

 EXECUTIVE 30th August 2018		Agenda Item No.
Title	Budget Review to 30 th June 2018	
For further information about this report please contact	Andy Crump (01926 456810) Jenny Clayton (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Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?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 2018 Executive – Budget Setting	
Background Papers		

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

Officer/Councillor Approval		
Officer Approval	Date	Name
Deputy Chief Executive	10.08.18	Andrew Jones
Head of Service	10.08.18	Mike Snow
CMT	10.08.18	Chris Elliott, Bill Hunt, Andrew Jones
Section 151 Officer	10.08.18	Mike Snow
Monitoring Officer	10.08.18	Andrew Jones
Finance	10.08.18	Jenny Clayton
Portfolio Holder(s)	13.08.18	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 set in February of this year, various changes have been identified and are now presented to Members for their approval.
- 1.2 The report also informs Members of the latest financial position for both 2018/19 and in the medium term to 2022/23.
- 1.3 The Medium Term Financial Strategy was reported to the June 2018 Executive as part of the Fit for Future Report. This Report updates Members on changes since then.

2. RECOMMENDATIONS

- 2.1 That the Executive notes the latest variances for the General Fund budget, the projected outturn on budget and approves the budget changes detailed in section 3.2.
- 2.2 That the Executive notes the latest variances for the Housing Revenue Account (HRA), the projected outturn and approves the budget changes detailed in section 3.3.
- 2.3 That the Executive notes the expenditure to date on Earmarked Reserves brought forward from 2017/18, detailed in section 3.4.
- 2.4 That the Executive agrees to changes to the Capital Programme, including slippage to 2019/20 and a saving for 2018/19, detailed in section 3.5.
- 2.5 That the Executive notes the latest savings/ income required as shown within the Medium Term Financial Strategy, detailed in section 3.6.
- 2.6 That Executive agrees the recommendation from the Licensing & Regulatory Committee in April for an additional one-off sum of £30,000 to aid the administration of the proposed changes in the run-up to the May 2019 elections and that this is funded from the Contingency budget as detailed in section 3.7.
- 2.7 That Executive agrees the use of the Car Park Repairs & Maintenance Reserve to fund the upgrading of the off-street parking equipment as detailed in section 3.8.

3. REASONS FOR THE RECOMMENDATIONS

- 3.1 This is the first report updating Members on the 2018/19 Budgets since the Original Budgets were approved in February 2018.
- 3.2. Recommendation 2.1
 - 3.2.1 The Accountancy team have worked with Budget Managers and the following variations have been identified for budgets to be amended accordingly. The following table shows the major variations reported during Quarter One:

2018-19	Variance £	One-Off/ Recurring
Major Variations	Favourable/Adverse	
Using Web forms instead of Firmstep at One Stop Shops	7,000 (F)	Rec
Shared Legal Services' - Fees Increased	10,000 (A)	Rec
Town Council contribution to Economic Development team reduced	15,000 (A)	Rec
Auto enrolment not required to until Oct 19	126,800 (F)	1 off
Reduced income for Kenilworth Christmas Lights	6,600 (A)	Rec
HR restructure – salary calculations revised	6,000 (A)	Rec
Health Improvement Plan saving offsets against VSC contracts variance	10,000 (F)	Rec
Green Space Development –Metered Water Savings	17,000 (F)	Rec
Negotiated Settlement re contractor withdrawal from Golf contract – 2nd payment of 3	17,500 (F)	1 off
Increased income for bulky waste collections	15,000 (F)	Rec
Organisational Review (support services) assumed savings that cannot be achieved without impacting on Service delivery	31,000 (A)	Rec
Magistrates Fee income (C Tax)	20,000 (A)	Rec
Increased electric vehicle leasing costs	6,600 (A)	Rec
Spa Centre – increased bar sales	43,300 (F)	Rec
Town Hall – duplication of lettings information	13,000 (A)	Rec
Visitor Information Centre – stock accrual	6,500 (A)	1 off
Reduction in car mileage budgets	18,600 (F)	Rec
Website & metalearning Earmarked Reserve no longer required	4,700 (F)	1 off
Reduced superannuation additional allowance costs	8,200 (F)	Rec
FFF Lottery project slippage delaying realisation of assumed savings	15,000 (A)	1 off
Increased Contract cleaning costs	7,900 (A)	Rec
Contract variations for additional areas included within Grounds Maintenance contract	25,500 (A)	Rec
Extra costs for VSC contracts partly offset by Health Improvement Plan saving	24,100 (A)	Rec
Recharge of salary to Whitnash Town Council for Whitnash Hub	11,500 (F)	1 off
Assumed savings on mileage claims from Terms & Conditions review not achieved	9,200 (A)	Rec
Increased contract maintenance costs for Water Fountains -	38,500 (A)	Rec
LCTS Grant and HB Admin Subsidy – adjustment for actual figures as per DCLG & DWP for 2018/2019	7,500 (F)	1 off
Total Major Variations	52,200 (F)	
Minor Variations	12,400(A)	All rec
Total Major & Minor Variations	39,800 (F)	

