

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 8
DATE OF MEETING:	29th AUGUST 2019	CATEGORY: DELEGATED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	VICKI SUMMERFIELD, 01283 595939 Victoria.summerfield@southderbyshire.gov.uk	DOC: s/finance/committee/2019-20/aug
SUBJECT:	REVENUE FINANCIAL MONITORING 2019/20	
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM08

1.0 Recommendations

- 1.1 That the latest revenue financial position for 2019/20 as detailed in the report is considered and approved.
- 1.2 That changes to the Policy Committee Base Budgets detailed in **Appendix 4** due to the Senior Management restructure are noted.

2.0 Purpose of the Report

- 2.1 To provide an update on performance against budget for 2019/20.
- 2.2 The report details performance up to 30th June 2019 unless otherwise stated and is the first quarter's update of income and expenditure for 2019/20.
- 2.3 The report covers both General Fund and HRA income and expenditure, an update to the Medium-Term Financial Plan (MTFP) plus a quarterly update to the Collection Fund.

3.0 Detail

GENERAL FUND

- 3.1 Apart from Council housing, day-to-day revenue income and expenditure for Council services is accounted for through the General Fund. The net expenditure is financed through the Council's Core Spending Power which includes:

- General Government Grant
- Council Tax
- Retained Business Rates
- New Homes Bonus

3.2 The Base Budget for 2019/20 approved in February 2019 estimated a budget deficit of £622,044.

3.3 The Base Budget and MTFP have now been updated for the following items:

- A 2% uplift to grant payments approved in February
- The transfer of interest in the public conveniences to Overseal Parish Council approved in June
- Savings in year on the Senior Management restructure (further detail provided at 3.7)
- Updates to the original estimated budgets for the Legal and Democratic restructure and the Business and Systems restructure, both approved in January
- Transfer of the budgeted costs for the IT Strategy from the Base Budget into costs against the General Fund Reserve balance
- Addition to the MTFP of costs for administration of childcare vouchers
- Transfers of budgets between Policy Committees due to the Senior Management restructure detailed in Appendix 4.

3.4 The impact of the above noted changes is listed below.

	Feb 2019 MTFP	Actual Budget Update	Variance
2% Uplift for Grants	15,590	9,995	-5,595
Additional Grant Payment	3,000	3,000	0
Business and Systems Review	8,447	7,713	-734
Legal and Democratic Restructure	59,072	60,572	1,500
Senior Management Restructure	208,124	205,662	-2,462
IT Strategy Transfer to GF Balance	0	-210,000	-210,000
Administration of Childcare Vouchers	0	1,750	1,750
Savings on Senior Management Restructure 19/20	0	-23,646	-23,646
			-239,187
Deficit Budgeted February 2019			622,044
Revised Deficit			382,857

3.5 A summary of the revised budgeted deficit for 2019/20 is shown in the following table.

	£
Environmental and Development	4,648,985
Housing and Community	2,994,946
Finance and Management	5,066,399
Base Budget	12,710,330
Reverse out Depreciation	-842,289
Minimum / Voluntary Revenue Provisions	328,635
Contingent Sums	588,104
Total Estimated Expenditure	12,784,780
Financing	-12,401,923
Estimated Deficit	382,857

3.6 An update to the Council's financial position following the year-end and approved changes up to July is listed within the MTFP in **Appendix 1**.

3.7 Contingent sums held within the MTFP are detailed in the following table.

	£
Provision for "off-payroll" payments	10,000
Waste Collection and Recycling	100,000
Growth	500,000
Administration of Childcare Vouchers	1,750
Senior Management Savings	-23,646
Total	588,104

3.8 The Senior Management restructure will make savings in year due to vacant roles within the new structure. These savings have been offset in part by support costs, recruitment costs and one Head of Service post being paid at the top of the grade; the financials for the restructure report assumed that all Heads would be paid at the bottom of the grade.

3.9 Support costs incurred due to the Senior Management Restructure are within Human Resources and Communications as both of these areas currently have no manager and the existing teams are being supported by external resource. Additional costs have also been incurred in Customer Services due to the Head of Service vacancy. Managers within the department have been paid additional increments in the short-term to support the service.

