

**Report of the Section 151 Officer**

**Financial monitoring and position statement for 2018-19**

**1 Purpose of report**

1.1 This report shows the monitoring position for revenue expenditure only, but should be read in conjunction with the capital monitoring report elsewhere on this agenda to give members a total view and understanding of the current financial position of the council.

1.2 The revenue forecast outturn is estimated as at 30 September 2018.

**2 Executive Summary**

This is the second monitoring report for this financial year and will be compared against the initial monitoring position reported, covering the period to the end of July 2018, which was reported to resources committee in September 2018.

**3 Appendices**

Appendix 1 Revenue Monitoring Position to 30 September 2018

**4 The resources committee is invited to RESOLVE to:**

**4.1 NOTE the position on the revenue monitoring and the reasons for the variances reported and shown in Appendix 1.**

**5 Introduction**

5.1 Financial monitoring is reported 4 times in the year, 3 in year reports, of which this is the second, and the final out turn position in June of the following financial year. This report reflects the monitoring position as at 30 September 2018. The subsequent reports will show the changes in the monitoring position as at the following dates:

- 31 January 2019
- 31 March 2019

## 6 Discussion: 2018-19 Revenue Budget

- 6.1 The council set its net revenue operational budget in February 2018 as £11.059m, which is made up of £18.527m of gross expenditure and £7.468m of gross income, this is summarised in the following table:

<b>Budgeted Expenditure</b>	<b>%</b>	<b>£'000</b>
Salaries & Other Employees Costs	27.1%	5,023
Pension Deficit	6.9%	1,272
Premises incl Investment Property	5.5%	1,018
Supplies & Services	16.5%	3,061
Investment Property Fees	1.6%	297
Parish Precepts	3.0%	548
Grants & Subscriptions	2.0%	377
Shared Services & Contracts	5.1%	947
Wellingborough NORSE	27.4%	5,085
Benefit Payments*	See below	21,175
<b>GROSS EXPENDITURE</b>		<b>38,803</b>
Benefit Subsidy*	See below	(20,276)
<b>EXPENDITURE NET OF BENEFIT SUBSIDY</b>		<b>18,527</b>
*Benefit Payments Net of Subsidy	4.9%	899
<b>Budgeted Service Income</b>	<b>%</b>	<b>£'000</b>
Specific Government Grants	7.6%	(564)
Fees & Charges	55.4%	(4,140)
Property Income	37.0%	(2,764)
<b>GROSS SERVICE INCOME</b>		<b>(7,468)</b>
<b>NET SERVICE EXPENDITURE</b>		<b>11,059</b>

- 6.2 The 2018-19 net budget of £11.059m is funded using £1.842m of general fund reserves (of which £0.456m is from general reserves and £1.386m from earmarked reserves) and other sources of external funding as detailed in the table below:

<b>Funding from Non-Specific Grants, Taxation and Use of Reserves</b>	<b>%</b>	<b>£'000</b>
Council Tax	37.5%	(4,147)
Business Rates	31.1%	(3,442)
Revenue Support Grant	4.8%	(531)
New Homes Bonus	9.9%	(1,097)
Use of Earmarked Reserves	12.5%	(1,386)
Use of General Reserves	4.1%	(456)
<b>TOTAL FUNDING</b>		<b>(11,059)</b>

6.3 The following table combines the service income in 6.1 with the funding sources in 6.2, to show the overall financing of the total expenditure of £18.527m. It illustrates the relative importance of each, with over 37% of financing coming from internally generated fees and charges and property income and more than 22% from council tax. A little less than 12% now comes from government grants, with a further 18.6% from retained business rates.

<b>Total Income</b>	<b>%</b>	<b>£'000</b>
Fees & Charges	22.3%	(4,140)
Property Income	14.9%	(2,764)
Council Tax	22.4%	(4,147)
Business Rates	18.6%	(3,442)
Specific and Non-Specific Government Grants	11.8%	(2,192)
Use of Earmarked Reserves	7.5%	(1,386)
Use of General Reserves	2.5%	(456)
<b>TOTAL INCOME AND FUNDING</b>		<b>(18,527)</b>

6.4 The monitoring of the revenue budget reports the variance to the use of reserves to show any under or over spending on that budget.

6.5 When the monitoring position was reported to committee in September it was anticipated that the council would need to use an additional £17k of reserves to fund the 2018-19 budget, giving a total use of general reserves of £0.473m.

6.6 Further analysis of the spending position and re-profiling of expenditure has meant the forecast has changed and the council is now forecasting an overall increase in the budgeted level of reserves required of £203k, giving a revised use of general reserves of £0.659m.

6.7 This is an increase of £186k from the previous reported position and is summarised in the following table and presented in more detail in Appendix 1 of this report.

