



Title	Budget review to 30 September 2018
For further information about this report please contact	Andy Crump (01926 456810) Mike Snow (01926 456800)
Wards of the District directly affected	N/A
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No
Date and meeting when issue was last considered and relevant minute number	August 2018 Executive – Budget review to 30 th June 2018
Background Papers	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No
Equality Impact Assessment Undertaken	No)

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	5/11/18	Andrew Jones
Head of Service	5/11/18	Mike Snow
CMT	5/11/18	
Section 151 Officer	5/11/18	Mike Snow
Monitoring Officer	5/11/18	Andrew Jones
Finance	5/11/18	Finance Report
Portfolio Holder(s)	12/11/18	Councillor Whiting
Consultation & Community Engagement		
Not applicable		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below)		

1. SUMMARY

- 1.1 Since the Budgets were reported on to Executive in August of this year, various changes have been identified and are now presented to Members for their approval and to inform them of the latest financial position for both 2018/19 and in the medium term. The Medium Term Financial Strategy was also included in that Report, this Report updates Members on changes since August.

2. RECOMMENDATIONS

- 2.1 That the Executive notes the latest variances for the General Fund budget, the projected outturn on budget and approve the budget changes detailed in paragraph 3.1.
- 2.2 That the Executive notes the latest variances for the Housing Revenue Account, the projected outturn and approve the budget changes detailed in paragraph 3.3.
- 2.3 That Members approve an emergency payment of £11,500 to Chase Meadow Community Centre Ltd from the Contingency Budget for 2018/19 to cover staffing and service charge costs up to the end of this current financial year.
- 2.4 That the Executive notes the spend to date on Earmarked Reserves brought forward from 2017/18, paragraph 3.6.
- 2.5 That the Executive agrees to changes to the Capital Programme, including the slippage to 2019/20 and the saving for 2018/19, paragraph 3.7.
- 2.6 That the Executive notes the latest forecast savings (£659,000) to be identified and achieved by 2023/24 as shown within the Medium Term Financial Strategy, paragraph 3.8.
- 2.7 That the Executive agrees that the £914,000 2017/18 surplus is allocated as in section 3.9
- 2.8 That the Executive agrees to fund the recurrent revenue costs for the Shared Information Governance Manager and the one off cost for the Committee Management System.
- 2.9 That Executive recommends to Council that Low Volatility Net Asset Value Funds (LVNAV) are added to the Council's Investment Counterparty list with immediate effect as outlined in paragraphs 3.11.1 to 3.11.3.

3. REASONS FOR THE RECOMMENDATIONS

- 3.1 This is the second report updating Members on the 2018/19 Budgets since they approved the Original Budgets in February of this year.

3.1.1. Recommendation 2.1

The Accountancy Team have worked with Budget Managers and the following Variations have been identified with Budget being amended accordingly. The following table shows those reported for quarter one.

2018-19	Variance £	One-Off/ Recurring
Major Variations	Favourable/Adverse	
Balance from Executive report – Q1	39,800 (F)	
Homelessness /housing advice legal fees spike in costs 2018/19.	30,000 (A)	One-Off
Leisure Centres – reduced rent during construction/refurbishment period	5,000 (A)	One-Off
Bowls National Championships de-compacting and re-seeding the ground in Victoria Park + for car park management and security as well as paying for traffic signs and the flags on the Parade.	9,300 (A)	One-Off
High Value Leases. Works required before property could be re-let and rent Holidays	32,100 (A)	One-Off
Balance of Deed of Release + Lease for Portakabin	9,000 (F)	One-Off
Additional net income RSC less additional IT Software Licence charges and fees and charges.	29,900 (F)	Recurring
Fees & Charges report Bereavement – Cemeteries – increased income	42,300 (F)	Recurring
Fees & Charges report Bereavement - Crematorium	8,500 (F)	Recurring
Changes in Business Rates to WDC Properties	61,100 (F)	One-Off
Insurance Provision top-up not required	25,000 (F)	One-Off
Revised provision for Cyclical and Responsive Maintenance Budgets following review	95,500 (A)	Recurring
Council Tax & Housing Benefit Costs	97,000 (A)	Recurring
Increased Benefits administration grant	97,100 (F)	One-Off
Enterprise Team Fees & Charges	21,000 (F)	Recurring
Finance Leisure Option savings not possible despite review of options.	13,800 (A)	Recurring
Increase in External Audit Fee due to late closedown of 2017/18 Final Accounts	15,000 (A)	One-Off
Litter and Waste – Per June Exec to be reserve funded	96,000 (A)	One-Off
Parks Team – Per June Exec to be reserve funded	49,000 (A)	Recurring

