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## **BUDGET MONITORING REPORT 2014/15**

To: **Cabinet – 20 January 2015**

Main Portfolio Area: **Financial Services**

By: **Cllr Rick Everitt, Cabinet Member for Financial Services and Estates**

Classification: **Unrestricted**

Ward: **All**

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**Summary: To inform Cabinet of the latest budget monitoring position against the General Fund, Housing Revenue Account and capital programme for 2014/15.**

### **For Decision**

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#### **1.0 Introduction**

1.1 This report enables Cabinet to take an informed view of the likely financial out-turn for the General Fund, as well as the likely outturn on the Housing Revenue Account and capital programme for 2014/15 comparing the forecast spend against the budget for the year. The report summarises the main issues, with the detail being provided in the annexes.

#### **2.0 Summary Outturn Position for the General Fund 2014/15**

2.1 Monitoring has now been undertaken to November for the financial year 2014/15 and a breakeven position is anticipated. However, in achieving a breakeven position emerging pressures such as the on-going delivery of savings factored in as part of the 2014/15 Budget Build and the restructuring of Front Line Services have been assumed to be containable within existing resources. More detailed information covering the period to the end of November 2014 is shown below.

2.2 As indicated above savings factored in as part of the 2014/15 Budget Build will need to be carefully monitored in order to ensure that they are delivered as expected.

2.3 With eight months monitoring data we have a better indication of the potential outturn position, although there remains pressure to deliver a breakeven position in the main due to reduced parking income, the current position will be carefully monitored over the coming months and corrective action will be taken to bring it back to a balanced budget position.

### 3.0 General Fund Detail:

#### By Directorate

	S			V			X		
	Chief Executive			Director Of Operational Serv			Director Of Community Services		
	Working Budget	Revised Forecast	Variance	Working Budget	Revised Forecast	Variance	Working Budget	Revised Forecast	Variance
Employees	233,990	233,990	-	4,646,420	4,746,420	100,000	4,979,230	4,979,230	-
Premises Related Expenditure	80	80	-	3,125,410	3,125,412	2	1,389,290	1,417,161	27,871
Transport Related Expenditure	6,950	6,950	-	939,980	939,980	-	81,850	81,424	-426
Supplies And Services	32,670	32,670	-	2,858,660	2,858,660	-	3,602,110	3,640,151	38,041
Third Party Payments	-	-	-	37,690	37,690	-	545,330	545,330	-
Transfer Payments	-	-	-	380	380	-	-	-	-
Revenue Financing	-	-	-	-	-	-	-	-	-
Income	(29,100)	(29,100)	-	(8,202,610)	(8,025,550)	177,060	(5,632,390)	(5,615,336)	17,054
	<b>244,590</b>	<b>244,590</b>	<b>-</b>	<b>3,405,930</b>	<b>3,682,992</b>	<b>277,062</b>	<b>4,965,420</b>	<b>5,047,960</b>	<b>82,540</b>
	Y								
	Director Corp Resources S151			TOTAL					
	Working Budget	Revised Forecast	Variance	Working Budget	Revised Forecast	Variance			
Employees	8,919,260	8,919,260	-	18,778,900	18,878,900	100,000			
Premises Related Expenditure	142,790	142,790	-	4,657,570	4,685,443	27,873			
Transport Related Expenditure	55,900	55,968	68	1,084,680	1,084,322	-358			
Supplies And Services	- 2,830	- 17,198	- 14,368	6,490,610	6,514,283	23,673			
Third Party Payments	-	-	-	583,020	583,020	-			
Transfer Payments	68,408,550	68,408,550	-	68,408,930	68,408,930	-			
Revenue Financing	- 266,010	- 266,010	-	- 266,010	- 266,010	-			
Income	- 72,220,230	- 72,220,230	-	- 86,084,330	- 85,890,216	194,114			
	<b>5,037,430</b>	<b>5,023,130</b>	<b>- 14,300</b>	<b>13,653,370</b>	<b>13,998,672</b>	<b>345,302</b>			