	Outturn Movement as at 31.07.18	Outturn Movement as at 30.09.18	2018-19 Forecast Outturn
	£'000	£'000	£'000
<b>Budgeted Use of General Reserves</b>	<b>456</b>	<b>473</b>	<b>659</b>
<b>Budget Savings:</b>			
Establishment savings across the services	-44		-44
Vacancy pending restructure	-16	2	-14
Net effect of service restructure and sharing post with ENC	-33	-2	-35
Increased income from Waendel Walk		-7	-7
Increase in income from investments	-12	-21	-33
Increase fees and charges income	-33	-15	-48
Reduced printing/stationery costs	-14	9	-5
Reduction in grants and subscription costs	-6	-4	-10
Government grants		-18	-18
Rental income from letting Tithe Barn offices		-20	-20
Increased income from food hygiene certificates		-4	-4
Proactive work to mitigate costs of homelessness		-6	-6
<b>Total Budget Savings</b>	<b>-196</b>	<b>-48</b>	<b>-244</b>
<b>Budget Pressures:</b>			
Non capitalisation of salaries due to vacant posts	51		51
Net overspend on temporary accommodation, including allowance for cost of temporary posts agreed at June 2018 Resources Committee		40	40
Increase in the cost of Legal Services		50	50
Increase in cost of recycling collections		133	133
Increase in insurance costs		19	19
Recruitment costs	4	11	15
External legal costs	24	-4	20
Agency costs to cover vacant posts	11	16	27
Street lighting repairs required	14	-	14
Increase in costs associated with regeneration schemes	52	5	57
Additional security for evening meetings	9	-	9
Reduction in licensing income	3	-	3
Extra travel claims	1	-	1
Utility costs	-	4	4
Net miscellaneous costs	3	1	4
<b>Total Budget Pressures</b>	<b>213</b>	<b>234</b>	<b>447</b>
<b>Net Budget Pressure/-Saving</b>	<b>17</b>	<b>186</b>	<b>203</b>
<b>Use of Reserves Before Funding Reduction</b>	<b>473</b>	<b>659</b>	<b>862</b>
<b>Net Movement in Use of Reserves</b>	<b>17</b>	<b>186</b>	<b>203</b>

6.8 The principal reasons for the increase are:

- an expected rise in the costs of recycling collections of £133k,
- a forecast net overspend of £40k in the net costs of homelessness temporary accommodation, and
- an increase of £50k in the estimated costs of legal services.

These increases are partially offset by increased investment income of £33k and additional rental income from investment properties of £20k. The balance of the changes since the last report made up of a number of smaller items.

- 6.9 The new service provider who is going to run the Castle Theatre operation is due to take-over in January 2019. It is not anticipated that there will be further running costs for the Castle Theatre before that time, although it is being carefully monitored, and will be reported at subsequent resources committee. The latest position is detailed below.

Management & Staff Cost	326
Repairs & Maintenance	90
Utilities & Rates	113
Depreciation	210
Supplies & Services	125
Performance Costs	125
Advertising	55
Theatre Income	-374
	<b>670</b>
Available Budget	670
Net Overspend	-

- 6.10 Throughout the year budget movements are monitored and reported when they materialise or are certain to materialise in the future. There are some items that are potential further pressures or savings but are yet to be reported due to uncertainties regarding timing or validity.

## 7. Legal Powers

Local Government Act 2003

## 8. Financial and Value for Money Implications

These are detailed in the body of this report.

## 9. Risk Analysis

Nature of risk	Consequences if realised	Likelihood of occurrence	Control measures
Error in reported position	Over spend leading to reduced Reserves and Balances	Low due to level of quality assurance	Robust financial arrangements.
Changes in activity levels and new burdens	Over spend leading to reduced Reserves and Balances	Unlikely with 6 months of financial year remaining	Robust financial arrangements.

## 10. Implications for Resources, Equalities, and Stronger and Safer Communities

No specific implications identified.

## 11. Author and Contact Officer

Caroline Conway-Hook, Service Accountant  
Tony Furber, Project and Technical Accountant

**12. Consultees**

Liz Elliott, Managing Director  
Julie Thomas, Director  
Budget Managers

**13. Background Papers**

Financial Services budget monitoring working papers.

