

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 31 January 2019.

2 Executive Summary

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

3 Appendices

Appendix 1 Revenue Monitoring Position to 31 January 2019

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 third, and the final out turn position in June of the following financial year. This report reflects the monitoring position as at 31 January 2019. The subsequent reports will show the changes in the monitoring position as at the following dates:

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:

Budgeted Expenditure	%	£'000
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
GROSS EXPENDITURE		38,803
Benefit Subsidy*	See below	(20,276)
EXPENDITURE NET OF BENEFIT SUBSIDY		18,527
*Benefit Payments Net of Subsidy	4.9%	899
Budgeted Service Income	%	£'000
Specific Government Grants	7.6%	(564)
Fees & Charges	55.4%	(4,140)
Property Income	37.0%	(2,764)
GROSS SERVICE INCOME		(7,468)
NET SERVICE EXPENDITURE		11,059

- 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:

Funding from Non-Specific Grants, Taxation and Use of Reserves	%	£'000
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)
TOTAL FUNDING		(11,059)

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.

Total Income	%	£'000
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)
TOTAL INCOME AND FUNDING		(18,527)

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 October it was anticipated that the council would need to use an additional £203k of reserves to fund the 2018-19 budget, giving a total use of general reserves of £659k.

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 £308k, giving a revised use of general reserves of £764k.

6.7 This is an increase of £106k 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	Outturn Movement as at 31.01.19	2018-19 Forecast Outturn
	£'000	£'000	£'000	£'000
Budgeted Use of General Reserves	456	473	659	764
Budget Savings:				
Establishment savings across the services	-44		-24	-68
Savings on community development initiatives			-32	-32
Net savings on community safety initiatives			-10	-10
Vacancy pending restructure	-16	2	-2	-16
Net effect of service restructure and sharing post with ENC	-33	-2	6	-29
Increased income from Waendel Walk		-7		-7
Central recharges			-23	-23
Savings on equipment & furniture			-8	-8
Increase in income from investments	-12	-21	21	-12
Refund of software licence costs incurred in prior year			-26	-26
Increase fees and charges income	-33	-15	-19	-67
Reduced printing/stationery costs	-14	9	-13	-18
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	-1	-5
Savings on training			-11	-11
Savings on services			-4	-4
Miscellaneous savings			-11	-11
Proactive work to mitigate costs of homelessness		-6	-45	-51
Total Budget Savings	-196	-48	-202	-446
Budget Pressures:				
Capital salary income unachieved	51			51
Predominantly Castle theatre income to be paid to new operator			98	98
Disengagement costs			87	87
Net overspend on temporary accommodation, including allowance for cost of temporary posts agreed at June 2018 Resources Committee		40	9	49
Net housing benefit overpayments			80	80
Reduction in new Burdens grant			19	19
Increase in cost of recycling collections		133	61	194
Recruitment costs	4	11	-5	10
External legal costs	24	-4		20
Agency costs to cover vacant posts	11	16	10	37
Street lighting repairs required	14	-		14
Increase in costs associated with regeneration schemes	52	5		57
Additional security for evening meetings	9	-		9
GDPR IT module			8	8
Reduction in licensing income	3	-		3
Extra travel claims	1	-		1
Costs for dangerous structures			7	7
Utility costs	-	4		4
Net miscellaneous costs	3	1	2	6
Total Budget Pressures	213	234	307	754
Net Budget Pressure/-Saving	17	186	105	308
Use of Reserves Before Funding Reduction	473	659	764	1,072
Net Movement in Use of Reserves	17	186	105	308

6.8 The principal reasons for the increase are:

- Income from ticket sales for future shows at The Castle Theatre whereby the monies were paid to BCW needs to be forwarded onto Parkwood Leisure, circa £100k.
- Disengagement costs of £87k

These increases are partially offset by

- Refund of prior year software licence costs of £26k
- Establishment savings of £24k
- Increased fees and charges income of £19k

The balances of the changes since the last report are made up of a number of smaller items and the netting off of other pressures and savings.

6.9 The new service provider, Parkwood Leisure, took over the running of The Castle Theatre operation on 8 January 2019. The anticipated overall running costs for the remainder of the year are expected to give a similar outturn position apart from the reimbursement of the income relating to future shows. It was not possible to identify this previously as the contract had not been signed at the time of the report to the last Resources meeting and therefore no certainty to the commencement of the contract. The latest position is detailed below.

Management & Staff Cost	272
Repairs & Maintenance	70
Utilities & Rates	93
Depreciation	210
Supplies & Services	211
Performance Costs	108
Advertising	38
Theatre Income	-222
	780
Available Budget	682
Net Overspend	98

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

12. Consultees

Liz Elliott, Managing Director

Shaun Darcy, Director, Section 151 Officer

Julie Thomas, Director

Eric Symons, Assistant Director, Deputy Section 151 Officer

Budget Managers

13. Background Papers

Financial Services budget monitoring working papers.