3.10 A summary of the saving versus additional costs is detailed below.

	£
Recruitment costs	36,946
Support costs	82,593
Higher grade post	2,642
Vacancies	-145,827
	<u>-23,646</u>

Position as at June 2019

3.11 A summary of the projected financial position for the year compared to the Base Budget for each Policy Committee is shown in the following table.

COMMITTEE	ANNUAL			RESERVES	
	BUDGET	PROJECTED ACTUAL	PROJECTED VARIANCE	EARMARKED	NET EFFECT ON GF
	£	£	£	£	£
Environmental and Development	4,648,985	4,506,629	142,356	(40,336)	102,020
Housing and Community	2,994,946	2,788,774	206,172	(177,961)	28,211
Finance and Management	5,066,399	2,549,440	2,516,959	(2,382,861)	134,098
TOTAL	12,710,330	9,844,843	2,865,487	(2,601,158)	264,329

3.12 Although the above table shows that projected net expenditure is £2,865,487 lower than the base budget, approximately £2,601,158 is due to grant income, external contributions and receipts received under Section 106 agreements for on-going projects and capital schemes which stretch beyond the current financial year. This funding is transferred to specific reserves and drawn down to finance expenditure when it is incurred.

3.13 Excluding transfers to specific reserves, the above table shows that based on current spending, there is a projected decrease in overall net expenditure across General Fund services of approximately £264,329 compared to the base budget for the year.

3.14 An analysis by the main service areas is shown in the following table.

MAIN SERVICE AREA	BUDGET			RESERVES	
	BUDGET	PROJECTED ACTUAL	PROJECTED VARIANCE	EARMARKED	NET EFFECT ON GF
	£	£	£	£	£
Economic Development	274,574	274,979	(404)	0	(404)
Environmental Services	556,560	555,143	1,417	0	1,417
Highways	48,487	48,487	(0)	0	(0)
Licensing and Land Charges	27,388	24,515	2,873	0	2,873
Planning	704,361	611,560	92,801	0	92,801
Town Centre	107,339	107,340	(0)	0	(0)
Waste Collection & Street Cleansing	2,262,182	2,274,516	(12,334)	6,672	(5,662)
Environmental Education	79,897	32,890	47,008	(47,008)	(0)
Transport Accounts	588,195	577,200	10,995	0	10,995
Community Development and Support	663,979	680,629	(16,650)	15,885	(765)
Leisure and Recreational Activities	228,858	220,816	8,042	0	8,042
Leisure Centres and Community Facilities	612,138	512,601	99,537	(99,350)	187
Parks and Open Spaces	1,055,864	1,062,335	(6,471)	16,278	9,808
Private Sector Housing	434,108	312,394	121,714	(110,775)	10,939
Central and Departmental Accounts	3,229,652	3,219,255	10,397	0	10,397
Revenues and Benefits	597,661	605,085	(7,423)	15,851	8,428
Electoral Registration	333,112	333,113	(1)	0	(1)
Corporate and Democratic Costs	505,808	501,105	4,703	0	4,703
Payments to Parish Councils	362,497	362,497	0	0	0
Concessionary Travel	0	0	0	0	0
Property and Estates	(247,389)	(257,419)	10,030	0	10,030
Pensions, Grants, Interest and Receipts	285,057	(2,214,195)	2,499,252	(2,398,712)	100,540
TOTAL	12,710,330	9,844,843	2,865,486	(2,601,158)	264,329

3.15 The main reasons for the projected variance is summarised in the following table and detailed in the commentary.

	£'000
Salary savings (vacancies, maternity etc.) - F&M	78

Salary savings (vacancies, maternity etc.) - E&D	35
Salary savings (vacancies, maternity etc.) - H&C	29
Investment Income	101
Increased Planning Fee Income	75
Lettings from Industrial and Commercial Units	15
Vehicle Spare Parts	11
Grant Payments	10
Increased Licensing Fee Income	10
Vehicle Hire	8
Member's Allowances	4
Bank Transaction Charges	-12
Agency and Consultancy Costs	-105
Other Variances (net)	5
TOTAL - OVERALL PROJECTED VARIANCE	264