Waste Management Income Growth - subsequent increase in future years	11,400 (F)	One-Off
Local Authority Data Sharing Costs - March 2018 & October 2018	13,400 (A)	One-Off
Additional Subsidy/Grant 2018/19 - Welfare Reform Changes/SFIS/New Burdens/Universal Credit/Self Employed Funding Review/LADS	76,300 (F)	One-Off
Ring fenced accounts -		
There will therefore be a £40K recurring favourable variation to report on Building Control Income this year.	40,000 (F)	Recurring
Land Charges - the LLC1 fee from the 11 July 2018 is now administered by the Land Registry. There will be a £18.6K reduction in the land charges income this year and £25K next year because of this.	18,600 (A)	Recurring
Major Variations (incl bal b/f from Q1)	13,300 (A)	
Minor Variations	500 (F)	
Salary Variations –GF – Appendix D	77,800 (A)	
Total carried forward	90,600 (A)	

3.1.2 The Base Budget report to Executive in January will present an update to the 2018/19 variance. It is at that stage the treatment of the final balance should be considered.

3.2 Salary Variations

Appendix D details the salary variations (£77,800 adverse) currently being reported.

3.3 Recommendation 2.2

HRA Revenue – changed from a forecast underspend of **£49,700 to an adverse variation of £139,000**, made up of the variations below:-

Staffing costs - £17,500 adverse – additional staffing cost for a priority families support worker.

Communal cleaning -£4,400 adverse – additions of the recently acquired new HRA property, Beauchamp House to the contract schedule.

Repairs & Maintenance - £14,300 adverse. Communal flooring work to commence as part of high rise refurbishment programme.

Sayer Court fuel - £19,900 adverse

The costs of providing utilities (gas, electric, bio-mass) at Sayer Court are recovered through service charges, as set out in the HRA Heating and Lighting Charges report approved by Executive in February 2018. A technical

adjustment is required as these costs were not also factored into the 2018/19 budget.

Various other fuel budgets - £9,400 favourable

HRA Salaries - £91,000 adverse (see details at Appendix D)

Lifeline Fees & Charges - £51,000 adverse Income below budget profile following the changes implemented as a result of the Housing Related Support report approved by Executive in June 2017.

Total Variations **139,000 (A)**

3.4 Recommendation 2.3

Contingency Budget – Appendix A gives details of the allocations out of this budget with a balance of £140,000 (at 30th September).

Chase Meadow Community Centre – Emergency Funding

Chase Meadow Community Centre – a partnership between CMCC Ltd, St Michael’s Church and Warwick District Council – has had a successful four years of operation since its opening in late 2013. It’s focus since 2017 has been on further development of its community programme and ensuring the Centre meets the needs and aspirations of residents of West Warwick and the surrounding villages. The appointment of a Community Development Manager (part time) from March 2017 has extended the community development programme and also attracted external community revenue funding. Securing this post over the next 3 years will be critical to CMCC’s future.

In spite of the Centre’s successes, CMCC Ltd accounts have slipped into a small operating deficit in 2017 giving concern to the Directors and triggering a new Strategic Business Plan designed to sustain the centre and its activities up to 2022 and beyond. The Business Plan has identified the Council, amongst others, as a potential long term funding source and a full follow on report will be going to February Executive detailing our position and subsequent recommendation/s.

