

Report to: Overview & Scrutiny Committee

Date of Meeting: 5 September 2019

Report Title: Financial Monitoring Quarterly Reports for 2019/20 – Quarter 1

Report By: Simon Jones, Chief Accountant
Accountancy and Exchequer Services

Purpose of Report

To provide a summary of the interim outturn position for services at the end of June 2019 (excluding capital financing charges and recharges).

Recommendation(s)

- 1. To accept the contents of the report, and the actions within the conclusion and management action section.**
- 2. To consider the level of detail provided and whether more or less information is required.**

Reasons for Recommendations

To assist the council in understanding the financial position and particularly areas of over and under spend. This assists in identifying areas for review in the revised 2019/20 budget and the production of the 2020/21 budget.

Background

1. The 2019/20 budget agreed by Council was £13,325,158. This figure excludes the contingency budget (£300,000) which is held separately.

Table 1: Revenue position

Directorate	2019/20 Net Budget	2019/20 Forecast Outturn	Variance	Trf to / (Use) of Reserves	2019/20 Estimated Outturn Variance
	£'000	£'000	£'000	£'000	£'000
Operational Services	8,935	9,272	337	151	186
Corporate Resources	4,390	4,449	59	50	9
Total	13,325	13,721	396	201	195

2. For Quarter 1 minimal variances would be expected as the budget was only set in February 2019. The overall revenue forecast identifies a potential deficit of £195,000 once reserve funded items amounting to £201,000 are excluded.
3. Appendix 1 provides a more detailed analysis of each directorate and this report seeks to provide further narrative on the main variations identified.

Operational Services

Environmental Health

4. The service is showing a positive variance of (£24,357) against the 2019/20 original budget.
5. The Environment Management and Administration service is currently showing salary turnover savings of (£6,800) and ongoing savings on various supplies and services identified (£1,700).
6. The Environmental Protection contractor budget has (£10,000) ongoing savings identified.
7. The Licensing Team has (£21,000) salary savings identified but faces reduced income of £10,000 in respect of "Pavement - Tables and Chairs" licensing returning to East Sussex County Council. There is also £6,400 anticipated reduced income on Gambling Licensing as fewer establishments are opening.

Waste and Parking

8. The service is showing an adverse variance of £11,043.
9. There are savings due to salary slippage in the Wardens service amounting to around (£31,860). However, probably due to there not being a full team, the Fixed Penalty Notices income is down by £39,000. There are savings of (£1,700) identified on transport as one of the vehicle leases is not being renewed and (£1,000) ongoing savings identified within supplies and services.
10. Off Street Parking is showing a forecast reduction of income against the budget of £40,000, there are cash collection savings of (£18,500) from the new contract.
11. Public Conveniences is showing a forecast additional spend of £11,500 due to increased utilities costs. One of the main reasons for this appears to be the cesspit emptying costs at West of Haven (Chalets). This needs further investigation.
12. There is a saving of (£15,000) on systems costs following the end of the Waste contract, but replacement bin costs over the forthcoming year may be significantly higher than originally estimated.
13. The £19,000 income for Weed Spraying will no longer be received as this service has gone back to East Sussex County Council. We will however be receiving an additional (£11,420) in Recycling credits for the first quarter – no longer receivable thereafter.
14. Additional clear ups for events and sales of recycling bins are expected to bring in an additional (£5,000) each by the end of the year. There is also an additional (£10,000) expected from Green Waste income.
15. The remaining balance is made up from various other minor under and overspends which can be found in Appendix 1.

Amenities

16. The service is showing a positive variance overall of (£100) against the 2019/20 original budget.
17. The main variances showing are a reallocation of the PIER savings across different cost centres, a breakdown of the variances are shown in Appendix 1.

Marketing and Major Projects

18. The service is showing a positive variance of (£9,363).
19. A breakdown of the variances are shown in Appendix 1.

Regeneration

20. The service is showing a positive variance of (£43,270).
21. Planning Policy is showing an underspend of (£32,401) due to the time in filling a post.
22. A breakdown of the variances are shown in Appendix 1.

Leisure

23. The service is showing a positive variance of (£26,954) against the 2019/20 original budget. Play Development Officer has left the council and the post is remaining vacant for present.
24. A breakdown of the variances are shown in Appendix 1.

Resort Services

25. The service is showing an overspend of £75,653 against the 2019/20 original budget.
26. Cliff Railway is showing an adverse variance of £69,238 as one of the lifts is now out of action needing repair. Income budget was increased to match price increase but quarter 1 figures were on par with 2018/19 and will now be significantly down as the lift is out of action during its busiest period waiting for repair. The repairs budget will also be significantly overspent.
27. A breakdown of the variances are shown in Appendix 1.

Housing and Built Environment

28. The service is showing an overspend of £203,487 against the 2019/20 original budget.
29. Homelessness budget is showing a projected overspend of £191,455. As detailed in previous reports the demand for bed and breakfast is significant with a lack of affordable properties to move into.
30. Local Land Charges - Income has continued to drop compared to previous years and the number of personal searches has reduced. A projected £48,170 adverse variance is expected due to reduced income.
31. Development Management is showing an underspend of (£38,876), £20,000 from potential restructure from vacancies and £18,000 following the latest budget review meeting.
32. The remaining balance is made up from various other minor variances which are shown in Appendix 1.