3.2.2 Appendix A gives details of the allocations made from the 2018/19 Contingency Budget. The unallocated balance at the end of Quarter One was £245,800, although a further £22,000 was allocated as a result of the July Executive meeting leaving £223,800 for the rest of the year. There are reports elsewhere on the agenda seeking further allocations from this budget.

3.2.3 The other contingency budgets have the following unallocated balances:-

Salaries – pay award	£132,300
National Living Wage	£48,000
Apprenticeships	£100,000
Price Inflation	£50,000

3.2.4 Only 1% was built into the 2018/19 detailed service area budgets for the pay award although the national award was subsequently agreed at 2%. It is planned that the £132,300 salary contingency will be fully reallocated to service budgets by October. The £100,000 budget for Apprenticeships is planned to be fully utilised in 2018/19.

3.2.5 There are a number of potential staffing cost pressures that have emerged since the end of Quarter One the impact of which is currently being assessed. The potential impact of the Assets Team re-design is considered elsewhere on this agenda and additional costs may materialise for the Accountancy Team within the Finance service area as a result of the engagement of temporary staff to deal with the closure of accounts. If appropriate, adjustments will be made to the budget at a later date and reported to members through a subsequent Budget Monitoring report

3.2.6 Appendix B shows details of the Council's major income budgets. The first 3 months' actuals have been profiled to project the potential out-turn for 2018/19, based upon the prior year income levels for the same period. Where appropriate the budget manager's projections are also shown. It should be borne in mind that being only 3 months into the new financial year these projections are likely to change as the various factors, potentially impacting on income, can fluctuate throughout the year.

3.2.7 Members should note that the planning income budget was increased by 20%, compared to last financial year, following the increased flexibility announced by the Government earlier in the year. This will be closely monitored during the years and Members updated accordingly as part of the Budget Review process.

3.3 Recommendation 2.2

3.3.1 The HRA Revenue budget is currently forecast to underspend by **£49,700**, due to the variations below:-

Lifeline savings - wages	-10,700	
Lifeline savings - overtime	-21,800	
Housing Income recovery salaries one off costs in dealing with Universal Credit	15,800	HRA salaries pay award (extra 1%)
HRA contract cleaning additional budget provision no longer required	-50,000	17,000
Total Variations	49,700 (F)	

3.4 Recommendation 2.3

3.4.1 Earmarked Reserve Requests were approved under delegated authority by the Head of Finance in conjunction with the Finance Portfolio Holder as part of the 2017/18 Closure of Accounts process. These will be closely monitored and regularly reported during 2018/19. Appendix C shows details of the approved Earmarked Reserves and the expenditure against them during Quarter One. To date this expenditure equates to just over 20% of the total Earmarked Reserve budget. It is expected that the rate of spend will increase over the next few months.

