

CORPORATE COMMITTEE

25 SEPTEMBER 2018

REPORT OF DIRECTOR FOR CORPORATE SERVICES

BUDGET MONITORING APRIL TO JUNE 2018

1.0 PURPOSE OF THE REPORT

- 1.1 To provide information on actual expenditure and income incurred compared to the latest approved budget for the period 1 April 2018 to 30 June 2018. The report reflects the new Committee structure with expenditure and income by Place, People and Corporate. The report provides detail for all Committee's including those items approved under delegated authority that are required to be reported to committee and a summary position on reserves and balances resulting from these approvals.

2.0 RECOMMENDATION

- 2.1 **It is recommended that the financial position for all services to 30 June 2018 and year end forecast be noted.**
- 2.2 **That members approve the use of Corporate Priorities Reserve to fund the Supplementary Estimates totalling £80k previously agreed as outlined in para 3.5**
- 2.3 **That Members note the delegation exercised by the Chief Executive and that estimated to be used from the Corporate Priorities Reserve to fund costs associated with agreed restructures as outlined in para 3.5**
- 2.4 **That Members approve the use of £5,000 from the Parkside budget to undertake a space planning exercise of the building to support the council's asset maximisation ambitions.**
- 2.5 **The virements approved under delegated powers (para. 3.8 refers) be noted.**

3.0 KEY ISSUES

- 3.1 As part of the Council's budget monitoring procedures all budget holders are asked on a quarterly basis to provide details of service and financial performance. Copies of the budget holders' returns are available for further information.

Overall Position

- 3.2 A summary of income and expenditure are attached at Appendix A for General Fund Services. This information has previously been circulated to Members as part of the Members' Newsletter.
- 3.3 A summary of the income and expenditure for this Committee's services compared to the approved budget at June 2018 is as follows:

ALL COMMITTEES							
SUMMARY OF INCOME AND EXPENDITURE							
APRIL TO JUNE 2018							
	Original Budget Per Budget Book	Approved Budget at June '18	April- June Budget	April- June Net Expenditure	Variance Underspend (-)	Year End Forecast	Year End Variance
	£	£	£	£	£	£	£
GENERAL EXPENSES							
1 Place	3,521,410	3,620,260	901,829	416,016	-485,813	3,762,350	142,090
2 People	1,627,190	1,733,720	307,887	208,426	-99,462	1,697,966	-35,754
3 Corporate	1,344,970	1,420,620	806,626	837,555	30,929	1,321,370	-99,250
4 Total General Expenses	£6,493,570	£6,774,600	£2,016,342	£1,461,996	-£554,346	£6,781,686	£7,086

3.4 The above figures shows a forecast overspend against the latest budget for general expenses of £7,086 taking in account the assumptions set out below with special expenses on target. An explanation relating to the overspend on general expenses is provided in paragraph 3.6 below.

3.5 The forecast position above is based on a number of key assumptions which include the use of the Corporate Priorities Reserve to fund one-off supplementary estimates previously agreed by Council in May as part of approving the Corporate Delivery Plan. In approving the plan, Council was advised that to support a number of new aspirations, £100k of one-off expenditure was required. At that point it was agreed to see whether this funding could be secured by re-directing from underspends elsewhere however through the budget monitoring process and based on the forecast position at Quarter 1 this will not be possible and some supplementary estimates will be required to be funded from reserves. These include:

- **Place Marketing Expert support £40k** (the originally request was for £20k but additional sums are required to deliver the outcomes required).
- **Commercial Site Viability £40k** (the originally request was for £20k but additional sums are required to deliver the outcomes required)

The following items were also identified within the Corporate Delivery Plan as areas where supplementary estimates may be required but at this stage they are not being requested and the work is being undertaken within existing budgets.

- **Housing Company £50k** – this money is not needed at this point. The business case will be presented to the Corporate Committee later this year and the report will include any specific funding requirements as part of that report.
- **Employment Study £10k** – these funds are not being drawn down at present as the study is not progressing at this time due to other priorities. At the point funding is required officers will again assess if this can be funded from existing resources in the first instance.

