

Report of the Section 151 Officer

Financial monitoring and position statement for 2019-20

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 2019.

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 2019, which was reported to resources committee in September 2019.

3 Appendices

Appendix 1 Revenue Monitoring Position to 30 September 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 second, and the final out turn position in June of the following financial year. This report reflects the monitoring position as at 30 September 2019. The subsequent reports will show the changes in the monitoring position as at the following dates:

- 31 January 2020
- 31 March 2020

6 Discussion: 2019-20 Revenue Budget

- 6.1 The council set the net revenue operational budget in February 2019 as £10.658m, which is made up of £17.868m of gross expenditure and £7.210m of gross income, however, this was revised down to £10.617m in June 2019 and the Business Rates Income was also amended to reduce the reliance on general reserves and this is summarised in the following table:

Budgeted Expenditure	%	£'000
Salaries & Other Employees Costs	29.1%	5,192
Pension Deficit	7.2%	1,286
Premises incl Investment Property	5.2%	920
Supplies & Services	15.2%	2,702
Investment Property Fees	1.3%	235
Parish Precepts	3.2%	575
Grants & Subscriptions	1.8%	316
Shared Services & Contracts	4.9%	881
Wellingborough NORSE	27.0%	4,820
Benefit Payments*	See below	20,925
GROSS EXPENDITURE		37,852
Benefit Subsidy*	See below	(20,025)
EXPENDITURE NET OF BENEFIT SUBSIDY		17,827
*Benefit Payments Net of Subsidy	5.0%	900
Budgeted Service Income	%	£'000
Specific Government Grants	6.8%	(491)
Fees & Charges	53.2%	(3,835)
Property Income	40.0%	(2,884)
GROSS SERVICE INCOME		(7,210)
NET SERVICE EXPENDITURE		10,617

- 6.2 The 2019-20 net budget of £10.617m is funded using £1.167m of general fund reserves (of which £0.438m is from general reserves and £0.729m 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	41.4%	(4,393)
Business Rates	37.9%	(4,028)
Revenue Support Grant	-	-
New Homes Bonus	9.7%	(1,029)
Use of Earmarked Reserves	6.9%	(729)
Use of General Reserves	4.1%	(438)
TOTAL FUNDING		(10,617)

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 £17.827m. 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 24% from council tax. A little less than 9% now comes from government grants, with a further 22.6% from retained business rates.

Total Income	%	£'000
Fees & Charges	21.5%	(3,835)
Property Income	16.2%	(2,884)
Council Tax	24.6%	(4,393)
Business Rates	22.6%	(4,028)
Specific and Non-Specific Government Grants	8.5%	(1,520)
Use of Earmarked Reserves	4.1%	(729)
Use of General Reserves	2.5%	(438)
TOTAL INCOME AND FUNDING		(17,827)

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 July it was forecasting a decrease in the need to use reserves of £311k.

6.6 Further analysis of the spending position has meant the forecast has changed and the council is now forecasting an overall decrease in the budgeted level of reserves required of £377k, giving a revised use of general reserves of £61k.

6.7 This is a decrease of £66k from the previous reported position and is summarised in the following table and presented in more detail in appendix 1 of this report.

6.8 The balance of the changes since the last report is made up of a number of compensating items as shown in the table below.

	Outturn Movement as at 31.07.19	Outturn Movement as at 30.09.19	2019-20 Forecast Outturn
	£'000	£'000	£'000
Budgeted Use of General Reserves	1,001	127	61
Budget Savings:			
Establishment savings across the services	-149	59	-90
Net reduced subsidy loss on temporary accommodation	-272	9	-263
Additional new burdens grant	-30		-30
Housing subsidy income		-37	-37
Government grants and external contributions	-63	-66	-129
Reduction in travel claims	-1	-3	-4
Savings on repairs & maintenance	-1	-16	-17
Reduction in printing costs		6	6
Savings on services	-35	2	-33
Pre planning fee income		-7	-7
Investment income		-62	-62
Reduction in rent deposits/advances for homelessness		-71	-71
Reduction in homelessness accommodation costs		-20	-20
Total Budget Savings	-551	-206	-757
Budget Pressures:			
Increase in Repairs & Maintenance spend	23	-17	6
Anticipated reduction in housing benefits overpayments income	130	23	153
Net reduction in housing subsidy income	14	-14	-
Post, stationery & printing costs associated with local elections		29	29
Software licences		13	13
Professional fees	5		5
Agency costs to cover vacant posts	9		9
Advertising costs	5	-1	4
Reduced fees and charges income	14	102	116
Utility costs	34	-3	31
BID income	7		7
Net miscellaneous costs	-1	8	7
Total Budget Pressures	240	140	380
Net Budget Pressure/-Saving	-311	-66	-377
Net budget decrease as reported 19 June 2019	-563	-563	-563
Total Use of General Reserves	127	61	61
Total Use of Earmarked Reserves	729	729	729

6.9 Significant work is also being undertaken on the creation of the Wellingborough Town Council. In advance of the creation and the new council being able to precept to raise funds, it is proposed to utilise £10k of the current forecast underspend across services to support the process. This will be used to fund the branding, website creation, NALC membership to support the creation and governance arrangements of the Town Council as well as training for the new members once elected.

- 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.
- 6.11 Significant work is now being undertaken on reviewing service budgets for 2020-21 and on reducing the use of reserves required for the financial year ahead. From the amendments already approved this year and the work completed to date, the use of reserves forecast to be required has dropped from the previously reported £1.3m to £0.3m. Further work will take place to further reduce this towards no use of reserves for 2020-21 and this will be presented at the December Committee.