## Summary of Budget Monitoring at 30th September (Period 6) with forecast to 2018/19 Outturn

Service Area	Original Budget 2018/19	Revised Budget 2018/19	Profiled Budget	Actual Expenditure to Period 6	Variance at Period 6	Forecast Outturn at 31st March 2019	Forecast Variance at 31st March 2019	Comments & Remedial Actions
	£000's	£000's	£000's	£000's	£000's			
	(a)	(b)	(c)	(d)	(e)			
Community Support	1,564	1,511	553	336	-217	1,504	-7	<b>Savings:</b> £7k increase in income from the Waendel Walk
Environmental & Health Protection	430	498	220	198	-22	497	-1	<b>Savings:</b> £4k increased income from food hygiene certificates <b>Pressures:</b> £3k reduction in licensing income
Housing	648	654	327	247	-80	694	40	<b>Pressures:</b> £40k net overspend on temporary accommodation, including allowance for cost of temporary posts agreed at June 2018 Resources Committee
Planning Policy and Regeneration	633	637	256	259	3	667	30	<b>Savings</b> £48k Increase in income from Fees and Charges. £3k reduction in printing costs. £10k reduction in grants and subscriptions costs <b>Pressures:</b> £7k net reduction in capitalisation of salaries £6k agency costs to cover vacant posts £14k as a result of more street lighting repairs having to be carried out. £57k increase in costs associated with regeneration schemes £4k overspend on utility costs £3k net miscellaneous costs across the service
Planning and Building Control	69	76	38	77	39	108	32	<b>Savings:</b> £2k saving on printing & stationery. <b>Pressures:</b> £15k recruitment costs for permanent staff. £19k extra cost of agency staff covering vacancies. Difficulty in recruitment.
Environmental Services	4,177	4,183	-694	2,797	3,491	4,316	133	<b>Pressures:</b> £133k increase in cost of recycling collections
Organisational Development	233	235	118	111	-7	241	6	<b>Savings:</b> £14k due to pending restructure <b>Pressures:</b> £20k external legal costs
Democratic Services	794	805	403	503	100	765	-40	<b>Savings:</b> £35k net effect of service restructure and sharing post with ENC £18k government grants <b>Pressures:</b> £1k increase in travel claims and car allowances £9k additional security for evening meetings. £2k agency cover for vacancy £1k miscellaneous costs across the service
Operational Property	891	893	377	437	60	873	-20	<b>Savings:</b> £20k rental income
Investment Property	-1,676	-1,674	-843	-902	-59	-1,674	-	
Information Technology Shared Service	895	816	496	291	-205	816	-	

Revenue Monitoring Position to 30 September 2018

Service Area	Original Budget 2018/19	Revised Budget 2018/19	Profiled Budget	Actual Expenditure to Period 6	Variance at Period 6	Forecast Outturn at 31st March 2019	Forecast Variance at 31st March 2019	Comments & Remedial Actions
	£000's	£000's	£000's	£000's	£000's			
	(a)	(b)	(c)	(d)	(e)			
District Law Shared Service	146	146	73	69	-4	196	50	<b>Pressures:</b> £50k increased costs from combination of recruiting/resourcings difficulties and increased volume of activity
Accountancy	760	764	382	416	34	783	19	<b>Pressures:</b> £19k increased insurance costs (this cost is recharged to services, together with the associated budgets)
Internal Audit	65	65	33	29	-4	65	-	
Revenue and Benefits - Benefit Subsidy	599	599	299	279	-20	593	-6	<b>Savings:</b> £6 Proactive work to mitigate subsidy loss on high cost claims has provided some stabilisation. However these are demand led budgets and the winter months present a higher risk of subsidy loss due to the difficulties in sourcing affordable temporary accommodation..
Revenue and Benefits - Operational	360	379	190	200	10	379	0	
	<b>10,588</b>	<b>10,587</b>	<b>2,228</b>	<b>5,347</b>	<b>3,119</b>	<b>10,823</b>	<b>236</b>	
Corporate Contingency	160	160	-	-79	-79	160	-	
Bad Debt Provision	10	10	5	-	-5	10	-	
Depreciation & Amortisation	-1,630	-1,630	-	-	-	-1,630	-	
Non Distributed Costs- Pension Fund	1,338	1,338	669	670	1	1,338	-	
Investment Income	-193	-193	-96	-21	75	-226	-33	<b>Savings:</b> £33k increase in income due to the Bank of England's base rate increasing in August 2018. This and the likelihood of it increasing in the near future is pushing the investment income and current account rates up further on a monthly basis
Audit Fee & Bank Charges	66	66	33	-	-33	66	-	
<b>Other Income and Expenditure</b>	<b>-249</b>	<b>-249</b>	<b>611</b>	<b>570</b>	<b>-41</b>	<b>-282</b>	<b>-33</b>	
<b>Corporate Management</b>	<b>172</b>	<b>173</b>	<b>87</b>	<b>116</b>	<b>29</b>	<b>173</b>	<b>-</b>	
<b>Parish Precepts</b>	<b>548</b>	<b>548</b>	<b>329</b>	<b>329</b>	<b>-</b>	<b>548</b>	<b>-</b>	
<b>2018/19 Budget Requirement</b>	<b>11,059</b>	<b>11,059</b>	<b>3,255</b>	<b>6,362</b>	<b>3,107</b>	<b>11,262</b>	<b>203</b>	
Government Funding	-531	-531	-266	-266	-	-531	-	
Business Rates	-2,458	-2,458	-1,229	-1,229	-	-2,458	-	
Section 31 Grant	-984	-984	-492	-492	-	-984	-	
Council Tax	-4,147	-4,147	-2,074	-2,074	-	-4,147	-	
New Homes Bonus	-1,097	-1,097	-549	-549	-	-1,097	-	
Use of General Fund Reserves	-456	-456	-	-	-	-456	-	
Ear Marked Reserves	-1,386	-1,386	-693	-	693	-1,386	-	
<b>2018/19 Funding</b>	<b>-11,059</b>	<b>-11,059</b>	<b>-5,303</b>	<b>-4,610</b>	<b>693</b>	<b>-11,059</b>	<b>-</b>	
<b>Net Position</b>	<b>0</b>	<b>-</b>	<b>-2,048</b>	<b>1,752</b>	<b>3,800</b>	<b>203</b>	<b>203</b>	