However, in the meantime, there is an urgent requirement for CMCC Ltd to find funding to pay for the Community Development Manager’s salary up to the end of the current financial year (£5,000) and to cover the Estates Management Service Charge (£6,500 pa).

This would leave a balance of £128,500 for the rest of the year, if agreed.

The Apprenticeships Budget (£100k) may be potentially £50k underspent in 2018/19. More recruitment is planned between now and March but even so, the budget is still likely to be significantly underspent. An update of this budget will be included in the Base Budget report in January.

3.5 Major Income – Appendix B shows a detailed breakdown over several years of the Council’s Major Income Budgets. The first 6 months’ actuals have been profiled to project the potential out-turn for 2018/19, based upon prior year.

3.6 Recommendation 2.4

Earmarked Reserves Requests upon the 2017/18 closure of Accounts were approved under delegated authority by the Head of Finance in conjunction with the Finance Portfolio Holder. These will be closely monitored and regularly reported during 2018/19. These Earmarked reserves (Appendix C) show expenditure to date equating to just under 30% of the budget. It is expected that the rate of spend will increase over the next few months.

3.7 Recommendation 2.5

Capital –The following proposed changes to the Capital Budget have been identified:-

- 1) Transforming Our Workplace- £20k slippage to 2019/20 as may be required for scanning.
- 2) Whitnash Community Hub- £115,478 increase in budget due to Section 106 monies being allocated to project.
- 3) The Broadband UK scheme is reporting a £7,500 saving.
- 4) Stock Condition Survey - £310,000 to replace very poor and poor condition windows in our block flats to be funded by the HRA Major Repairs Reserve.

3.8 Recommendation 2.6

Medium Term Financial Strategy

3.8.1 The Strategy was last presented to Members as part of the Quarter One Budget Review Report in August. At that point it was forecast that £510,000 in savings needed to be identified and achieved by 2023/24 to enable the Council to set a balanced budget.

3.8.2 Since then there have been many changes, some of which are discussed in Section 3.1.1 above. Others have come to light as part of the 2019/20 Budget Setting Process. All of the recurrent amendments to these will impact upon the 5 year Financial Strategy. This section details significant changes in excess of £25,000.

3.8.3 There have been many changes to Staffing Budgets. The most notable being-

- In July of this year, Members approved that the Car Parks Project Manager be made permanent. The Fixed term post was due to end in October 2018. However, with the forthcoming projects across the District, there was a need for the post to be made permanent. The additional costs in 2018/19 are being funded from the Contingency Budget. The £49,000 recurrent cost has been built into the 2019/20 Budget.
- In August Members approved the Restructure of the Assets Team within the Property Department. Now that the staff have been allocated to posts, the costs have increased by £27,000 above that previously reported.
- In September members approved the revised staffing arrangements at the Crematorium. These costs have been built into Budgets, alongside minor changes to staffing in the Cemeteries, a total impact of £40,000.

- Auto-enrolment has seen an increase in the number of staff joining the Pensions Scheme. Alongside this, there have been regradings within the Finance Service with another post being restored to full time, a total cost of £88,000.