In addition to the above the Chief Executive has also been exercising his delegation to manage any associated costs relating to officer redundancies as result of any restructure changes agreed as part of the organisation reviews to ensure services are structured appropriately to deliver the Councils new vision and priorities. To date £76,290 of one-off costs has been agreed from the annual £100k approval limit which is broken down as follows:

- **Payroll Services** - £46,290 as part of the delegation to Leicester City Council which will generate longer savings (pay back will be within 2 years)

- **Corporate Improvement Team** - £30,000 has been estimated following the establishment of a new team from existing resources to support the Council in delivering the Corporate Delivery Plan

Budget Variance Exception Reporting +/- £10k

- 3.6 As part of the budget monitoring process variances are being promptly and proactively managed facilitating more detailed reporting. The forecast variations of +/-£10k are as follows:

GENERAL FUND

Underspends

Environmental Health Service - £22,500

There is a £20,000 salary saving due to the new Environmental Enforcement Officer post having a full year budget but only being in post for a part year. The post is currently being recruited and it is anticipated will be filled by the end of the calendar year. A new sustainable food city grant was received £2,500

Waste Management - £63,110

It is expected that an overall saving of £63,110 on expenditure could be achieved. This is made up of a £28,000 saving against budget due to lower contractor costs; an additional £42,300 saving on the Green Waste bin collections due to Biffa retaining the Green Waste Club; a £62,500 Green Waste Contribution and £5,000 income from charges for replacement bins. These are the result of the outcome of the new waste contract which was not fully factored in when the budget was set as the decision to award had not yet been made at that time. This is partly offset by higher Variation Order costs of £25,910; reduced recycling tonnages and higher contamination levels which will lead to lower recycling income of £41,090. From October 2018 there will be a £32,970 saving on green waste disposal costs due to redirection which will not fall under LCC responsibility, but this is offset by the Council not receiving any green waste credits resulting in a loss of green waste disposal income of £31,660. There is also an expected increase in advertising expenditure of £9,000 due to the new contract. The rejection rate and income loss due to collected recyclable materials being contaminated and therefore not suitable for recycling and even worse potentially contaminating acceptable recycling materials which all then becomes non recyclable waste is expected to be tackled and accordingly reduced through a number of actions. These include increased communication through the new waste contract about what can be recycled, increased scrutiny and inspection of recycling bins by collection operatives prior to emptying and increased educational liaison between householders and client officers when offending households are identified and as a last resort enforcement consideration. The inclusion of textiles and small electrical items into the new waste contract from October should serve to reduce the contamination.

Local Plans - £34,500

An additional £30,000 has been received regarding the custom build grant in relation to new burdens placed on local authorities in dealing with recent legislation changes. These burdens have been met from within existing resources and therefore the grant is available to support the local service plan overall. In addition to this savings of £5,000 is expected due to the cancellation of a software contract, which was surplus to requirements.

Customer Services - £47,305

Savings to date have been realised due to posts being vacant (including Customer Experience Manager), secondments, salary sacrifice for additional holiday pay and Maternity leave; there has also been additional DWP funding confirmed in relation to Universal Credit against what was expected and other DWP grants received. This is partly offset by £22,905 required to cover interim vacancies; and a £8,100 virement to the Homelessness budget. The Directorate is currently being restructured which will enable any vacant new positions to be filled.

NNDR Collection - £12,730

Additional Section 31 grant is anticipated to be received over and above the original allocation. The Initial budget estimate for S31 grant (Compensation paid by the Government to Local Authorities for the loss in income due to Government changes to the business rates system) was lower than actual amount to be paid by Government following further changes to the business rates system.

Misc Financing Items - £40,000

The level of balances and interest rate achieved are predicted to be higher than budgeted due to continued proactive management of treasury activities.