Service Area	Original Budget 2018/19	Revised Budget 2018/19	Profiled Budget	Actual Expenditure to Period 10	Variance at Period 10	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	1,552	1,564	1,396	1,230	-166	1,612	48	<p>Savings: £32k savings by ceasing to part fund Police Community Support Officers and employing Community Protection Enforcement Officers directly. £10k net savings on community safety initiatives due to a vacant post and delay in partnership projects getting started. £7k increase in income from the 2018 Waendel Walk £1k Miscellaneous savings across the service</p> <p>Pressures: £98k predominantly Castle theatre show income due to be paid to Parkwood</p>
Environmental & Health Protection	544	588	484	434	-50	545	-43	<p>Savings: £17k establishment savings due to vacancies £16k increase in income from HMO licences £5k increased income from food hygiene certificates £4k miscellaneous savings across the service £2k increase in pollution control income £1k increase in pest control income</p> <p>Pressures: £2k reduction in licensing income</p>
Housing	508	516	431	498	67	566	50	<p>Savings: £7k salary savings due to vacancies</p> <p>Pressures: £49k net overspend on temporary accommodation £8k GDPR IT module</p>
Planning Policy and Regeneration	361	382	340	389	49	412	30	<p>Savings: £48k Increase in income from Fees and Charges. £3k reduction in printing costs. £10k reduction in grants and subscriptions costs</p> <p>Pressures: £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</p>
Planning and Building Control	380	400	335	314	-21	449	49	<p>Savings: £5k saving on printing & stationery. £2k on services</p> <p>Pressures: £20k recruitment costs for permanent staff. £29k extra cost of agency staff covering vacancies. Difficulty in recruitment. £7k dangerous structures</p>
Environmental Services	4,177	4,119	3,371	4,691	1,320	4,314	194	<p>Pressures: £194k increase in cost of recycling collections</p>
Organisational Development	233	236	197	176	-21	235	-1	<p>Savings: £16k due to pending restructure £8k savings on training</p> <p>Pressures: £20k external legal costs £3k net miscellaneous pressures</p>
Democratic Services	794	818	684	820	136	813	-5	<p>Savings: £29k net effect of service restructure and sharing post with ENC £18k government grants £23k savings on central recharges £3k training savings £10k saving on printing £13k services savings £8k equipment & furniture savings</p> <p>Pressures: £1k increase in travel claims and car allowances £9k additional security for evening meetings £2k agency cover for vacancy £87k disengagement fees</p>
Operational Property	891	887	766	815	50	868	-19	<p>Savings: £20k extra rental income</p> <p>Pressures: £1k miscellaneous costs</p>
Investment Property	-1,676	-1,636	-1,355	-1,568	-212	-1,636	0	
Information Technology Shared Service	895	765	778	613	-164	736	-29	<p>Savings: £26k refund of prior year software licence overpaid £3k miscellaneous savings</p>
District Law Shared Service	146	146	122	137	15	146	0	
Accountancy	760	505	378	530	153	505	0	
Internal Audit	65	65	54	49	-5	65	0	
Revenue and Benefits - Benefit Subsidy	599	599	499	1,628	1,130	627	29	<p>Savings: £51k net savings on the cost of housing benefits payments, offset by a small reduction in the net income from housing subsidy.</p> <p>Pressures: £80k net housing benefits overpayments recovery than anticipated</p>
Revenue and Benefits - Operational	360	387	324	184	-140	406	19	<p>Pressures: £19k Reduction in New Burdens Grants</p>
Corporate Contingency	160	160	122	-78	-200	160	0	
Bad Debt Provision	10	10	8	0	-8	10	0	
Depreciation & Amortisation	-1,630	-1,388	-1,428	-1,388	40	-1,388	0	
Non Distributed Costs- Pension Fund	1,338	1,338	1,115	1,121	6	1,338	0	
Investment Income	-193	-193	-160	-82	78	-204	-12	<p>Savings: £12k 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</p>
Audit Fee & Bank Charges	66	66	55	1	-54	66	-	
Other Income and Expenditure	-250	-7	-289	-426	-137	-19	-12	
Corporate Management	172	176	147	299	151	173	-3	
Parish Precepts	548	548	548	551	3	551	3	
2018/19 Budget Requirement	11,059	11,059	9,209	11,367	2,158	11,366	308	
Government Funding	-531	-531	-443	-443	-	-531	-	
Business Rates	-2,458	-2,458	-2,048	-2,048	-	-2,458	-	
Section 31 Grant	-984	-984	-820	-820	-	-984	-	
Council Tax	-4,147	-4,147	-3,456	-3,456	-	-4,147	-	
New Homes Bonus	-1,097	-1,097	-914	-1,097	-183	-1,097	-	
Use of General Fund Reserves	-456	-456	0	0	0	-456	-	
Ear Marked Reserves	-1,386	-1,386	-1,155	0	1,155	-1,386	-	
2018/19 Funding	-11,059	-11,059	-8,836	-7,864	972	-11,059	-	
Net Position	0	-	373	3,503	3,130	308	308	

