

Key Decision Required:	Yes	In the Forward Plan:	Yes
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**CABINET  
5 SEPTEMBER 2017**

**REPORT OF FINANCE AND CORPORATE RESOURCES PORTFOLIO HOLDER**

**A.4 CORPORATE BUDGET MONITORING REPORT FOR THE FIRST QUARTER OF 2017/18**

(Report prepared by Richard Barrett)

**PART 1 – KEY INFORMATION**

**PURPOSE OF THE REPORT**

To provide an overview of the Council's actual financial position against the budget as at the end of June 2017.

**EXECUTIVE SUMMARY**

- The Council's financial position against the approved budget has been prepared for the period to the end of June 2017 and is the first such report for 2017/18.
- Some of the information set out in the Appendices has been refreshed for 2017/18. Separate appendices are no longer included for the significant income streams and council tax and business rate information.
- In respect of income streams, this was originally included in the wake of the financial crisis back in 2007/08 as this area of the budget emerged as a significant risk to the Council's financial position. Although it is still an important element of the budget, income streams have become more stable over the last 2 to 3 years with imminent risks subsiding. However the position against income is still included but is now being reported within the net position against service areas as set out in **Appendix B**, where comments are provided as necessary.
- In respect of the LCTSS, council tax and business rates, the level of detail included in previous years / quarters reflected the need to monitor the position in the early years of the LCTSS and the localisation of business rates. Similarly to the other income streams mentioned above, the position has stabilised in recent years so it is timely to reflect on the level of information reported within budget monitoring reports to ensure they remain accessible and highlight the most relevant financial information. Therefore there is no longer a separate appendix for council tax and business rates. However the information that has been removed will still be available as part of the overall budget setting processes during the year where it is more practical to set out additional details / information as part of the associated decision making processes.
- Notwithstanding the above, **Appendix E** has been revised to give a better snapshot in graphical form of the collection performance against the major income streams of council tax, business rates, housing rents and general debtors. This has been designed to give readers of this report a quick / clear picture of performance compared to previous quarters / years.

- In respect of the position at the end of June 2017, it is relatively early in the financial year and therefore some expenditure or income trends may still be emerging. However any significant issues arising to date have been highlighted and comments provided as necessary.
- The position to the end of June 2017, as set out in more detail in the Executive Summary attached, shows that overall the actual General Fund Revenue position is behind the profiled budget by **£1.871m**. After allowing for significant one-off budgets such as the Fit for Purpose Budget where commitments or decisions are still to be made, the position is revised to **£0.926m** behind the profiled budget. As has been the case in previous years, the variance at the end of the first quarter primarily reflects the timing of expenditure and income although as previously mentioned, underlying trends are likely to emerge or be confirmed over the next quarter.
- In respect of other areas of the budget such as the Housing Revenue Account, capital programme, collection performance and treasury activity, apart from additional details set out later on in this report, there are no major issues that have been identified to date.
- Any emerging issues will be monitored and updates provided in future budget monitoring reports along with their consideration as part of the Financial Strategy and budget setting framework for 2018/19 where a longer term response may be required.
- The budget monitoring process remains a fundamental element of influencing the forecast for future years through the identification of savings that can be 'banked' as the year progresses rather than just as part of the annual budget setting cycle. This enables the medium term forecast to be updated on an on-going basis with the savings identified being available to support future year's budget. Some potential favourable variances that are likely to remain over the remainder of the year are emerging but at this stage it is proposed to review them again over the next quarter to confirm their net value before looking to make an associated transfer to reserves.
- Other emerging issues have also arisen that require budget adjustments and/or specific recommendations with further details highlighted below.
- Following separate Cabinet decisions in the first part of the year, a number of schemes have now been included within the 2017/18 General Fund Capital Programme, including the Millenium Square project in Walton. For completeness, the recommendations below seek Cabinet's approval of the revised Capital programme for 2017/18.

## **RECOMMENDATION(S)**

**It is recommended that:**

**(a) The financial position as at the end of June 2017 be noted;**

**(b) in respect of the General Fund capital programme for 2017/18, a revised capital programme that totals £17.425m as set out in Appendix D be agreed; and**

**(c) the repair of the Venetian Bridge, Clacton be agreed and that the 2017/18 General Fund capital programme be increased by £0.205m to meet the cost of the**

necessary work, funded from the 2017/18 Fit for Purpose Budget.

## PART 2 – IMPLICATIONS OF THE DECISION

### DELIVERING PRIORITIES

Effective budgetary control is an important tool in ensuring the financial stability of the authority by drawing attention to issues of concern at an early stage so that appropriate action can be taken. Financial stability and awareness plays a key role in delivering the Council's corporate and community aims and priorities.

### FINANCE, OTHER RESOURCES AND RISK

#### Finance and other resources

The financial implications are considered in the body of the report.

#### Risk

A number of variances will be subject to change as the year progresses although at this stage it is expected that any adverse position can be managed within the overall budgets. The budget position will be monitored and reviewed as part of both the future budget monitoring arrangements and Financial Strategy Processes.

