



Title	Budget Review to 30 th June 2019
For further information about this report please contact	Andy Crump (01926 456810) Andrew Rollins (01926 456013)
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Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?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	February 2019 Executive – Budget Setting
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	05/8/19	Chris Elliott
Head of Service	17/7/19	Mike Snow
CMT		
Section 151 Officer	17/7/19	Mike Snow
Monitoring Officer	31/7/19	Andrew Jones
Finance	31/7/19	Finance Report
Portfolio Holder(s)	05/8/19	Councillor Hales
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 set in February of this year, various changes have been identified and are now presented to Members for their consideration and to inform them of the latest financial position for both 2019/20 and in the medium term.

2. RECOMMENDATIONS

- 2.1 That the Executive notes the latest variances for the General Fund budget, and the work being undertaken by officers to see how these can be accommodated within the overall budget, and the potential impact on the savings to be found by the Council, as depicted by the Medium Term Financial Strategy, and on the General Fund Balance, should it not be possible to contain these variances.
- 2.2 That the Executive notes the latest variances for the Housing Revenue Account, the projected outturn and, again, the work being undertaken by Budget Managers to see how these can be accommodated within the overall budget, and the potential impact on the contribution to the Housing Revenue Account Capital Investment Reserve should it not be possible to contain these variances.
- 2.3 That the Executive agrees to changes to the Capital Programme, including the slippage to 2020/21 and the saving for 2019/20, paragraph 3.5.
- 2.4 That Executive agrees that £184,000 of the 2018/19 surplus is allocated to the Community Projects Reserve, £62,000 to the Service Transformation Reserve and £75,500 to the Contingency Budget, paragraph 3.6.

3. REASONS FOR THE RECOMMENDATIONS

- 3.1 This is the first Report, updating Members on the 2019/20 Budgets since they last 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.

2019-20	Service	Variance £	
Major Variations			
Electoral Registration – HAY regrades	Chief Exec	7,000 (A)	Rec
Committee Services – HAY regrades	Chief Exec	6,300 (A)	Rec
ICT Salaries – missed during estimate process	Chief Exec	10,000 (A)	Rec
ICT Honoraria	Chief Exec	4,100 (A)	Non-Rec
One-Off cost of Energy Performance Certificates for Commercial Properties	Chief Exec	40,200 (A)	Non-Rec
Inflation increase GF shared legal services legal fees budgets 2% increase from 2019/20	Chief Exec	8,300 (A)	Rec
Payments processing costs due increasing number of online payments	Chief Exec	5,500 (A)	Rec
Asset Management – external recruitment costs	Chief Exec	13,000 (A)	Non-Rec
Asset Management – Furniture costs to support team restructure	Chief Exec	5,000 (A)	Non-Rec
Annual Clean of VP Tennis Courts	Culture	4,800 (A)	Rec
Fee income at Spa Centre (net of credit card costs)	Culture	40,100 (F)	Rec
The Arts- casual budgets at various sites underprovided for.	Culture	40,000 (A)	Rec
Land Charges income	Development	39,000 (A)	Rec
Land Charges- WCC share of income	Development	11,000 (F)	Rec
Changes to Reception Salaries	Finance	4,600 (A)	Rec
Temporary Benefit Assistant -	Finance	6,000 (A)	Non-Rec
VEP & RTI Grant to pay for Benefit Assistant (above)	Finance	6,000 (F)	Non-Rec
Housing Benefit Subsidy & LCTS grant	Finance	33,500 (A)	Rec
Housing Benefit – New Burdens & Welfare Reform Changes Funding	Finance	63,100 (F)	Non-Rec
Server Migration Costs - Accountancy	Finance	14,500 (A)	Non-Rec
Shared Legal Services increase	Health & CP	11,200 (A)	Rec
Housing Advice – salary changes	Housing GF	7,200 (A)	Rec
Total Major Variations		140,000 A	
Total Minor Variations		7,500 A	
Total Major & Minor Variations		147,500 A	
Breakdown of total variations between Recurring and one-off		130,000 A	Rec
		17,500 A	One-off

As it is early in the year, it is possible for the forecast outturn position to change substantially. Work is on-going by officers to access to what extent this net forecast overspend can be accommodated within the overall budget.