#### Chief Executive

3.1 There are no major variances to report at this time.

#### Operational Services

3.2 There is currently an anticipated overspend of £277k in this area, this is in the main due to:

- Reduced parking income as reported last quarter £177k.
- Budget monitoring taken to Cabinet 13 Nov identified pressures within Frontline Services as a result of delivering the new look Recycling and Waste Service. These pressures remain. However, Finance continue to work with Managers in this area to ensure that a breakeven position is achieved by yearend, this pressure currently stands at £100k.
- Within Maritime, the Manager of this Service is accommodating reduced Windfarm activity and the on-going impact of not having a Ferry Operation in place and looking to deliver within budget by yearend, any variance here will be covered from the Maritime Reserve.

### **Director of Community Services**

3.3 Currently within this area there is a projected overspend of around £82k.

- Delays in delivering savings attached to the Media Centre for the 2014/15 financial year are anticipated at £34k however, additional work is underway to progress this saving for 2015/16
- Reductions in property income primarily due to reduced income from Staffordshire Street Market and lower occupancy at Forresters Hall £57k
- Environmental Services are reporting a variance, in the main due to Pollution and reduced income streams £21k.
- Every effort is being made to offset within Service and increased income from Land Hire, savings resulting from External Funding and additional Search Income reduce this potential overspend (£30k).

### **Director of Corporate Resource**

3.4 Currently within this area there is a small anticipated underspend (£14k).

- Due to various minor savings being offered to contribute towards the corporate position.

### **General**

3.5 Financial Services will continue to work with Managers to achieve a balanced outturn position for the 2014/15 Financial year, given the current position as identified above this would leave £345k to be managed out over the remaining 4 months. Financial Services will be working on a post restructure review and It is anticipated that this could generate additional vacancy savings, additional income around Council Tax recoveries and better recovery rates around EKS debt recovery will further reduce this position.

#### 4.0 External income position at end of November 2014

A significant proportion of the Council's budget is reliant on external income. These include Grants and subsidies from Government as well as income generated from business rates and council tax. Other external funding comes from a variety of sources and can be reliant on meeting funding objectives. To give some context to this, the Council's Net budget requirement for 2014/15 is funded 27.61% Revenue Support Grant, 25.24% Retained Business Rates and 47.15% through Council Tax

Other External Income		Adverse (positive) variance against budget							RAG Status
Directorate	Original Budget	Fees and Charges	Land & Property	Sales	G'ment Grants	Interest	Other Grants & Cont	Total	
Chief Executive	-	-	-	-	-	-	-	-	0.00%
Director Corp Resources S151	(167)	-	-	97	(218)	-	-	(121)	72.46%
Director Of Operational Serv	(3,784)	(128)	(34)	(45)	(228)	-	(6)	(441)	11.65%
Head Of Built Environment	(897)	(36)	-	(21)	(17)	-	(6)	(80)	8.92%
Head Of Econ Dev Asset Manager	(2,118)	(133)	74	(108)	(394)	-	(56)	(617)	29.13%
Head Of Fin Serv Deputy S151	(2,958)	-	-	16	11	-	(61)	(34)	1.15%
Head Of Housing Services	(14,239)	4	-	(85)	(116)	(19)	(19)	(235)	1.65%
Head Of Operational Services	(3,052)	127	(3)	(72)	(5)	-	(493)	(448)	14.61%
Head Of Safer Neighbourhoods	(777)	(76)	-	(5)	(40)	-	(57)	(178)	22.91%
<b>Totals</b>	<b>(27,992)</b>	<b>(242)</b>	<b>37</b>	<b>(223)</b>	<b>(1,007)</b>	<b>(19)</b>	<b>(698)</b>	<b>(2,162)</b>	

