

BABERGH DISTRICT COUNCIL

From: Head of Corporate Resources	Report Number: P72
To: Strategy Committee	Date of meeting: 20 November 2014

FINANCIAL MONITORING 2014/15 – MID YEAR REPORT

1. Purpose of Report

- 1.1 The report summarises key matters relating to the mid-year 2014/15 financial position for the General Fund, Housing Revenue Account and capital programme.
- 1.2 To advise on actions that have been taken or that are proposed.

2. Recommendations

- 2.1 That the overall mid-year position on spending and income in relation to the General Fund, Housing Revenue Account and capital programme compared to the Budget be noted.

The Committee is able to resolve this matter.

3. Financial Implications

- 3.1 These are detailed in the report.

4. Risk Management

- 4.1 This report is closely linked with a number of the Council's Significant Business Risks. Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Forecast savings and income not delivered	Unlikely	Noticeable	Monitored throughout the year by Finance Teams and Corporate Managers
Expenditure and income varies from the Budget, impacting on the Council's plans and priorities	Unlikely	Noticeable	Focus on monitoring key income and expenditure streams and linkages to the delivery of strategic priorities
Capital investment and individual projects not on target	Unlikely	Noticeable	Regular monitoring of key projects by officers

5. Consultations

5.1 With Heads of Service and Corporate Managers.

6. Equality Analysis

6.1 An equality analysis has not been completed because there is no action to be taken on service delivery as a result of this report.

7. Shared Service / Partnership Implications

7.1 Corporate Managers have reviewed the budget position for each sovereign Council having regard to strategic priorities and plans.

7.2 Mid Suffolk District Council's Executive Committee considered a similar report on 17 November.

8. Key Information

Strategic Context

8.1 Members should consider the overall Budget position in the context of the new financial and business model that is set out in the Strategic Plan.

8.2 This involves reducing our reliance on core Government funding and replacing this with increased income, both from incentivised funding like the New Homes Bonus and from new initiatives such as the PV panels project and looking into commercial income generating opportunities in the private rented housing sector.

8.3 At the same time, we need to continue to examine and reduce costs and focus limited resources on the key priorities and outcomes set by Members. The Priority Based Resourcing approach is part of this.

8.4 Current and future Budgets, therefore, involve more uncertainty and there will be an increased risk of variations (timing and amounts) compared to forecasts and estimates as we develop, design and deliver projects and plans that are innovative and new to the organisation.

8.5 This mid-year budget review is very much a snapshot in time in the journey that we have embarked on. Priority Based Resourcing and other changes will result in a fundamental change in how we budget and manage resources including our approach to risk management and this will become the norm in how we tackle our Medium Term Financial Strategy.

Mid Year Position

8.6 The report provides details of key variations in income and expenditure compared to Budget that are known or forecast to arise, based on the latest information that is available at the end of Quarter 2 of the financial year.

8.7 The report covers:

- The General Fund Revenue Budget
- The HRA Revenue Budget (Council Housing)

- Both the General Fund and HRA Capital programmes.

8.8 Budget monitoring is a key tool and indicator on the delivery of the council's plans and priorities for the year. There will, of course, always be reasons why there are variances such as:

- Economic conditions and those services that are affected by demand
- Base budgets being over or understated (a number were identified in the 2013/14 financial outturn report to Members)
- Uncertainties relating to funding or other changes that were not known at the time the Budget was approved.

8.9 These uncertainties are identified in the Section 151 Officer's report that accompanied the Budget that Members approved in February.

8.10 Taking each area in turn, the position on key aspects of the 2014/15 Budget is summarised below:

General Fund Revenue Account

8.11 In relation to funding:

- (a) Council Tax (£4.4m): At the end of September, collection rates were 58.4%, broadly the same as last year. Collecting council tax remains challenging though, especially from those receiving council tax reductions under the Local Council Tax Reduction Scheme. Recovery Action is varied and is a high priority for the SRP.
- (b) Government Grants: RSG (£2.2m), baseline business rates (£1.9m) and New Homes Bonus (£2.1m) were allowed for in the Budget. RSG and NHB are fixed but the actual amount of business rates will vary.
- (c) Business Rates: At the end of September, collection rates were 57.9%, compared to 58.7% last year. Below target and the annual collectible debit has reduced by around £1m since the start of the year, largely due to rating appeals. Business rates income growth of £0.15m was allowed for in the Budget. Given the current collection rates and appeals, this budgeted income is at risk.

Part of the new business rates arrangements include the Government paying councils a Section 31 (new burdens) grant towards the various reliefs and reductions that they have introduced. For Babergh, this was estimated at £0.6m in the Budget and latest forecasts are that the outturn for the year should be in line with this.