Corporate Management Team - £32,000

This underspend relates to the residual amount of funding for the digital strategy that was carried forward from 2017/18 which is no longer required and has been used to re-direct resources to other priorities. If this is required again in the future a new submission for funding will be made.

Communications - £30,000

Relates to savings from vacant posts in the Corporate Improvement Team

Overspends

Public Conveniences - £52,690

There has been a delay in the public conveniences re-development project as a result employees and other associated costs in relation to Public Conveniences will continue to be incurred until at least November. The investment will still deliver a recurring saving of circa £60k.

Leisure Vision - £13,610

The main element of this overspend is in relation to the feasibility study (phase 2) around options for moving forward on this project. It is anticipated a full update on this project will be provided to the Place Committee at the end of October. The final lease agreement with the Rugby Club is lower than anticipated (partly offset by rent free period for the football club ending). There has also been some additional costs incurred relating to the installation of a Portaloo's costs (£3,000) not budgeted for in order to meet FA standards.

Open Spaces - £16,200

This Includes £15,000 for the Melton Country Park environmental study and master planning exercise which has been previously approved by members.

Car Parks and Bus Station - £45,290

Current data is showing a shortfall in usage to date which has been projected forward. There is some shortfall that is attributable to the public convenience works. Additional income in relation to the Arla lease is reduced by loss of VAT income which was previously claimed on overpayments income due to a change in tax advice.

Cattle Market - £50,760

The current income is showing a shortfall of £14,000 compared to budget, based on the remittances received from Gillstream. We are currently reviewing the impact of the brewery development and any impact positive/negative will be factored in to the future forecasts. The projected income is based on 2018/19 year to date (April to June) actuals and the actuals for July to March of 17/18. In addition to this the abnormally hot weather earlier in the year has also impacted on the level of animal auctions. Undertaking a commercial feasibility into the potential second phase development of the cattle market is a priority action within the Corporate Delivery Plan and funding has been secured from the LLEP to enable this work to proceed.

Building Control -£69,890

There is an expected shortfall in income due to reduced applications and loss of Clerks of Works service on some larger sites that were factored in. A review is being commissioned to identify options to recover this income or reduce costs accordingly.

Parkside - £5,000

Members are asked to approve the use of £5,000 for a space planning project in Parkside. This will contribute to the Asset Review project within the Corporate Delivery which aims to make more use of the space and look to opportunities to introduce new partners into the building and thereby increase income.

Community Service Grants - £13,620

At this point Melton have committed to provide funding to the Melton and District Money and Advice Centre (MADMAC) for the remainder of the year which was not budgeted for.

3.7 SPECIAL EXPENSES

A summary of the income and expenditure for Special Expenses compared to the approved budget at June 2018 is as follows:

	Original Budget Per Budget Book £	Approved Budget at June '18 £	April- June Budget £	April- June Net Expenditure £	Variance Underspend (-) £	Year End Forecast £	Year End Variance £
SPECIAL EXPENSES							
1 Melton Mowbray	625,560	631,710	47,425	35,500	0	631,710	0
2 Sproxtton	4,930	4,930	0	0	0	4,930	0
3 Frisby	6,290	6,290	250	0	-250	6,290	0
4 Total Special Expenses	£636,780	£642,930	£47,675	£35,500	-£250	£642,930	£0

Appendix B provides a more detailed breakdown of the services within the Special Expenses areas of which there are no significant variances expected at this point as highlighted in the table above.