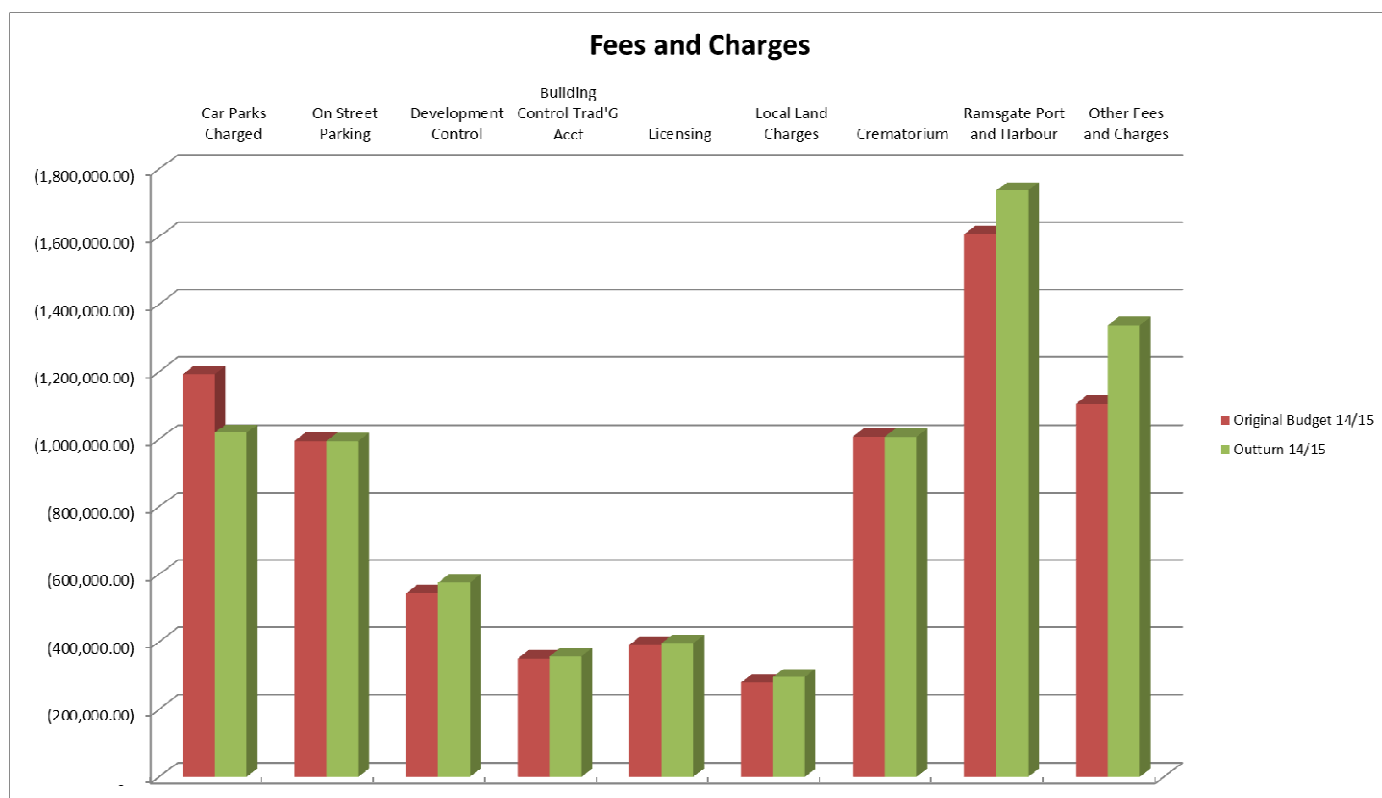
(note: Excludes HB Subsidy and Shared Services)

RAG Status: G = favourable or nil variance, A = up to 5% adverse variance or , R = > 5%