- 3.16 Salary savings in year relate to vacancies and maternity but are partially offset by agency and consultancy to support services areas.
- 3.17 Investment income is expected to be greater than budget due to the large value of cash deposits held by the Council. Cash investments are not expected to fall dramatically in year as there is lower service and capital expenditure as reported. £2m is currently invested in a longer-term high interest account with an average return of 4%.
- 3.18 Planning applications are significantly higher than forecast during the first quarter. This is expected to reduce during the remainder of the year but fee income is still anticipated to be greater than budget.
- 3.19 Commercial lets are achieving greater levels of income than budgeted due to the void units being lower than anticipated. This is expected to continue for 2019/20.
- 3.20 A new fleet of vehicles were acquired in 2018/19 and therefore spare parts for vehicles and vehicle hire are now lower than budgeted in 2019/20. Lower costs were expected but not to the level seen during the first quarter.
- 3.21 A budget for grant payments within Planning Policy is included within the Base Budget every year. During the last 3 years, this budget has been utilised to match fund the Townscape capital project. This project is now complete and this grant allocation will therefore not be spent in year.
- 3.22 Fee income for Licensing is generally higher than budgeted each year and a review of the anticipated income in this area for future years will be undertaken during the budget round for 2020/21.
- 3.23 Member's Allowances will see a saving in year due to vacancies up until the Election.
- 3.24 Adverse variances include agency and consultancy support mentioned at 3.14 and bank transaction charges. These charges are expected to be higher than budgeted due to the cost per transaction increase after the Banking Services tender. This increase was not included within the budget for 2019/20 but will be incorporated in future years.

Core Grants and Funding

3.25 The Council's central funding, besides Business Rates, is fixed for the year and is shown in the following table

Core Grants and Funding 2019/20	£
Council Tax	5,405,401
Retained Business Rates	3,584,572
Discretionary Business Rates Relief Scheme	20,000
New Homes Bonus	3,281,951
Collection Fund Surplus	110,000
Total Funding	12,401,924

3.26 The final amount retained for Business Rates will depend upon income and expenditure during the year, which includes provisions and any return from the Derbyshire Business Rates Pool.

3.27 Performance of the Pool is reported quarterly to all Derbyshire S151 Officers but at this stage the detail for the first quarter has not been confirmed.

HOUSING REVENUE ACCOUNT (HRA)

3.28 The Council is required to account separately for income and expenditure in providing Council housing.

3.29 The Base Budget approved in February for the HRA was set with an estimated surplus of £150k and the position of the HRA as at June 2019 is summarised in the following table.

Summary HRA 2019/20	BUDGET £000	PROJECTED ACTUAL £000	PROJECTED VARIANCE £000
Total Income	-12,414	-12,389	-25
Contribution to Capital & New Build	2,988	2,988	0
Responsive & Planned Maintenance	3,162	3,137	25
Interest on Debt	1,798	1,798	0
Supervision & Management	1,913	1,908	5
Supported Housing & Careline Services	829	825	4
Provision for Bad Debts	100	100	0
Provision for Debt Repayment	1,424	1,424	0
Asset Replacement Contribution	45	45	0
Contingent Sums	5	5	0
Surplus	-150	-159	9

3.30 The above table shows that overall the HRA is expected to have an increased surplus of £159k which is £9k more than budgeted. The main reasons for the variances are detailed below.

	£'000
Salary savings (vacancies, maternity etc.)	87

Repairs & Maintenance	25
Reduced Rent due to Right to Buy	-25
Agency and Consultancy Staff	-80
Other Variances (net)	2
TOTAL - OVERALL PROJECTED VARIANCE	9

- 3.31 Salary savings in year relate to vacancies and are offset by agency and consultancy to support services.
- 3.32 Due to a slower start to the year on repairs it is anticipated that the HRA may marginally underspend.
- 3.33 Interest on the HRA loans has generally resulted in a large saving in previous years due to the variable rate loan being charged at a lower rate of interest than forecast. It is anticipated that a saving will realised again this financial year but this is not included within the table above at this stage.
- 3.34 The HRA's 10 year MTFP is shown in **Appendix 2** but at this stage is an update to reserve balances after the year-end as nothing significant has changed during the first quarter to the HRA forecast.