If it is not possible to accommodate these budget variances, it will be necessary for them to be funded from the General Fund Balance in the current year, and the Medium Term Financial Strategy in future years. Details of the Medium Term Financial Strategy was reported to members within the Fit For the Future report in July. This showed the forecast level of savings to be found are:-

	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
Deficit-Savings Required(+)/Surplus(-) future years	309	494	664	773	486
Change on previous year	309	185	170	69	-250

Any increase in budgets will increase the level of savings to be identified.

3.2 Recommendation 2.2

HRA Revenue – currently a forecast underspend of **£8,500**, made up of the variations below:-

2019-20	Service	Variance £	
Major Variations			
Printing Budget	Business Support	800 (A)	Rec
Shared Legal Services inflation	Housing General	4,000 (A)	Rec
Cleansing and grass cutting price increases	Open Spaces	21,700 (A)	Rec
Income budget to be increased 2019-20 to reflect revised forecast. Driven by increased promotion of service to non-WDC tenants.	Lifeline	35,000 (F)	Non-Rec
Total		8,500 (F)	

3.3 Contingency Budget – Appendix A gives details of the allocations out of this budget with a balance of £1,400 left for the rest of the year, after the top-up in this report and contingency requests on August's Executives Agenda.

3.4 Major Income – Appendix B shows a detailed breakdown over several years of the Council's Major Income Budgets. The first 3 months' actuals have been profiled to project the potential out-turn for 2019/20, based upon prior year. Where available, the Manager's projections are also included. It should be borne in mind, that only 3 months into the new financial year these projections may fluctuate with various other factors impacting upon income.

3.5 Recommendation 2.3

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

1. Norton Lindsey New Village Hall -Reduction in 2019/20 budget requirement of £88.8k (no slippage). Funds to be reallocated in 19/20.
2. St John's Flood Alleviation - Slip £100k to 2020/21 due to a delay in the commencement of the project as a significant increase in cost has been

identified by the Environment Agency and consequently a requirement to seek more third party contributions.

3. IT Equipment for Councillors - remove £16.5k as duplicated budget (already included in the ICT desktop infrastructure programme), releasing resources for other projects.

3.6 Recommendation 2.4

The Final Accounts report in July reported a surplus in 2018/19 of £321,500. As part of closure, this balance was allocated to the General Fund Balance pending the subsequent review of its utilisation. Following the approvals agreed by the July Executive and the slippage for some allocations from 2018/19, the Community Projects is forecast to be overdrawn by £184,000 and the Service Transformation Reserve by £62,000. In addition, the Contingency Budget is down to a balance of £50,900. It is recommended that £184,000 of the surplus is allocated to the Community Projects Reserve, £62,000 to the Service Transformation Reserve and £75,500 to the Contingency Budget.

- 3.7 After making these appropriations, the Community Projects Reserve and the Service Transformation Reserves will be reduced to zero balance. The balance on the Contingency Budget will be £126,400. Within other reports on this Executive meeting agenda are the following requests for Contingency Budget funding:-

Newbold Comyn -	£15,000
Masters House -	£25,000
Kenilworth School -	£10,000
LLP Update -	£75,000

These total £125,000. If these are all approved, the balance on the Contingency Budget will be reduced to £1,400.

- 3.8 Officers are reviewing allocations from the Contingency Budget and reserves that have not been fully utilised to confirm their requirement or if there is scope for funding to be released back to the reserves or the Contingency. In addition, Capital Budgets are being reviewed to ensure the budgets are fully utilised in the current year.

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 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
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.

6 **RISKS**

- 6.1 Should it not be possible to accommodate the forecast General Fund variances from the net agreed overall Budget, it will be necessary for this to be funded in 2019/20 from the General Fund Balance which has an agreed balance of £1.5m, with it being Council's policy for it to be retained at this level. Future years would need to be funded from the Medium Term Financial Strategy, so increasing the savings to be found.
- 6.2 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.
- 6.3 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
- 6.4 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
- 6.5 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.

6.6 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 2019/20 Accounts, there is a Contingency Budget with an uncommitted balance of £50,900 (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 It would be possible to adjust budgets for the variances identified now. However, being early in the financial year, officers are considering how these variances can be accommodated ahead of taking this possible course of action.