### LEGAL

The Local Government Act 2003 makes it a statutory duty that Local Authorities monitor income and expenditure against budget and take appropriate action if variances emerge.

### OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

**Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.**

There are no direct implications arising from this report.

## PART 3 – SUPPORTING INFORMATION

### BACKGROUND

The Council's financial position against the approved budget has been prepared for the period ending 30 June 2017.

As this is the first such report on the Council's financial position against the budget for 2017/18, some expenditure or income trends may still be emerging as it is still relatively early in the financial cycle. However comments are provided below where necessary.

### GENERAL FUND REVENUE

The position to the end of June 2017, as set out in more detail in the Executive Summary attached, shows that overall the actual position is behind the profiled budget by **£1.871m**.

After allowing for significant / one-off budgets such as the Fit for Purpose Budget where commitments or decisions are yet to be made, this position is revised to **£0.926m** behind the profiled budget with further details as follows:

<b>Variance As Set out In Executive Summary</b>	<b>(£1.871m)</b>
<b>Less Variances to date for Significant / One-off Budgets</b>	
Fit For Purpose	£0.211m
Contingency	£0.081m
New Homes Bonus	£0.353m
Local Plan	£0.300m
<b>Variance Excluding Significant / One-off Budgets</b>	<b>(£0.926m)</b>

After further excluding the variance for employee costs of **£0.186m**, which is covered separately below, the remaining net variance is **£0.740m**

As set out in the appendices, a considerable element of this remaining variance is due to the timing of expenditure and income or where commitments / decisions have yet to be made.

**Appendix B** provides further narrative around variances with the following providing highlights worth noting at the end of June 2017:

### **EXPENDITURE BUDGETS**

#### **Salaries / Employee Costs**

Overall employee expenses are behind profile by **£0.186m**.

As discussed during last year, services continue to challenge how they deliver their services so opportunities are taken to review staffing levels, such as when vacancies emerge, rather than automatically recruit on a like for like basis. Although the above variance will not directly translate into on-going budget reductions, it does reflect the one-off savings from vacancies over the first quarter of the year.

### **INCOME BUDGETS**

In addition to comments set out in the Appendices, some important variances to highlight to date are as follows:

- Parking income is ahead of the profiled budget by **£0.064m**.
- Crematorium income is currently running slightly behind the profiled position, a variance of **£0.043m**. However income can fluctuate over the year and potentially follow a different trend to previous years so it may recover back to the budgeted position over quarters 2 and 3.
- Beach Hut income is **£0.048m** ahead of the profiled budget to the end of June 2017 which is **£0.022m** ahead of the full year budget.
- Planning income continues to remain strong with income ahead of the profiled budget by **£0.117m** at the end of June 2017.

### **DELIVERY OF SAVINGS 2017/18**

Included within the 2017/18 budget were a number of items where actions were required to secure the necessary savings. A brief update against significant items is set out below:

- **Office Transformation** – only modest savings of **£0.020m** were included in 2017/18 from the closure of Clay Hall and other minor properties. The more

significant savings will accrue from the closure of the Weeley site, which remains subject to a business case that is expected to be approved in early autumn.

- **CAROS** – a saving of **£0.010m** was included for 2017/18 representing the natural growth in rents within the scheme as it currently stands. This will continue to be delivered via the negotiation of new leases as the previous ones expire.
- **Open Spaces and Play Areas** – the delivery of the expected savings of **£0.042m** in 2017/18 remain on-going.
- **Reduction in the number of Public Conveniences** – Work remains on-going to deliver budgeted savings of **£0.060m** in 2017/18, following the approval of a Public Convenience Strategy earlier in the year.

As highlighted, work remains on-going to deliver these savings, but it is acknowledged that although the total saving expected will be realised, the timing of when they impact on the budget may differ to that initially expected given the lead in times and associated decisions that are required. Therefore the position will remain under review and updates provided in the next quarter's budget monitoring report.

In addition to the above it is also worth highlighting the progress being made by the Council in becoming a registered training provider, which effectively replaces the current Career Track Service following the new Apprenticeship Levy arrangements introduced by the Government. All existing contracts with Colchester Institute are continuing throughout the majority of the year. However Government delays in the implementation of new training agreements with training providers mean that recruitment and the financial drawdown of money from the apprenticeship levy 'pot' has been significantly delayed. The impact these delays will have on the budget will be monitored over the remainder of the year.

#### **2017/18 BUDGET ADJUSTMENTS / ISSUES**

Included within the 2017/18 capital programme is a budget of **£149,800** to carry out repairs to the venetian bridge along Clacton seafront. Having carried out the necessary tender exercise the cost of repair has been identified as **£305,000** with an additional sum of **£50,000** for supervision costs and a contingency sum, giving a total cost of **£355,000**. The short fall in funding is therefore **£205,200**. Notwithstanding the iconic nature of the bridge, the alternative option to remove it has been considered. Estimated costs for removal are **£250,000**, however the exact extent of the work is unknown and this cost could easily escalate if sheet piling or other bracing is required, which is very likely. Although this option would remove the long term liability of retaining the bridge, the liability would in effect be replaced by having to maintain the stability of the embankments currently provided by the bridge.