3.8 HOUSING REVENUE ACCOUNT (HRA)

A summary of the total income and expenditure for the Housing Revenue Account compared to the approved budget at June 2018 is as follows:

	Original Budget Per Budget Book £	Approved Budget at June '18 £	April- June Budget £	April- June Net Expenditure £	Variance Underspend (-) £	Year End Forecast £	Year End Variance £
HOUSING REVENUE ACCOUNT							
1 Total Expenditure	8,273,320	8,276,900	794,802	608,873	-185,929	8,321,900	45,000
2 Income	7,784,930	7,788,510	1,907,897	1,899,957	7,940	7,848,510	-60,000
3 Net cost of services	£488,390	£488,390	-£1,113,095	-£1,291,084	-£177,989	£473,390	-£15,000

Based on the year end forecast of a £15k underspend as shown above the effect on the working balance would be:

	£
Working Balance @ 31 Mar 2018	-1,666,525
Budgeted reduction in working balance 2017/18	488,390
Potential underspend (as above)	-15,000
Potential Working Balance Surplus at 31 March 2019	<u>-1,193,135</u>

The minimum working balance, as recommended by the Medium Term Financial Strategy, remains at £750,000 for 2018/19. As the working balance is in excess of this amount it has been budgeted to make a transfer to the Regeneration and Development Reserve for use as required by members in the future. This is to ensure that large balances are not carried in the revenue account.

Further information regarding variances can be found in the HRA budget monitoring report present to the Place committee at its meeting on the 5 September 2018

3.9 Virements – Delegated Authority

Since the last meeting the Director for Corporate Services has approved fourteen requests for virement within the same service totalling £273,310 and nine requests for virement between services totalling £133,620. More details of those requests in excess of £10,000 can be found in Appendix C.

3.10 Statement of Reserves

Based on the approval of supplementary estimates approvals being sought and the exercising of the Chief Executive's delegation as outlined in para 3.4 the impact on the reserves is outlined in Appendix D. Members will note the anticipated balance on the Corporate Priorities Reserve will be £911,766 at 31 March 2019. The reduction in the reserve during 2018/19 of £520k is due to the following:

- Wheels to Work - £74k
- Environmental Enforcement Officers - £40k
- Place Marketing Expert support - £40k
- Commercial Site Viability - £40k
- Chief Executive Delegations - £76k (as outlined in para 3.5)
- New finance System as previously approved by members - £250k (depending on chosen supplier and product the financial rules may require this expenditure to be funded through revenue rather than capital).

3.11 Fees and Charges

Following the realignment of the services across the new committee structure there are minimal number of fees and charges that fall within this committees remit. Those

that do fall within this committee have been increased in line with inflation and as such have been approved by the Director for Corporate Services under delegated authority, this means there are no fees and charges for this committee to formally approve for 2019/20.

4.0 POLICY AND CORPORATE IMPLICATIONS

4.1 Policy and corporate implications were addressed in setting the current year's budget. There are no further policy and corporate implications arising from this report.

5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

5.1 All financial and resource implications have been addressed within paragraph 3.0.

6.0 LEGAL IMPLICATIONS/POWERS

6.1 Legal implications/powers were addressed in setting the current year's budget. There are no further legal implications arising from this report.

7.0 EQUALITIES

7.1 Equalities issues were addressed in setting the current year's budget. There are no further equalities issues arising from this report.

8.0 RISKS

8.1 The regularity of budget monitoring for each specific budget is based on the level of risk attributed to that budget. This is determined at the start of the financial year and is reported to members as part of the Council Tax setting report.

9.0 CLIMATE CHANGE

9.1 There are no climate change issues arising from this report.

10.0 CONSULTATION

10.1 Budget Holders and the Service Accountant discuss the financial performance of the service accounts at budget monitoring meetings arranged with reference to current budget monitoring protocols.

11.0 WARDS AFFECTED

11.1 All wards are affected.

Contact Officer:	Steve Tickle
Date:	5 September 2018
Appendices:	Appendix A – Summary of Income & Expenditure (General Fund) Appendix B – Summary of Income & Expenditure (Special Expenses) Appendix C – Virements in Excess of £10k Appendix D – Statement of Revenue and Capital Reserves
Background Papers:	Oracle Financial Reports Budget Holder Comments on Performance
Reference:	X:/C'ttee, Council & Sub-C'ttees/Corporate/2019-19/25-09-18/Budget Monitoring April to June 2018