- 3.8.4 In September, Members approved the 2019/20 Fees and Charges Report. They were informed that income for 2019/20 would be £145,000 above the 2% originally factored into the Strategy.
- 3.8.5 Earlier in the year, savings of £30,000 were removed from ICT Budgets. In June 2017, Members had received a Report on 'Transforming our Workplace'. This gave delegated authority to procure new products. The Revenue implications are equivalent to the saving previously given up which has now been restored.
- 3.8.6 With effect from the 18th July, the Council can no longer retain Local Land Charges' LLC1' fee income; this is now paid to the Land Registry, an annual loss of £25,000, part year effect of £18,600 in 2018/19.
- 3.8.7 The uplift for Business Rates in 2019/20 has increased by more than the 2% factored into the Strategy, at 2.4% in line with September's CPI. However, this has been more than offset by reductions in the Rateable values of some of the Council's premises during 2018/19.
- 3.8.9 Scrutinising the 2018/19 Budgets as part of next year's Budget Setting, it has been established that Spa Centre Income can be increased by £39,000 recurrently. This is over and above income already reported in the Fees and Charges Report.
- 3.8.10 In October of this year, the 2019/20 Taxbase was calculated and the local preceptors notified. The Taxbase is 55,577.17 Band D Equivalents, which is 1,077.17 higher than that factored into the Strategy of 54,500. This will generate additional income of some £180,000 in 2019/20 than previously forecast and £224,000 by 2023/24. The tax base is forecast to increase by 2% annually, this will continue to be reviewed in light of new development.
- 3.8.11 The Housing Benefits Subsidy Mid-Year Claim for 2018/19 has identified a net shortfall of some £97,000. This primarily relates to reductions in Benefits overpayments as a result of Real Time Information and changes in circumstances being reported more promptly on-line. In the interests of prudence it is assumed future years will face similar shortfalls.
- 3.8.12 The Cyclical and Responsive Repairs and Maintenance Programme has been reviewed as part of the 2019/20 Budget Setting Process. Budgets have had to be increased by £96,000 recurrently.
- 3.8.13 Neighbourhood Services have reviewed the projected increased property growth and how this will impact on Waste Collection, Recycling Credits and Street Cleaning. Overall there is net reduction in ongoing Budgets of some £28,000 in future years, the figure above is a part year effect.
- 3.8.14 The Table below summarises these changes-

	£'000's
Quarter 1 savings reported in August	510
<u>Changes-</u>	
Car Park Project Manager made permanent	46
Land Charges Fee Income	25
Assets Team Restructure	27
ICT procurement savings on ICT contracts used for other products	29
Fees & Charges income above 2% assumption	-146
Bereavement Salaries	40
NNDR inflation/Reduced Rateable values net	-32
Spa Centre Income	-39
Increase in Tax Base	-224
Housing Benefits net increase	97
Repairs & Maintenance	96
updated Property Growth-Major Contracts	-28
Finance Salaries	88
Changes below £25,000	170
Quarter 2 projected savings required	659

3.8.15 The profile of this savings requirement is shown below-

	18/19 original £,000	18/19 latest £,000	19/20 £,000	20/21 £,000	21/22 £,000	22/23 £,000	23/24 £,000
Deficit-Savings Required(+) /Surplus(-) future years	0	41	74	323	779	357	659
Change on previous year	0		74	249	456	-422	302
Current Year Surplus(-) Deficit (+)		41					

3.8.16 Members will be kept informed of further changes as part of the January and February Budget Setting Reports.

3.9 Recommendation 2.7 Final Accounts 2017/18

3.9.1 Within the Final Accounts report to Executive in July 2018, the surplus for the year was reported at £938,000. The surplus was allocated to the General Fund Balance for appropriation during 2018/19. The figure was subject to the on-going work to finalise the Statement of Accounts and the audit thereof. With the audit virtually concluded, the adjusted surplus for the year is £914,000.

- 3.9.2 Within the further work on the 2017/18 Accounts, it has become apparent that funding was not carried forward for the work on digital transformation programme (£86k) and the shared (with SDC) data protection post (£30k). This £116,000 should be allocated from the 2017/18 surplus.
- 3.9.3 The variance on salaries in 2018/19 has been noted within section 3.3. An element of this relates to Accountancy salaries and the measures agreed to be put in place in relation to the future Final Accounts closedown requirements, as reported to Executive in October. It is estimated that this will cost £74,000 in 2018/19 and £54,000 in 2019/20. It is recommended that this is funded from the 2017/18 surplus. This has been factored in to the MTFS so reducing the shortfall shown in 2018/19 and 2019/20 in paragraph 3.8.15.
- 3.9.4 There has been a growth in the amount of RUCIS grants requested and the budget is likely to be over-subscribed by £50,000 in the current financial year. It is recommended that this is funded from the 2017/18 surplus.
- 3.9.5 The 2018/19 Contingency Budget has had some demands on it so far this year and should be replenished. It is recommended that £100,000 of the surplus is allocated to this budget.
- 3.9.6 With many demands for community projects coming forward, it is recommended that the balance of the 2017/18 surplus, less £50,000 for the RUCIS contribution and £100,000 to the Contingency Budget above, £520,000, is allocated to the Community Projects Reserve which currently has a balance of just under £20,000. This will bring the unallocated balance to £540,000.