COLLECTION FUND

- 3.35 The Collection Fund is the statutory account that records the collection of Council Tax and Business Rates and shows how that income has been distributed to the Government and Preceptors.
- 3.36 Any surplus or deficit on the Fund is transferred to the General Funds of the Preceptors, in proportion to precepts levied each year. The projected position on the Fund for 2019/20, based on transactions up to 30th June 2019, is detailed in **Appendix 3**.
- 3.37 This shows that the projected surplus balance on Council Tax is approximately £1,201k and Business Rates is approximately £96k.
- 3.38 Growth in the tax base is expected to continue which will impact positively on both Business Rates and Council Tax by increasing potential surpluses. Business Rates however has the continual risk of Business Rate Appeals which have previously pushed the Business Rates element of the fund into a deficit.
- 3.39 The Council Tax budget was based on a Tax Base of 33,302 Band D equivalent properties with a total number of dwellings on the valuation list of 43,964. At the end of June 2019, the actual Tax Base was 33,868 (+566) with a total number of dwellings of 44,905 (+941).

4.0 Financial Implications

- 4.1 Detailed in the report.

5.0 Corporate Implications

Employment Implications

5.1 None.

Legal Implications

5.2 None.

Corporate Plan Implications

5.3 The quarterly update of revenue performance helps to ensure the Council maintains financial health, which is a key aim in the Corporate Plan.

Risk Impact

5.4 None.

6.0 Community Impact

Consultation

6.1 None.

Equality and Diversity Impact

6.2 None.

Social Value Impact

6.3 None.

Environmental Sustainability

6.4 None.

7.0 Background Papers

7.1 None.

GENERAL FUND MEDIUM TERM FINANCIAL PLAN
BUDGET & PROJECTION as at JULY 2019

	Proposed Budget £ 2019.20	Projection £ 2020.21	Projection £ 2021.22	Projection £ 2022.23	Projection £ 2023.24
BASE BUDGET					
Environmental & Development	4,640,985	4,806,511	4,947,600	5,092,446	5,241,562
Housing & Community	2,994,946	3,203,410	3,263,940	3,324,261	3,397,812
Finance & Management	5,074,400	5,244,708	5,417,071	5,591,871	5,769,476
Net Service Expenditure	12,710,331	13,254,629	13,628,611	14,008,579	14,408,850
Accounting Adjustments					
Reverse out Depreciation	-842,289	-842,289	-842,289	-842,289	-842,289
Minimum Revenue Provision (MRP)	197,409	189,512	181,932	174,654	167,668
Voluntary Revenue Provision (VRP - Recycling Bins & Grove Active Zone)	131,226	131,226	75,891	20,556	20,556
	12,196,676	12,733,078	13,044,145	13,361,499	13,754,784
Add: Known Variations					
Proposed Senior Management Restructure - One-Off Costs Provision	0	21,090	21,618	9,216	0
Vehicle Maintenance Plan	0	17,000	15,000	38,000	35,000
Local Plan	0	25,000	40,000	40,000	25,000
Incremental Salary Increases	0	48,035	20,610	8,843	8,843
Savings from the Senior Management Restructure	-23,646	0	0	0	0
Administration of Childcare Vouchers	1,750	1,750	1,750	1,750	1,750
Temporary Posts, Rosliston and Elections Updates	0	-321,245	-325,920	-330,813	-323,768
Potential Cost of New Waste Disposal Site	0	27,089	47,400	49,770	52,259
Potential Loss of Industrial Unit Income	0	190,000	190,000	190,000	190,000
District Election May 2023	0	0	0	0	125,000
TOTAL ESTIMATED SPENDING	12,174,780	12,741,797	13,054,603	13,368,265	13,868,868
Provisions					
Provision for Employer's NIC on "off-payroll" payments	10,000	10,000	10,000	10,000	10,000
Contingent Sum - Growth	500,000	500,000	500,000	500,000	475,000
Waste and Recycling	100,000	100,000	100,000	100,000	100,000
TOTAL PROJECTED SPENDING	12,784,780	13,351,797	13,664,603	13,978,265	14,453,868

