

Key Decision Required:	Yes	In the Forward Plan:	Yes
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CABINET

16 FEBRUARY 2018

REPORT OF FINANCE AND CORPORATE RESOURCES PORTFOLIO HOLDER

A.6 CORPORATE BUDGET MONITORING REPORT FOR THE THIRD 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 December 2017.

EXECUTIVE SUMMARY

- The Council's financial position against the approved budget has been prepared for the period to the end of December 2017.
- The information set out in this report is now based on the 2017/18 revised budget presented to Council on 6 February 2018.
- The position to the end of December 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 **£2.027m**. 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 **£0.245m** behind the profiled budget.
- 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 further issues to highlight to date.
- As in previous years, it is recognised that a number of smaller variances within services emerge over the course of the year that would not necessarily be specifically highlighted or discussed within the Corporate Budget Monitoring reports. Although a significant number of budgets have been revised as part of the financial strategy process, it is still possible that a range of smaller variances may remain at the end of the year and contribute to the overall position. Also a number of budgets that relate to schemes / initiatives or earmarked for specific purposes may not be fully spent by the end of the year and may be subject to end of year processes such as carry forward requests and therefore remain committed. However at this stage and after taking into account the current position and information available it is anticipated that any adverse issues will be offset by favourable variances elsewhere within the overall budget at the end of the year.
- The opportunity has been taken to bring together a number of business investment and growth budgets within both the revenue account and capital programme.

Further details are set out later on in this report along with an associated recommendation.

RECOMMENDATION(S)

It is recommended that:

- (a) the financial position as at the end of December 2017 be noted; and**
- (b) Business Investment and Growth revenue and capital budgets be merged in 2017/18, as set out in this report, which would remain subject to further decisions once potential uses of the funding are identified / proposed.**

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 31 December 2017.

The information set out in this report is now based on the 2017/18 revised budget presented to Council on 6 February 2018, which includes adjustments for items previously highlighted at the end of the second quarter. Therefore some issues previously highlighted

no longer appear within the budget monitoring report.

GENERAL FUND REVENUE

The position to the end of December 2017, as set out in more detail in the Executive Summary attached, shows that overall the actual position is behind the profiled budget by **£2.027m**.

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 **£0.245m** behind the profiled budget with further details as follows:

Variance As Set out In Executive Summary	(£2.027m)
<i>Less Variances to date for Significant / One-off Budgets</i>	
Fit For Purpose	£0.328m
Contingency	£0.242m
New Homes Bonus	£0.311m
Local Plan	£0.901m
Variance Excluding Significant / One-off Budgets	(£0.245m)

After further excluding the variance for employee costs of **£0.282m**, which is covered separately below, the remaining net variance is **£0.037m**

As set out in the appendices, elements of this remaining variance are 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 highlighting significant issues at the end of December 2017:

EXPENDITURE BUDGETS

Salaries / Employee Costs

Overall employee expenses are behind profile by **£0.282m**

Although the salary budgets were adjusted as part of the revised budget process for 2017/18, a full establishment for the second half of the year would have been budgeted for but reduced by an allowance for vacancies. The vacancy allowance budgeted for has turned out to be more cautious than the actual position that has emerged, with a favourable position therefore expected to remain at the end 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 has recovered to a large extent since quarter two, but cemetery income is now moving behind profile with an adverse variance of **£0.028m** at the end of the third quarter.
- Although planning income budgets were adjusted as part of the revised budget 2017/18, income continues to remain very strong with income ahead of the profiled budget by **£0.344m** at the end of December 2017.

DELIVERY OF SAVINGS 2017/18

Included within the 2017/18 budget are the following items where actions were required to secure the necessary savings. Work remains on-going to deliver the required savings with no significant issues to highlight to date.

- **Office Transformation** (*Latest update on the associated capital project is set out in **Appendix D***)
- **CAROS**
- **Open Spaces and Play Areas.**
- **Reduction in the number of Public Conveniences** (*Latest update on the associated capital project is set out in **Appendix D***)

As highlighted in previous budget monitoring reports, the delay in Government guidance has had a continuing impact on the Council's Career Track Budget. Although the final position for the year is still emerging, any adverse variance is expected to be managed within the Council's overall financial position at the end of the year.

2017/18 BUDGET ADJUSTMENTS / OTHER ISSUES

As part of general budget 'housekeeping', it is proposed to take the opportunity to merge a small number of business investment and growth budgets. It is important to highlight that spending from the merged budgets would still remain subject to separate reports once detailed commitments are identified. The following budget adjustments are proposed:

Budget Item	Current Budget 2017/18	Proposed Adjustment	Revised Budget 2017/18	Comments
<i>General Fund Revenue</i>				
Development Growth Fund	£500,000	Reduce by £500,000	£0	Consolidate budget within Business Investment and Growth budget below
Broadband (funding held in reserves)	£347,980	Reduce by £347,980	£0	£597,980 was originally set aside to support the roll out of superfast broadband across Tendring. £347,980 represents the balance of funding remaining following the recent approval of a contribution of £250,000 to the broadband project. It is proposed to consolidate this uncommitted balance within the Business Investment and Growth budget below

Business Investment and Growth Projects	£980,600	Increase by £847,980	£1,828,580	Consolidating budgets previously held separately above
General Fund Capital				
Clacton Regeneration	£41,180	Reduce by £41,180	£0	Consolidate budget within Regeneration Capital Projects line below
Regeneration Capital Projects	£308,000	Increase by £41,180	£349,180	Consolidating budget previously held separately above

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 December 2017, the HRA is **£0.122m** behind the net profiled budget. 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 rental income budget was adjusted as part of the revised budget process, void loss is still running a little ahead of the profiled position (**£0.085m** against an annual budget of **£13.107m**). A short term issue contributing to this position is the situation at Honeycroft and Spendells Sheltered Housing Schemes. However at this stage of the financial year, it is anticipated that any adverse impact that may remain at the end of the year will be able to be accommodated within the overall net HRA budget.

CAPITAL PROGRAMME – GENERAL FUND

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

As at the end of December 2017 the programme is behind profile by **£0.188m**.

As was the case at the end of the second quarter, a number of schemes have yet to incur any significant expenditure but 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**.

CAPITAL PROGRAMME – HOUSING REVENUE ACCOUNT

As at the end of December 2017 the programme is behind profile by **£0.952m**.

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.

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 now running behind the position for the same period last year. However there remains a significant impact from the issue previously highlighted regarding theatre income where action is being taken to recover money owed in connection with a potential fraud committed against the Council. In addition, **£0.122m** is owed by one debtor at the end of December 2017 which is expected to be paid in the last quarter of the 2017/18.

TREASURY ACTIVITY

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

Apart from the issue set out below, there are no significant matters to highlight at the present time with investment and borrowing activity on-going in line with the Treasury Strategy and associated practices / requirements.

On 10 November 2017, Cabinet agreed to increase the aggregate amount of money that can be placed overnight with the Council's bankers from **£1.000m** to **£1.500m** for each day the offices are closed over the Christmas break. This was intended to provide adequate 'headroom' to accommodate payments made directly to the Council's bank account over the same period.

Unfortunately on 29 December 2017 the actual amount held overnight until 2 January was **£1.536m**, which exceeded the revised limit by **£0.036m**. Although it is good to see that customers are increasingly shifting to electronic payment methods, the amount received over the Christmas period exceeded expectations. However the total across all accounts held with the Councils' bankers was **£3.283m**, which was below the overall limit of **£4.000m** allowable. This did not expose the Council to any significant additional risk and it is proposed to review the position again this year to identify how this situation can be prevented in future.

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