Corporate Services

33. The total service shows a deficit of £9,220 between the original 2018/19 budget and forecasted outturn.
34. Internal Audit staff are currently backfilling work on the ERP system (covering staff on maternity leave). £12,000 is vired from the Accountancy budget to backfill officer time taken up on the ERP project in order to complete the Audit schedule. There is also a £3,131 reduction in income as we are no longer recovering 1st level controller costs for the CAN project due to changes in staffing.
35. Accountancy and Exchequer services are showing an under spend of (£11,414). Of the £24,000 carry forward for external staffing at year end and budget, (£12,000) is to be transferred to Internal Audit to cover ERP work. The rest is made up of minor variances identified in the supplies and services budgets.
36. Corporate Management costs are showing a (£12,086) reduction due mainly to lower external audit costs following the external tender exercise by PSAA.
37. Corporate Policy is showing an anticipated under spend of (£11,824) due to salary changes - new starters on career grades.
38. Digital By Design is showing a underspend of (£31,458) against the 2018/19 original budget due to staffing changes.
39. The Registration of Electors budget is showing an anticipated over spend of £10,620 due to the recent system upgrade requiring additional support costs but mainly the need to run the systems side by side before switching completely.
40. The Contact Centre is showing a saving of (£46,600) for the year due mainly to salary savings for 2020-21 PIER being achieved early with some slippage in vacant positions, total salary saving of (£40,000). The systems budget has been reduced by (£5,000) to reflect the delay in installing the self-service kiosks. The rest is made up of small savings identified within supplies and services.
41. IT Services are forecasting a saving of (£28,970) due to staff changes.
42. Based on the prior years' experience it is possible that there will be lower than anticipated benefit subsidy paid on some aspects of Housing Benefit administration, as a result of this and lower levels of court recovery costs a provisional additional cost of £150,000 is being estimated for. This constitutes less than ½% variation on the level of benefit subsidy expenditure, and the figures will be refined for the revised budget.
43. The remaining balance is made up from various other variances which are shown in Appendix 1.

Capital Programme

44. The adjusted capital budget for 2019/20 is £22,805,000 once carry forwards and adjustments amounting to £6,149,000 have been allowed for. As Table 2 below shows the spend to the end of June is £6,001,000 with the year end forecast outturn expected to be on budget at this stage. Further details are included in Appendix 2.

Table 2: Capital Programme

Directorate	Original Budget 2019/20	Carry forwards & adjustments	Adjusted Budget	Spend to End June 2019	Forecast Outturn	Forecast Variance to Adjusted Budget
	£'000	£'000	£'000	£'000	£'000	£'000
Operational Services	11,164	6,135	17,299	6,001	17,299	0
Corporate Resources	5,492	14	5,506	0	5,506	0
Total	16,656	6,149	22,805	6,001	22,805	0

Operational Services - Capital

45. Operational Services capital budgets have been reviewed with service managers and at this stage of the year no variances are forecast. It should however be noted that with a Operational Services capital budget of over £17m there is potential for delays and variations.

Corporate Services - Capital

46. Corporate Services capital budgets have been reviewed with service managers and at this stage of the year no variances are being forecast. The conversion costs of 12/13 York Buildings with 6 new flats have increased following delays in obtaining approval and additional conservation requirements. These are subject to a separate report to cabinet.

Conclusion and Management Action

47. The forecast outturn position for Revenue is an adverse overspend of £195,000. Service managers in areas predicting a year end overspend have been asked to identify savings to offset the variances where possible. The position will continue to be monitored.
48. The forecast overspend will be financed from other savings identified during the year, use of the contingency provision budget and greater transfers from earmarked reserves if necessary.

49. The variances in this report, if not offset by savings or the remaining contingency budget, will lead to a deficit of £1,942,000 at the year end which will be funded through the use of funds from the Transition Reserve and other Specific Reserves. This compares to an originally forecast deficit of £1,747,000.
50. Capital is forecasting to be on budget at year end – save for 12/13 York buildings which is subject to a separate report to Cabinet on 2 September 2019.
51. Councillors and management are asked to identify savings wherever practical to ensure that the budgets are not overspent by year end. The further use of any reserves prejudices the potential to use reserves to fund 2020/21 expenditure and would necessitate greater cuts to services and staff in the year.

Timetable of Next Steps

1. Please include a list of key actions and the scheduled dates for these:

Action	Key milestone	Due date (provisional)	Responsible
Continued quarterly monitoring	Each financial quarter	Relevant CAP and O&S meetings	Chief Accountant
Further review of 2019/20 under and over spends and setting revised budget.	2020/21 budget	February 2020	Chief Finance Officer / Chief Accountant

Wards Affected

None

Implications

Relevant project tools applied? Yes

Have you checked this report for plain English and readability? Yes. This has been done as far as possible considering the complex financial issues involved. Flesch-Kincaid grade level 13.9.

Climate change implications considered? N/A

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	No
Crime and Fear of Crime (Section 17)	No
Risk Management	Yes
Environmental Issues	No
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	Yes
Local People's Views	No
Anti-Poverty	No

Additional Information

Appendix 1 Operational Services and Corporate Resources – Revenue Summary Q1
Appendix 2 Operational Services and Corporate Resources – Capital Summary Q1

Officer to Contact

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