BUDGET & PROJECTION as at JULY 2019

	Proposed Budget £ 2019.20	Projection £ 2020.21	Projection £ 2021.22	Projection £ 2022.23	Projection £ 2023.24
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FINANCING

Business Rates Retention	-3,584,572	-3,600,110	-3,614,345	-3,627,200	-3,638,600
Discretionary Business Rate Relief Scheme	-20,000	-3,000	0	0	0
New Homes Bonus	-3,281,951	-3,481,639	-3,476,015	-3,292,293	-2,884,231
Council Tax Income	-5,405,401	-5,622,257	-5,845,514	-6,075,342	-6,311,909
Core Spending Power	-12,291,923	-12,707,005	-12,935,874	-12,994,835	-12,834,740

Add Estimated Collection Fund Surplus - Council Tax	-110,000	-55,000	-55,000	-55,000	-55,000
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TOTAL FINANCING

	-12,401,923	-12,762,005	-12,990,874	-13,049,835	-12,889,740
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General Fund yearly Surplus (-) / Deficit

	382,857	589,792	673,729	928,430	1,564,128
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GENERAL FUND RESERVE BALANCE

Balance b/fwd	-10,426,414	-8,659,899	-7,498,901	-6,256,294	-4,761,452
General Fund Yearly Surplus (-) / Deficit (as above)	382,857	589,792	673,729	928,430	1,564,128
MSP additional funding	433,799	0	0	0	0
IT Strategy	210,000	210,000	210,000	210,000	210,000
Purchase of Town Centre Land	44,335	0	0	0	0
Community Partnership Scheme	239,005	0	0	0	0
General Fund Capital Bids Remaining	65,000	0	0	0	0
Pension Earmarked Reserve Drawdown	-8,481	-38,794	-41,122	-43,589	-6,783
Contribution to Asset Replacement Fund	400,000	400,000	400,000	400,000	400,000
Balance c/fwd	-8,659,899	-7,498,901	-6,256,294	-4,761,452	-2,594,107

Balance B/fwd	-141	-186	-231	-276	-321	-366	-141	-186	-231	-276
Transfers to reserve	-45	-45	-45	-45	-45	-45	-45	-45	-45	-45
Asset Replacement	0	0	0	0	0	270	0	0	0	0
Reserve C/fwd	-186	-231	-276	-321	-366	-141	-186	-231	-276	-321

Major Repairs Reserve

Balance B/fwd	-3,454	-4,354	-5,054	-5,754	-6,454	-6,754	-7,354	-7,954	-8,554	-9,154
Transfers to reserve	-700	-600	-600	-600	-300	-600	-600	-600	-600	-600
Earmarked non-traditional properties	-200	-100	-100	-100	0	0	0	0	0	0
Reserve Drawdown	0	0	0	0	0	0	0	0	0	0
Reserve C/fwd	-4,354	-5,054	-5,754	-6,454	-6,754	-7,354	-7,954	-8,554	-9,154	-9,754

New Build Reserve

Capital Receipts B/fwd	-2,460	-1,621	-2,244	-2,711	-3,174	-3,479	-3,782	-4,084	-4,283	-4,483
Lullington Rd Phase 2	237	0	0	0	0	0	0	0	0	0
Acquisitions in year	1,274	0	0	0	0	0	0	0	0	0
Homes England grant	-45	0	0	0	0	0	0	0	0	0
RTB Receipts in year	-627	-624	-466	-463	-305	-302	-302	-199	-199	-199
Borrowing in year	0	0	0	0	0	0	0	0	0	0
Balance c/fwd	-1,621	-2,244	-2,711	-3,174	-3,479	-3,782	-4,084	-4,283	-4,483	-4,682

COLLECTION FUND MONITORING 2019/20 (as at 30th June 2019)