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

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12. Consultees

Liz Elliott, Managing Director
 Shaun Darcy, Director, S151 Officer
 Eric Symons, Assistant Director, Deputy S151 Officer
 Julie O'Connell, Finance Manager
 Budget Managers

13. Background Papers

Financial Services budget monitoring working papers.

Revenue Monitoring Position to 30 September 2019

Service Area	Original Budget 2019/20	Revised Budget 2019/20	Profiled Budget	Actual Expenditure to Period 6	Variance at Period 6	Forecast Outturn at 31st March 2020	Forecast Variance at 31st March 2020	Comments & Remedial Actions
	£000's	£000's	£000's	£000's	£000's			
	(a)	(b)	(c)	(d)	(e)			
Community Support	1,408	1,427	526	432	-94	1,433	6	Pressures: £6k increased cost of Castle repairs
Environmental & Health Protection	614	666	331	325	-6	638	-28	Savings: £20k increased income from Hackney Carriages £14k staffing costs due to vacancies, long term sickness and appointment at lower grades Pressures: £4k increase in pest control costs £2k reduction in licensing income
Housing	558	566	281	147	-134	506	-60	Savings: £14k salary savings due to vacancies after offsetting agency costs. £120k government grants. £4k car allowances and travel related costs. £71k rent reduction. £20k reduction in homelessness costs. Pressures: £13k software licence. £7k rates £34k grants & subscriptions. £113k less income as a result of less properties available to let and reduced income. £2k miscellaneous costs.
Property and Projects	425	469	163	176	13	486	17	Savings: £39k salary savings £1k reduced repairs and maintenance spend Pressures: £7k net reduction in capitalisation of salaries £3k services. £47k reduced income.
Planning and Building Control	333	351	170	7	-163	324	-27	Savings: £24k additional external contributions £7k Pre-planning fee income £5k grant income received £10k salary - Director vacancy Pressures: £10k agency cover for staff vacancies. £4k advertising costs. £3k grants & subscriptions £2k outside services
Environmental Services	4,269	4,282	1,778	3,242	1,464	4,282	-	
Organisational Development	227	230	114	103	-11	229	-1	Savings: £1k due to staffing vacancy
Democratic Services	681	661	324	374	50	657	-4	Savings: £18k net effect of vacancies and sharing post with ENC £17k grant income Pressures: £29k post, stationery and printing costs associated with local elections £2k miscellaneous
Operational Property	865	850	358	437	79	765	-85	Savings: £59k Increase in income from Fees and Charges predominantly due to the letting of land to the MoJ. £28 reduction in services costs. Pressures: £2k utility costs on void properties

Revenue Monitoring Position to 30 September 2019

Service Area	Original Budget 2019/20	Revised Budget 2019/20	Profiled Budget	Actual Expenditure to Period 6	Variance at Period 6	Forecast Outturn at 31st March 2020	Forecast Variance at 31st March 2020	Comments & Remedial Actions
	£000's	£000's	£000's	£000's	£000's			
	(a)	(b)	(c)	(d)	(e)			
Investment Property	-1,808	-1,761	-908	-803	105	-1,724	37	Savings £16k underspend on Repairs & Maintenance £4k savings on services. Pressures: £22k utility costs on void properties £30k reduced income on void properties £5k professional fees
Information Technology Shared Service	858	901	419	344	-75	901	-	
District Law Shared Service	164	164	82	73	-9	164	-	
Accountancy	780	499	446	385	-61	498	-1	Savings: £1k net establishment savings
Internal Audit	61	61	31	30	-1	61	-	
Revenue and Benefits - Benefit Subsidy	550	550	275	-862	-1,137	403	-147	Savings: £263k net reduced subsidy loss on temporary accommodation £37k net increase in housing subsidy income Pressures: £153k anticipated reduction in housing benefits overpayments income
Revenue and Benefits - Operational	444	467	229	58	-171	445	-22	Savings: £30k additional new burdens grant Pressures: £7k Bid income £1k Miscellaneous pressures across the service
	10,429	10,383	4,619	4,468	-151	10,068	-315	
Corporate Contingency	-359	-359	-180	-81	99	-359	-	
Bad Debt Provision	10	10	10	0	-10	10	-	
Depreciation & Amortisation	-1,388	-1,388	0	0	-	-1,388	-	
Non Distributed Costs- Pension Fund	1,352	1,352	676	671	-5	1,352	-	
Investment Income	-282	-282	-141	1	142	-344	-62	Savings: £62k forecast increase due to higher interest rates and increased funds to invest with
Audit Fee & Bank Charges	40	40	20	10	-10	40	-	
Other Income and Expenditure	-627	-627	385	601	216	-689	-62	
Corporate Management	281	286	141	253	112	286	-	
Parish Precepts	575	575	288	345	57	575	-	
2019/20 Budget Requirement	10,658	10,617	5,433	5,667	234	10,240	-377	
Government Funding	-	-	-	-	-	-	-	
Business Rates	-2,521	-2,658	-886	-886	-	-2,658	-	
Section 31 Grant	-985	-1,370	-457	-457	-	-1,370	-	
Council Tax	-4,393	-4,393	-1,464	-1,464	-	-4,393	-	
New Homes Bonus	-1,029	-1,029	-343	-514	-171	-1,029	-	
Use of General Fund Reserves	-1,001	-438	-146	-	146	-438	-	
Ear Marked Reserves	-729	-729	-243	-	243	-729	-	
2019/20 Funding	-10,658	-10,617	-3,539	-3,321	218	-10,617	-	
Net Position	0	0	1,894	2,346	452	-377	-377	