#### Key issues for external income

- Continued pressure on budgets within Maritime Services, accommodating reduced Windfarm activity and the on-going impact of not having a Ferry Operation in place. This can be further impacted by climate and better weather should result in increased income, with the opposite if poor weather is experienced.
- Car parking income in relation to off street parking is down, although this has been addressed in the budget for 2015/16 and beyond, it continues to be an issue in 2014/15 requiring additional savings elsewhere to offset. As above weather will have a major impact on this income stream and this is in part the reason for the lower than expected income this year.
- It is also worth highlighting here that although in some instances Income is shown as exceeding the original budget projections, in most instances this has been utilised to offset increased expenditure elsewhere.
- The Authority runs several trading accounts for income; in the main this is in areas where there is legislation that governs how you charge meaning that these are budgeted to run at nil cost to this Authority. Any surpluses generated through this arrangement need to be reinvested in the service and will not generate a contribution to the net requirement

## 5.0 Fees & Charges trends up to end of November 2014



### Top 5 Performing Fees and Charges

Performance Pack	Original Budget 14/15	Outturn 14/15	Total
Development Control	(545,000.00)	(575,400.00)	(30,400.00)
Food Safety	(120.00)	(46,430.00)	(46,310.00)
Operations - Income	(103,580.00)	(157,750.00)	(54,170.00)
Ramsgate Harbour	(1,504,850.00)	(1,579,070.00)	(74,220.00)
Margate Renewal -Delivery Team	-	(130,000.00)	(130,000.00)

### Under Performing Fees and Charges

Performance Pack	Original Budget 14/15	Outturn 14/15	Total
Car Parks Charged	(1,193,450.00)	(1,019,330.00)	174,120.00
Service And Facilities Charges	(11,130.00)	(7,160.00)	3,970.00
Broadstairs Harbour	(49,360.00)	(48,060.00)	1,300.00
Museums And Art Galleries	(26,400.00)	(25,320.00)	1,080.00
Building Control Service	(1,000.00)	-	1,000.00

## 6.0 Housing Revenue Account

Housing Revenue Account	Working Budget £'s	Outturn £'s	RAG Status
Income	(13,614)	(13,588)	-0.19%
Expenditure	12,613	10,972	-13%
Net Cost of Services not allocated to a specific service	1,532	1,514	-1%
Balance	(531)	(1,102)	

RAG Status: G = favourable or nil variance, A = up to 5% adverse variance or , R = > 5%