	Actual 2018/19	Estimated 2019/20	1st Qtr Projection 2019/20	Notes
COUNCIL TAX - INCOME & EXPENDITURE	£'000	£'000	£'000	
INCOME				
Council Tax Collectable	57,262	61,270	61,000	Est. Increase in Tax Base and Precepts at 7%
EXPENDITURE				
County Council Precept	41,302	44,054	44,054	As approved by Full Council 27th Feb 2019
Police and Crime Commissioner Precept	6,253	7,213	7,213	As above
Fire and Rescue Authority Precept	2,427	2,538	2,538	As above
SDDC Precept	5,169	5,405	5,405	As above
SDDC Parish Precepts	773	798	798	As above
Increase in Bad Debts Provision	440	613	610	Estimated at 1% of income
Total Expenditure	56,364	60,621	60,618	
Surplus for the Year	898	650	382	
COUNCIL TAX BALANCE				
Opening Balance 1st April	1421	1,819	1,819	Per Final Accounts 2018/19
Share of Previous Surplus to County Council	-367	-733	-733	As approved by Full Council 27th Feb 2019
Share of Previous Surplus to Police	-56	-112	-112	As above
Share of Previous Surplus to Fire Authority	-22	-45	-45	As above
Share of Previous Surplus to SDDC	-55	-110	-110	As above
Surplus for Year (as above)	898	650	382	
Closing Balance as at 31st March	1,819	1,469	1,201	
	Actual	Estimated	1st Qtr	
	2018/19	2019/20	Projection	
			2019/20	
BUSINESS RATES - INCOME & EXPENDITURE	£'000	£'000	£'000	
INCOME				
Business Rates Collectable	25,226	27,070	27,100	Estimate as per NNDR1
Transitional Protection Payments	771	705	600	
Total Income	25,997	27,775	27,700	
EXPENDITURE				
Central Government Precept	0	13,398	13,398	
SDDC Precept	13,338	10,718	10,718	Per NNDR1 Submission
Derbyshire County Council Precept	13,071	2,411	2,411	As above
Fire and Rescue Service Precept	267	268	268	As above
Cost of Collection	91	91	91	As above
Increase in Bad Debts Provision	250	242	271	Estimated at 1% of income
Provision for Appeals	-72	646	542	Estimated at 2% of income (forecast is NNDR1)
Total Expenditure	26,945	27,774	27,699	
Surplus / Deficit (-)	-948	1	1	
BUSINESS RATES BALANCE				
Opening Balance 1st April	-192	-377	-377	Per Final Accounts 2017/18
Transfer of Previous Year's Surplus (-) / Deficit	382	-286	-286	Per NNDR1 Submission
Transfer of Previous Year's Surplus (-) / Deficit	305	293	293	As above
Transfer of Previous Year's Surplus (-) / Deficit	69	460	460	As above
Transfer of Previous Year's Surplus (-) / Deficit	7	5	5	As above
Surplus / Deficit (-) for the Year as above	-948	1	1	
Closing Balance as at 31st March	-377	96	96	

APPENDIX 4

Base Budget Policy Committee Transfers	Approved Budget £	Proposed Changes £	Revised Budget £
Environmental and Development	4,648,985	456,778	5,105,763
Housing and Community	2,994,946	-658,494	2,336,452
Finance and Management	5,066,399	201,716	5,268,115
	12,710,330	0	12,710,330

- The Base Budget for Grounds Maintenance has always been included within the Housing and Community Services Committee for reporting. It is proposed to transfer this budget of £604,333 to Environmental and Development Services Committee to sit under Street Scene.
- One member of staff has transferred from Housing and Community Services to Environmental and Development Services due to the Senior Management Restructure. The total budget transfer equates to £29,939
- Public Buildings was transferred under the Senior Management Restructure to the Head of Corporate Property. The repairs and maintenance budgets for Public Buildings total £36,972 and these budgets are to be transferred into Finance and Management from both Housing and Community and Environmental and Development.
- Business and Systems was transferred to Business Change as part of the Senior Management Restructure. Street Naming and Numbering will remain within Environmental and Development but the other staffing and associated costs of £164,744 have been transferred to Finance and Management.