



**AGENDA ITEM:
SUMMARY**

Report for:	Strategic Planning and Environment Overview and Scrutiny Committee
Date of meeting:	17 March 2020
PART:	1
If Part II, reason:	

Title of report:	Budget Monitoring Quarter 3 2019/20
Contact:	Cllr Graeme Elliot, Portfolio Holder for Finance and Resources Nigel Howcutt, Assistant Director (Finance & Resources) Caroline Souto, Team Leader Financial Planning & Analysis
Purpose of report:	To provide details of the projected outturn for 2019/20 as at Quarter 3 for the: <ul style="list-style-type: none"> • General Fund • Housing Revenue Account • Capital Programme
Recommendations	That Committee note the financial position for the Council for 2019/20 as at Quarter 3.
Corporate objectives:	Delivering an efficient and modern council.
Implications:	<u>Financial</u> This report outlines the financial position for the Council for 2019/20 and so summarises the financial implications for service decisions expected to be made for the financial year. <u>Value for Money</u> Regular budget monitoring and reporting supports the effective use of the financial resources available to the Council.
Risk Implications	This reports outlines the financial position for the Council for 2019/20 and in so doing quantifies the financial risk associated with service decisions expected to be made for the financial year.

Community Impact Assessment	The content of this report does not require a Community Impact Assessment to be undertaken.
Health And Safety Implications	There are no Health and Safety implications arising from this report.
Consultees	The position reported within this report has been reviewed and discussed with relevant Council Officers.
Glossary of acronyms and any other abbreviations used in this report:	GF – General Fund HRA – Housing Revenue Account MRP – Minimum Revenue Provision

1. Executive Summary

- 1.1 The projected outturn against budget as at Quarter 3 is a general fund pressure of £148k which is a small increase of £22k quarter on quarter.
- 1.2 Strategic Planning and Environment Capital Programme - There has been an increase in capital slippage of £1m quarter on quarter, predominantly as a result of rephasing of Strategic Planning schemes.

2. Introduction

- 2.1 The purpose of this report is to present the Council's forecast outturn for 2019/20 as at the 31 December 2019. The report covers the following budgets with associated appendices:
- General Fund - Appendix A. A pressure against budget of £148k is forecast.
 - Capital Programme - Appendix B. Budget re-phasing to future years of £1m is forecast, which is 21% of the overall programme. An in year pressure on capital budgets of £0.2m is forecast.

3. General Fund Revenue Account

- 3.1 The General Fund revenue account records the income and expenditure associated with all Council functions, except the management of the Council's own housing stock, which is accounted for within the Housing Revenue Account (HRA).
- 3.2 Appendix A provides an overview of the General Fund forecast outturn position. The forecast position includes areas of both under and overspend. There is a net overall pressure of £148k, less than 1% of the net cost of services budget.

The table below outlines the service areas with a significant financial pressure:

Table 1	Key Financial Pressure	Description
Scrutiny Committee		
Housing and Community	£195k	Garage Income
Strategic Planning and Environment	£110k	Fleet Vehicle Maintenance
Strategic Planning and Environment	£200k	Planning
Strategic Planning and Environment	£170k	Commercial Waste Income

3.3 The table below provides an overview by Scrutiny area of the current forecast outturn for controllable budgets within the General Fund.

Table 2	Current Budget £000	Forecast Outturn £000	Variance	
			£000	%
Finance & Resources	16,443	16,468	25	0.2%
Strategic Planning and Environment	8,406	9,033	627	7.5%
Housing & Community	537	514	(23)	(4.3%)
Total Operating Cost	25,386	26,015	629	2.5%
Investment Property	(4,317)	(4,308)	9	(0.2%)
Core Funding	(21,070)	(21,560)	(490)	2.3%
Contribution (to)/ from General Fund Working Balance	(1)	147	148	

3.4 Core Funding - £490k additional funding / reduction in expenditure

There is a combination of additional government grant income and a reduction in expenditure forecast, to yield a benefit of £490k against core funding budgets. These include:

- Increased new burdens funding of £155k, including £100k relating to the Revenues and Benefits service. This funding is not ring-fenced for a specific use and has therefore been treated as core funding. In addition, £35k of Brexit funding has been received in order to prepare for withdrawal from the European Union.
- The Minimum Revenue Provision (MRP) is a minimum amount which a Council must charge against its revenue budget each year for the financing of capital expenditure which has been initially funded by borrowing. The MRP is £165k lower than budgeted for 2019/20, resulting from below-budget capital expenditure in 2018/19.
- Investment Income is forecast to exceed budget by £200k as balances of cash reserves are higher than had been anticipated due to lower than budgeted capital expenditure.
- Additional income from the HRA of £50k. This arises from work on void garden clearances previously carried out by Osborne and now undertaken by Clean, Safe and Green. As such, there is no resulting additional cost to the HRA.
- Insurance recharges to the HRA will be reduced by £80k due to additional income from Leaseholders' charges.

3.5 The following sections provide an analysis of the projected outturn and major budget variances shown by Scrutiny area.