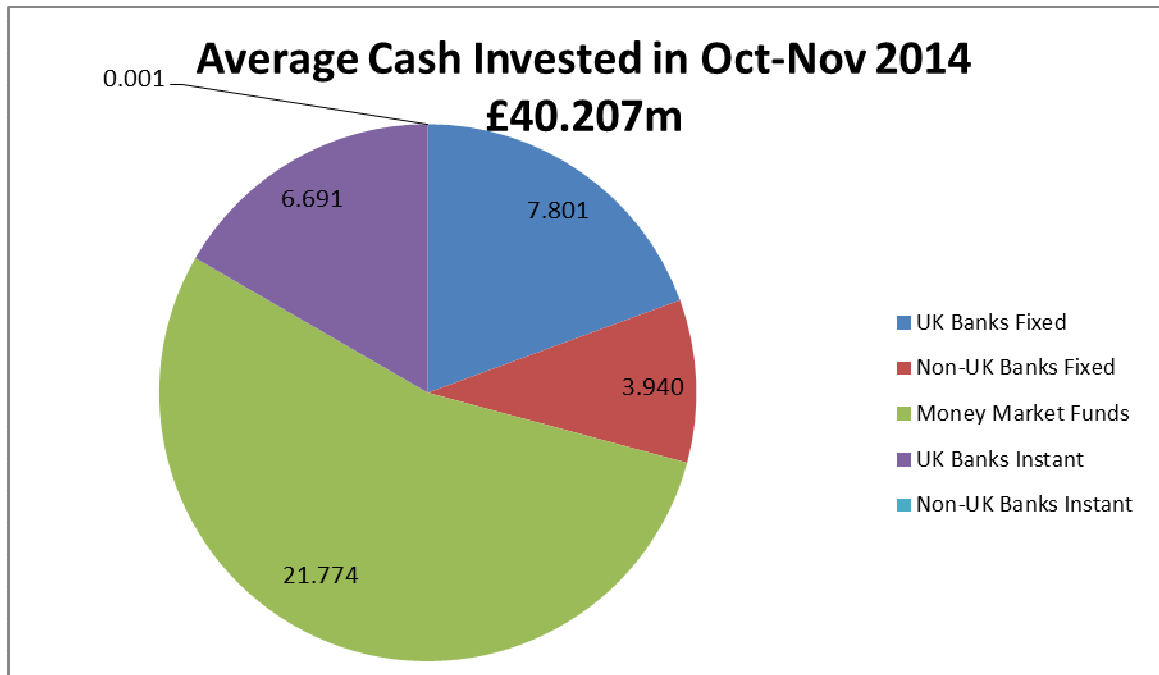
### 6.1 Key Highlights

- An overall underspend forecast for the year of £1.615m, a breakdown of which can be found at **Annex 1**.
- Within the overall forecast is a projected over achievement of income for dwelling rents (£79k), non –dwelling rents (£27k), services and facilities net (£36k) and recovered costs (£7k).
- Slippage in the Margate Intervention affordable homes programme forecast affordable rents will be under achieved by (£177k).
- Repairs and maintenance is projecting an underspend of £198k, (£168k) is due to delays in EKH procuring the painting and decorating contract and (£30k) various other day to day repairs budgets.
- A revenue contribution for preparation works for the development of the garage sites is unlikely to be fully utilised (£1.443m). The Council has negotiated to buy back the Freehold on some garages in preparation for site clearance but as the Council has successfully achieved (£1.3m) in HCA affordable home funding for a 2015-18 New build programme, future spend will need to adhere to grant conditions and timelines and therefore the capital and revenue budget have been re-profiled. As the contribution is unlikely to be fully utilised in this year it is proposed the funds £1.443m is moved to the HRA New Properties Reserve to assist with the funding of the 2015-18 New Build Programme. The capital expenditure funded from the HRA has been adjusted to reflect this and re-profiling in the capital programme **Annex 3**.

## 7.0 Treasury Management for Quarter 3 (Nov 2014)

### 7.1 Key Highlights

- The average Oct-Nov cash balance invested was £40.207m (Q2: £40.771m), ranging from £37.149m to £46.117m. The cash balance invested at the end of Nov was £38.898m.
- Investment interest income for the eight months to the end of Nov was £0.145m, at an average rate of 0.54%.



## 8.0 Capital Programme

8.1 Reports on the General Fund and HRA Capital programme are detailed in **Annex 2 and Annex 3**.

8.2 General Fund property receipts to the end of November 2014 are as detailed below

Property	Amount
20 Ozengell Place	£10,132.00
Land adj 191 Ramsgate Road	£27,500.00
Land at Dane Valley Road	£42,000.00
Less disposal costs	-£1,905.28
<b>Capital Receipt Balance</b>	<b>£77,726.72</b>

8.3 General capital investments at end of November 2014

The total capital investment expected in the year is as follows:

	£'s
<b>Programme approved on 13 Nov 2014 for 2014/15</b>	<b>18,415,787</b>
Add: additional projects	155,498
Less: projects reductions	-188,912
<b>Revised Programme for 2014/15</b>	<b>18,382,374</b>

Additions include £106k for the Sunshine Café and reductions include £141k for the

Newington Centre.