3.5 Recommendation 2.4

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

- a) Castle Farm Sports Pitch, Kenilworth-- £73,000 slippage to 2019/20. The Playing Pitch upgrade to improve the drainage of the existing Council owned grass pitches will be deferred to fit in with the main Leisure Centre development works under Phase Two of the Leisure Development Programme
- b) St John's Brook, Warwick - £100,000 slippage to 2019/20. Officers are awaiting responses to the proposed flood alleviation scheme from the Environment Agency and it is now considered to be unlikely that the scheme will start during the current financial year.
- c) ICT Infrastructure - £12,500 saving. An assumed slippage from 2017/18 should not have been made as the equipment concerned remains fit for purpose.

3.6 Recommendation 2.5

3.6.1 Members were last updated on the Medium Term Financial Strategy (MTFS) in the June 2018 Fit for the Future Report. At that point the MTFS showed that a further £471,000 of savings/ income was needed for delivery by 2022/23 to enable the Council to balance the Budget. Since then a £39,000 requirement for additional of savings/additional income has been identified, as summarised in the table below:

3.6.2

Description of Change	£'000's
Recurrent cost from variations to the Grounds Maintenance (GM) contract to account for additional areas added to the contract	26
Procurement savings on ICT contracts	-30
Additional Health & Wellbeing Agenda costs -BUPA Cash Plan Scheme for employees from 2019/20 onwards	20
HR Re-design, £18,000 saving from 2020/21 recurring	-18
Additional contract costs for the repair and maintenance of Water Fountains	39
Minor changes (net)	2
Total Changes	39

Taking these changes into account, the MTFS now forecasts a savings/additional income requirement of £510,000. The

MTFS is shown at Appendix D and summarised in the table below:

	2018/19 latest £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Deficit-Savings Required(+)/Surplus(-) future years	-10	-108	54	510	388	510
Change on previous year		-108	162	456	-122	122
Current Year Surplus(-) Deficit (+)	-10					

3.6.3 Whilst the future financial prospects are currently looking reasonable the Council will inevitably face further future challenges and it should still look to be as prudent as ever. There are a number of asset related budgets that are not fully funded for the whole of the MTFS period and further work is required on how these and the Council's ambitious programme of projects will be funded in the medium to long term which will be the subject of future reports. In addition there are likely to be a number of issues that could yet emerge in a post-Brexit world that could potentially impact on the Council's finances.

3.6.4 Taking all these factors into account it is possible that new sources of income and/or the adoption of different ways of working may be needed to ensure the current £510k savings target is met.

3.7 Recommendation 2.6

3.7.1 The Licensing & Regulatory Committee in April recommended an additional one-off sum of £30,000 to be allocated to aid the administration of the proposed boundary changes in the run-up to the May 2019 elections. It is proposed that this is funded from the Contingency budget which currently has an unallocated balance of £223,800.

3.8 Recommendation 2.7

3.8.1 Neighbourhood Services is planning to upgrade the pay and display machines at all off-street car parks across the District during the current financial year. The upgraded machines will provide a number of enhancements compared to the current machines which will benefit both the customer and the organisation. These include flexible payment options (chip and pin, contactless card payments, Apple Pay), the latest security features to protect against theft and vandalism and improved environmental credentials.

3.8.2 It is estimated that cost of purchasing and installing new pay and display equipment will be c. £325k and it is proposed that this is funded from the Car Park Repair and Maintenance reserve. It is proposed that installation of the new machines will be completed by the end of the financial year 2018/19 with installation phased as required in order to minimise disruption to customers during busy shopping periods. Currently there is no other expenditure committed from this reserve.

4. **POLICY FRAMEWORK**

4.1 **Fit for the Future**

4.1.1 The Fit for the Future (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 report in relation to the 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	The General Fund and HRA budgets provide the necessary resources to	The General Fund and HRA budgets provide the necessary resources to

resources to achieve these outcomes	achieve these outcomes	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

4.2 Supporting Strategies

4.2.1 This report is in accordance with the Council's Financial Strategy as last approved by the Executive in February 2018.

4.3 Changes to Existing Policies

4.3.1 There are no changes proposed to existing policies.

4.4 Impact Assessments

4.4.1 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 Financial Strategy (discussed in section 3.6 above). 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 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 to run services.

- 6.2 The main sources of income (which may be subject to reductions or fluctuations) 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.

- 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 £223,800 (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 OPTIONS 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.