4. Strategic Planning and Environment

Table 3 Strategic Planning and Environment	Current Budget £000	Forecast Outturn £000	Variance	
			£000	%
Employees	10,334	10,737	403	3.9%
Premises	948	1,036	88	9.3%
Transport	1,187	1,338	151	12.7%
Supplies & Services	2,286	2,514	228	10.0%
Third-Parties	84	83	(1)	(1.2%)
Income	(6,164)	(6,082)	82	(1.3%)
Earmarked Reserves	(269)	(593)	(324)	120.4%
Total	8,406	10,737	627	7.5%

4.1 Employees - £403k pressure against budget

The forecast pressure against employee budgets includes:

- £200k additional staff and agency backfilling within Planning. The planning service have been very successful in driving new business, hence officers have had to be realigned to these new specific planning projects and additional short term agency staff have been recruited to backfill substantive posts. In addition the Planning software has been ungraded to provide a more efficient and effective service. Agency costs have been incurred to backfill staff involved in the project team. The cost of the implementation of the planning software will be funded from a drawdown from the Planning & Regeneration Project reserve of £103k which has been requested in the Quarter 3 Cabinet report.
- £90k in Waste Services due to the non-availability of split-bodied fleet earlier in the financial year resulting in additional separate rounds for co-mingled and food waste, with the associated crews, sometimes being required earlier in the financial year. New waste vehicles have now been delivered and are currently being put into operation. This has also given rise to a pressure in fuel costs (see 4.2).
- £60k pressure in Clean, Safe and Green. The full vacancy provision in this service is not currently being achieved. Across the council as a whole a vacancy factor of 5% is set against budgets, to allow for the time taken to recruit to vacant posts. This is broadly achieved across the wider council.

4.2 Transport - £151k pressure against budget

A pressure of £110k relates to the maintenance of ageing fleet vehicles in Waste Services, including additional short term hire costs and repair costs, and servicing of grounds maintenance vehicles. At Cabinet 21 May 2019, approval was granted to bring the repair and maintenance of vehicles and equipment back in house. This will mitigate the financial pressure in this area going forward.

Waste Services fuel costs are above budget by £50k as detailed in point 4.1.

4.3 Supplies and Services - £228k pressure against budget

In September 2019, the resolution of an ongoing legal case relating to the Council's management of Hand Arm Vibration risk between 2010 and 2016 resulted in £170k of legal costs and fine. The Council prepared for this eventuality by budgeting a £200k contribution to the Litigation Reserve in February 2019, which can now be draw down to fund these costs.

A pressure of £28k has arisen in Waste Services from consultancy work to support service improvements in Commercial and Domestic waste. A drawdown from the Management of Change reserve has been requested to fund this expenditure.

4.4 Income – £82k pressure against budget

Pressure of £170k in the Commercial Waste service. Despite Commercial Waste making a contribution overall towards corporate recharges, income for the service has not met the budgeted target due to the ongoing effect of loss of customers. A full review of the service including marketing and charging structure has been carried out, and service improvements are underway. A reduction to the income budget for 2020/21 has been proposed in the draft budget.

Surplus of £70k S106 income applied where applicable expenditure has taken place which meets the criteria of S106 agreements.

5. Capital Programme

5.1 Appendix B shows the projected capital outturn in detail by scheme.

The table below summarises the overall capital outturn position by Scrutiny committee area.

The current budget is the original budget approved by Cabinet in February 2019, plus approved amendments.

The 'rephasing' column refers to projects where expenditure is still expected to be incurred, but will now be in 2020/21 rather than 2019/20 ('slippage'), or conversely, where expenditure planned initially for 2020/21 has been incurred in 2019/20 ('accelerated spend').

The 'Variance' column refers to projects which are expected to come in under or over budget and projects which are no longer required.

Table 4	Current Budget	Rephasing	Revised Budget	Forecast Outturn	Variance	
	£000	£000	£000	£000	£000	%
Strategic Planning and Environment	4,648	(977)	3,671	3,846	175	3.76%

5.2 General Fund Major Variances

There is projected rephasing of £1m into 2020/21, and a forecast overspend of £0.2m.

The projected rephasing to future years includes:

- Line 175: slippage of £370k on Gadebridge Park White Bridge. The contract for the work has been awarded, but a bespoke permit is required from the Environment Agency. Due to the length of time to obtain this permit, the work will now take place in 2020/21.
- Line 178: accelerated spend of £162k on Fleet Replacement Programme. Budget will be brought forward from 2020/21 to fund additional spend on waste services vehicles.
- Line 185: slippage of £134k on Durrants Lakes project. Negotiations are taking place with Box Moor Trust who will be carrying out the work. The expenditure will now be in 2020/21.
- Line 187: slippage of £600k on Town Centre Access Improvements (Parking Access and Movement). In September 2018 a temporary telecommunications tower was installed on the Leighton Buzzard Road close to where the new access to the Water Gardens (South) car park will be constructed. This tower has permitted development rights for 18 months. This has resulted in a delay to the project through 2019/20. Preparation is now taking place for the main delivery works to commence after the tower's planning permission expires in spring 2020.

The forecast additional spend of £0.2m includes:

- Line 170: additional expenditure of £0.1m on Waste Services wheeled bins. New bins have an estimated useful life of greater than a year and have therefore been treated as capital expenditure.

6. Conclusions and recommendations

- 6.1 As at Quarter 3 2019/20, there is a forecast pressure of £148k against General Fund budgets.
- 6.2 As at Quarter 3 2019/20, against General Fund capital there is forecast budget rephasing of £1m and a forecast pressure of £0.2m.
- 6.3 Members are asked to note the financial position for the Council for 2019/20 as at Quarter 3.