#### 8.4 General Capital Investment

The general capital investment programme includes the following major works:

- Dreamland Heritage Park
- Disabled Facilities Grants
- New Skate Parks
- Playground Upgrades
- Operational Services vehicle replacement programme

8.5 Members are asked to agree the budget virements detailed as per **Annex 2** for the General Fund capital programme.

#### 9.0 Housing capital investments at end of November 2014

9.1 The total capital investment expected in the year is as follows:

	£'s
<b>Programme approved on 13 Nov 2014 for 2014/15</b>	<b>14,043,79</b>
Less: projects reductions/slippage	-2,118,438
<b>Revised Programme for 2014/15</b>	<b>11,925,352</b>

#### Housing Capital Investment

9.2 The housing investment programme includes major works. It will:

- Maintain the Council's housing stock at Decent Home plus standard
- Increase housing stock through a long term Empty Property Programme
- Run an Intervention programme within the Cliftonville West and Central Margate area which sets out to transform the housing market in two of Britain's most deprived wards.

#### Key Reductions

- See paragraph 6.1 with regard to the 2015-18 New Build Programme.
- Phase 3 of the Newington Regeneration scheme is now complete (£43k) no longer required towards the new HRA Shop within the development as no further payments due.



## **10.0 Procurement Update**

### **10.1 Contracts let - £75k and above.**

A number of significant contracts have been let this year particularly in relation to the Dreamland project with contracts for Phase 1 Main Works, the Scenic Railway and Rides let. For a table of all contracts let see **Annex 4 – Contracts Let - £75k and above 2014**

### **10.2 Contract waivers approved**

Contract Standing Orders do allow where there is clear justification, the waiving of some of our local rules for procurement which are not captured by EU Procurement Directives. All applications are scrutinised to ensure that a waiver is applicable and that both probity and value for money will be achieved if approval should be given.

### **10.3 Procurement Strategy**

After an extensive review the revised Corporate Procurement Strategy was adopted by the Council early in 2014

### **10.4 Procurement Programme January 2015 – December 2015**

A programme of contracting requirements for contract spend of £75k and above for 2015 will be compiled based on the Procurement Initiation Forms received as part of budget monitoring.

## **11.0 Corporate Implications**

### **11.1 Financial**

11.1.1 The financial implications have been reflected within the body of the report.

### **11.2 Legal**

11.2.1 Section 151 of the 1972 Local Government Act requires a suitably qualified named officer to keep control of the Council's finances. For this Council, it is the Director of Corporate Resources, Paul Cook, and this report is helping to carry out that function.

### **11.3 Corporate**

11.3.1 Corporate priorities can only be delivered with robust finances and this report gives Members the opportunity to review the Council's current position.

### **11.4 Equity and Equalities**

11.4.1 There are no equity or equalities issues arising from this report.

## **12.0 Recommendations**

12.1 That Cabinet notes the projected outturn position for 2014/15 for the General Fund.

12.2 That Cabinet notes the current Housing Revenue Account position.

- 12.3 That Cabinet approve to transfer £1.443m within the HRA to the Earmarked HRA New Properties Reserve ready for the Delivery of the 2015-2018 HCA Affordable home programme.
- 12.4 That Cabinet notes the General Fund capital outturn and agrees the budget virements detailed as per **Annex 2** for the General Fund capital programme.
- 12.5 That Cabinet notes the HRA capital outturn and agrees the budget virements as detailed as per **Annex 3**
- 12.6 That Cabinet notes the position in relation to Procurement

### **13.0 Decision Making Process**

- 13.1 In the budget setting process, Cabinet makes recommendations to Full Council and Council makes the final decision on the matter. Cabinet can thereafter monitor the performance of the budget and make decisions within the agreed budget framework. Any substantive decisions on this matter are subject to call-in.

#### **Annex List**

<b>Annex 1</b>	Housing Revenue Account Outturn Position
<b>Annex 2</b>	General Fund Capital Programme
<b>Annex 3</b>	HRA Capital Programme
<b>Annex 4</b>	Contracts let - 75k or above

#### **Background Papers**

none

#### **Corporate Consultation Undertaken**

Finance	Matthew Sanham – Corporate Finance Manager
Legal	n/a

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