Therefore it is proposed to carry out the necessary repairs to extend the life of the bridge far into the future and therefore retain it as an iconic focal point for visitors to the area.

It is proposed to make the following budget adjustments to fund the estimated repair costs of **£355,000**:

Existing Budget	2017/18 Budget Proposed	Budget Adjustment
Capital Programme – Venetian Bridge	Increase budget by <b>£205,200</b> ( <i>from £149,800 to £355,000.</i> )	
Fit for Purpose Budget	Reduce budget by <b>£205,200</b> ( <i>from £642,180 to £436,980</i> )	
Revenue Contribution to the capital programme	Increase budget by <b>£205,200</b> ( <i>from £7,565,630 to £7,770,830</i> )	

In addition to the above, is also timely to provide an update on the implementation of the 20% increase in planning fees that was agreed by Cabinet in June 2017. Although the original implementation date was the 1 July 2017, this has been delayed by the Government who need to implement the necessary regulations, which at the present time are not expected to be available until the autumn. Further updates will be provided later in the year.

#### **HOUSING REVENUE ACCOUNT – REVENUE**

An overall position is set out in the Executive Summary with further details included in **Appendix C**.

As at the end of June 2017, the HRA is **£0.048m** ahead of the net profiled budget and apart from the issue regarding rents set out below, there are no significant issues to highlight to date as this largely reflects the timing of expenditure such as the maintenance and repairs to the tenant's properties.

Although the overall impact for the year is still emerging, rental income is now running behind profile by **£0.100m** at the end of June 2017. This largely reflects the issue emerging last year where the average period properties remain void has increased. As discussed last year there is a mix of reasons that contribute to this position such as the condition of some properties when vacated by tenants, asbestos removal work being undertaken before properties are relet and the number of long term voids in sheltered blocks. Although these issues have continued into 2017/18, it is expected that this trend should start to reverse over time as asbestos work will reduce along with decisions being made about the long term future of sheltered accommodation once an associated review has been completed and reported to members later in the year. Notwithstanding the above, void loss will remain under review over the year and be considered as part of the 30 year HRA Business Plan as necessary.

Increased period of voids also increases the level of council tax payable on empty properties which therefore presents a secondary impact to the overall HRA position.

#### **CAPITAL PROGRAMME – GENERAL FUND**

The overall position is set out in **Appendix D**.

As at the end of June 2017 the programme is behind profile by **£0.562m**. As a number of schemes have yet to incur any significant expenditure, updates are provided against a number of the larger schemes to inform Members about the progress being made to deliver them.

There are no significant issues to highlight at the present time with additional comments set out in **Appendix D**.

As mentioned earlier, the Capital Programme now includes the various schemes approved by Cabinet so far this year, with the overall programme now totalling **£17.425m** in 2017/18.

#### **CAPITAL PROGRAMME – HOUSING REVENUE ACCOUNT**

As at the end of June 2017 the programme is behind profile by **£0.229m**.

This budget relates primarily to the on-going major repairs and improvements to the Council's own dwellings. There are no specific issues to highlight at this stage and the expectation is that expenditure / commitments will be broadly in line with the budget over the course of the year as work is progressed and procurement processes completed.

Additional capital receipts are now starting to be retained from qualifying right to buy disposals. These are called 1 for 1 receipts and their retention requires the Council to have spent them on delivering affordable / social housing within two years from when they were received. To provide additional controls / governance around this issue and to ensure that the money is spent before respective 'expiry dates', attention is being drawn to this issue within **Appendix D**.

#### **COLLECTION PERFORMANCE**

A detailed analysis of the current position is shown in **Appendix E**.

There are no significant issues to highlight at the present time. Income will continue to be collected over the remainder of the year with recovery arrangements and action taken as necessary.

The collection of general debt is running slightly behind the position for the same period last year, but this is primarily due to the issue highlighted at the end of 2016/17 regarding theatre income where action is being taken to recover money owed in connection with a potential fraud committed against the Council.

#### **TREASURY ACTIVITY**

A detailed analysis of the current position is shown in **Appendix F**

There are no significant matters to highlight at the end of June with investment and borrowing activity on-going in line with the Treasury Strategy and associated practices / requirements.

#### **BACKGROUND PAPERS FOR THE DECISION**

None

#### **APPENDICES**

Front Cover and Executive Summary

Appendix A – Summary by Portfolio / Committee

Appendix B – General Fund Budget Position by Department

Appendix C – Housing Revenue Account Budget Position

Appendix D – Capital Programme

Appendix E – Collection Performance – Council Tax, Business Rates, Housing Rent and  
General Debts

Appendix F – Treasury Activity

Appendix G – Income from S106 Agreements