3.10 Recommendation 2.8

Shared Information Governance and Committee Management System

- 3.10.1 It has been recognised that the Shared Information Governance Manager Role with Stratford District Council is working well for both Council's. There was an initial two year agreement to trial this to ensure it worked successfully. Reviewing this both Council's now wish to make the arrangement permanent via an agreed SLA. Therefore half the salary (including on costs) of the service is sought which at this time is £20,000.
- 3.10.2 Due to the replacement of the estates server there is an associated cost, not included within the project costs for relocating the Committee Management System on to the new server by the Council's supplier for the system. The cost for this was £3,800 and because no budgetary allocation was made for this, this will be a recorded overspend for the year.

3.11 Recommendation 2.9 Treasury Management

- 3.11.1 The Treasury Management function is in accordance with existing policies. The Prudential Code 2017 introduced a new requirement for local authorities to produce an annual Capital Strategy with full implementation

in 2019/20. This will be reported alongside the 2019/20 Budget and Treasury Management reports in February 2019.

3.11.2 The Money Market Fund sector is introducing new regulations which will see existing non-government Constant Net Asset Value (CNAV) funds such as those currently invested in by the Council e.g. Invesco and Goldman Sachs convert to Low Volatility Net Asset Value (LVNAV) pricing. It is understood that there is little likelihood of the unit price in such funds varying from the current CNAV practice i.e. £1 in= £1 out and the current credit rating for CNAV funds also applies to the new LVNAV funds. This change is expected to occur in the very early stages of 2019. Therefore this needs to be reflected in the 2018/19 Treasury Management Strategy and investment counterparty list in order for the Council to continue using the current CNAV funds that it invests in. There is no change to the current regulations affecting Variable Net Asset Value (VNAV) funds such as those utilised by the Council e.g. the RLAM Cash Plus Fund.

3.11.3 It is therefore recommended that in addition to the current CNAV and VNAV MMF categories within the Council's approved investment counterparty list, a new category of LVNAV fund is introduced with immediate effect and that the current counterparty limits for CNAV funds will also apply to the new LVNAV funds.

4. **POLICY FRAMEWORK**

4.1 **Financial Strategy**

This report is in accordance with the Council's Financial Strategy as last approved by the Executive in February.

4.2 **Fit for the Future**

"The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The table below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy."

FFF Strands		
People	Services	Money
External		
Health, Homes, Communities	Green, Clean, Safe	Infrastructure, Enterprise, Employment
<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities	<u>Intended outcomes:</u> Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/productivity of local economy Increased employment and income levels
Impacts of Proposal		
The general fund and HRA budgets provide	The general fund and HRA budgets provide the	The general fund and HRA budgets provide the

the necessary resources to achieve these outcomes	necessary resources to achieve these outcomes	necessary resources to achieve these outcomes
Internal		
Effective Staff	Maintain or Improve Services	Firm Financial Footing over the Longer Term
<u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours	<u>Intended outcomes:</u> Focusing on our customers' needs Continuously improve our processes Increase the digital provision of services	<u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money
Impacts of Proposal		
The general fund and HRA budgets provide the necessary resources to achieve these outcomes	The general fund and HRA budgets provide the necessary resources to achieve these outcomes	The general fund and HRA budgets provide the necessary resources to achieve these outcomes

4.3 **Community Engagement**

4.3.1 Not applicable

4.4 **Changes to Existing Policies**

4.4.1 There are no changes proposed to existing policies.

4.5 **Impact Assessments**

4.5.1 Not applicable

5. **BUDGETARY FRAMEWORK**

5.1 Officers review current year budgets on a monthly basis at the same time as considering implications for the medium term. Members are updated on a quarterly basis.

