previous estimated costs. Officers have been advised that this additional cost is due to a number of issues including; additional scaffolding and duration of demolition period following additional surveys, building works inflation (currently at approx. 7.5% pa), securing building contracts during a time of significant redevelopment across the Country and the disaggregation from the initial contract that was to be undertaken by Morgan Sindell which reduced the savings from using one contractor for the whole development.
- 6.4.3 It is proposed that the £346k is released from balances to fund the associated costs. Liaison will be undertaken with the school to ensure the demolition is undertaken outside of exam time to mitigate the impact on the students.
- 6.4.4 Officers have requested a further valuation on the remaining enabling land as it is expected that this will have increased from the original value of £1.8m and therefore this can offset the related increase in costs.

7. Earmarked Reserves

- 7.1 The position as at 31st December 2018 is shown in Appendix 1. The position at the 1st April 2018 was £3m and at the end of quarter 3 includes £2.6m that have been transferred to reserves. The majority of this relates to setting aside section 31 Business rate grant/estimated Business rate surplus to provide funding for future risks.

8. General Fund Balances

- 8.1 The General Fund Balance as at the 31th March 2018 was £4.789m. A balanced budget was approved in February 2018 to include identified savings which have been built into individual budget allocations. This also included a planned use of balances for 2018/19 of £9k.

During 2018/19 there has been a further approval of a use of balances of £600k towards the demolition of the Dolphin centre and implementation of additional car parking. Therefore, the current level of balances is £4.179m.

9. Legal Implications

- 9.1 No Legal implications have been identified.

10. Service/Operational Implications

10.1 Managers meet with finance officers on a monthly basis to consider the current financial position and to ensure actions are in place to mitigate any overspends.

11. Risk Management

11.1 Effective budget monitoring supports any risks associated with the Council.

APPENDICES

Appendix 1 - Earmarked Reserves 2018/19

Appendix 2 - Savings Monitoring 2018/19

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