5.2 The Budget Review Process provides a planning tool to ensure resources are directed to the Council's priorities. Alongside the Council's own activities, external factors influencing its finances are also taken into consideration, for example Central Government Financing, the Business Rates Retention scheme, changes in legislation and the economy.

5.3 The Council maintains its Reserves to deliver Capital and other projects, and to ensure that there are sufficient resources available to manage

unforeseen demands and continue to deliver its services. Close monitoring of these Reserve balances and Capital Programme, together with plans to replenish them will preserve the financial stability of the organisation for future years.

5.4 The Medium Term Financial Strategy is discussed in section 3.8.

6 RISKS

6.1 The Council's Significant Business Risk Register contains several risks which are finance related. Shortage of finance will impact upon the Council's plans for the provision of services. Reduced income or increased expenditure will reduce the funding available.

6.2 The main sources of income which may be subject to reductions include:-

- Government grant (e.g. Revenue Support Grant, Benefits Administration Grant)
- Business Rates Retention
- Fees and charges from the provision of services
- Rent income
- Investment Income

6.3 Increased expenditure in service provision may be due to:-

- Inflation and price increases for supplies and services.
- Increased demand for services increasing costs
- Changes to taxation regime
- Unplanned expenditure
- Assumed savings in budgets not materialising

6.4 Triggers for increased costs or reduced income include:-

- Economic cycle – impacting upon inflation, interest rates, unemployment, demand for services, Government funding available
- Unplanned expenditure, e.g. Costs from uninsured events, Costs of planning appeals or other legal process
- Project costs – whereby there are unforeseen costs, or the project is not properly costed, or the risks related to them are not properly managed.
- Changes to assumptions underpinning the Medium Term Financial Strategy – these assumptions are closely monitored.
- 2020/21 remains a major risk for local government funding with the implementation of the Fair Funding Review, and changes to the Business Rate Retention scheme to 75% and a “re-set” of the baseline. Projections are believed to be prudent, but it is possible the Council's share of Business Rates may reduce below that assumed.

6.5 Many controls and mitigations are in place to help manage these risks. These include:-

- The comprehensive Budget Review process. This entails all budget managers reviewing their budgets on at least a monthly basis, considering previous, current and future years, along with any possible issues that may impact upon their budgets. As part of this

process, Budget Review reports are issued to the Executive and Senior Management Team.

- Financial Planning with the Medium Term Financial Strategy/financial projections, bringing together all issues that will impact on the Council's finances in the medium term.
- Financial controls, including the Codes of Financial and Procurement Practice, system controls, reconciliations, audit (internal and external).
- Project Management and associated controls.
- Trained staff and access to appropriate professional advice (e.g. WCC Legal, Local Government Futures for advice on local government funding).
- Risk Management process across the Council, including the on-going review and maintenance of risk registers.
- Scrutiny by Members of the Council's finances, including Budget and Treasury Management Reports, and the financial implications of all proposals brought to them for consideration.
- Within the 2018/19 Accounts, there is a Contingency Budget with an uncommitted balance of £140,000 (prior to this meeting) for any unplanned or unavoidable expenditure.
- Reserves – Whilst much of these Reserves have already been earmarked for specific projects, it is important that Reserves are held for any unforeseen demands.
- In addition to the reserves, the Council holds the General Fund Balance of £1.5m. This is available to accommodate any unplanned expenditure, or to make up any shortfall in income. However, the Council should seek to maintain the balance at this level.
- The specific causes of reductions to income or increased expenditure should continue to be managed by the relevant Service Area as part of managing the risks within each Service Risk Register. Individual Service Area Risk Registers are brought to Finance & Audit Scrutiny Committee on a rolling programme every 2 years.

7 ALTERNATIVE OPTION CONSIDERED

- 7.1 Monitoring expenditure and income and maintaining financial projections is good financial management and part of good governance. Accordingly, to propose otherwise is not considered.