Depending on the overall position of the Business Rates Pool and the variables such as appeals, it is anticipated that there will be a significant pooling benefit for the year as a whole – potentially around £4m - which is shared between all of the Suffolk Councils, but the actual sum will depend on the position for each council in the pool. Some of this will be set aside for the Public Sector Leaders Fund (£1.7m, based on a £4m overall benefit).

8.12 In relation to expenditure and income, budgets and the forecast outturn for the year have been reviewed, including having regard to the 2013/14 financial outturn. The overall position is summarised below:

(a) Staff budgets/costs

There are two elements to this. One is expenditure relating to ODT's and the approved establishment, the other is additional capacity and resources that have been brought in to deliver the Council's plans and strategic priorities (funded from the Transformation Fund/New Homes Bonus).

The mid-year review shows, in overall terms, that expenditure is currently running just ahead of the total pay budget for ODT's and the approved establishment – by about £50k.

Within this net overall position, there are currently underspends in certain areas but additional costs in others. This reflects vacancies in some ODT's and the additional capacity that has been brought in to address key areas of activity linked to the Council's delivery plans and strategic priorities.

Action is being taken to fully utilise staffing budgets and add capacity where it is most needed, which is the nature of the massive change programme that is taking place and in order to develop and implement the wide range of projects and priorities in Council's Strategic Plan.

A further review of resource requirements is being undertaken as part of the current Priority Based Resourcing work so appropriate funding can be allocated from the Transformation Fund (Total of £2.6m put into the fund for the 2014/15 Budget) – as agreed by Members in the Budget strategy that was approved in February 2014.

As a result, additional funding will be allocated between now and the end of the financial year from the Transformation Fund to ensure there is the necessary capacity to progress and support the delivery of the extensive change programme and individual projects.

(b) Non-pay expenditure and income

The General Fund Budget assumed £200k savings during the year across the Council. The current forecast overall saving is £175k, which includes a number of areas where there were known favourable variations in 2013/14 and a further saving was, therefore, expected in the current financial year.

One of the main savings is on Revenues & Benefits where a cautious view was taken on the budgets due to the significant uncertainties on revenue collection and benefit costs – net saving of £140k forecast. Some net favourable variations are forecast in other service areas totalling £35k.

Overall, therefore, the mid-year review suggests that a £25k overspend could arise. Historically though, previous year-end outturns have proved to be better than expected so there could be further favourable variations and savings that arise. Any identified before the year-end will be reported to Members when the quarter 3 position is reviewed.

Housing Revenue Account (HRA - Council Housing)

8.13 In relation to the HRA Revenue Budget, the position on key activity areas is as follows:

- Rent and other income (Budget £16.6m) - It is anticipated that there will be an additional £100k received, largely due to the budget for bad debt provision being higher than is needed.
- Repairs and maintenance (Budget £2.4m) - No significant variations have been identified.
- Management and other costs (Budget £3.6m) - No significant variations have been identified.
- Funding the capital programme (Budget £5.1m) - Subject to the actual level of capital spending for the year and year-end capital financing decisions, this is expected to be in line with the Budget.
- Borrowing and associated costs (Budget £3.4m) - This is also expected to be in line with the Budget.

8.14 Based on the above, there would be a forecast surplus for the year of £100k compared to the Budget, which will be added to the funds available for the HRA Investment Strategy.

Capital Programme

8.15 A very substantial level of capital investment is planned for the year, including activity and schemes that were carried forward from 2013/14. See Appendix A.

General Fund

8.16 Investment plans for this year total £8.4m including £0.6m carried forward from last year and £4.5m relating to the solar panel PV project. The amount and timing of expenditure on projects are linked to the Joint Strategic Plan. Some of these are based on opportunities that emerge e.g. Regeneration Fund.

8.17 The two areas referred to above have a large Budget and a high dependency on the timing of projects and opportunities:

- The solar panel PV project – the contract is progressing well but the Budget assumed all of the money would be spent this year, which was unrealistic. A revised forecast is provided in Appendix A and this will be reviewed further at the end of quarter 3
- Regeneration Fund – This is available to progress projects in Sudbury or elsewhere. Progress is dependent on opportunities and other factors.

8.18 Excluding these two areas, the Budget is £2.6m. At the end of September 2014, £0.6m or 7% was spent and a further £0.4m or 14% committed. The potential forecast year end position, again excluding the PV project and Regeneration Fund, is that between £1.9m and £2.4m (80% and 93%) could be spent – an underspend of between £0.2m and £0.7m. The actual position will depend on progress on individual schemes and projects before the end of the year.

8.19 Details on key areas and specific schemes, including current forecasts for the year are set out in Appendix A. Forecast variations are indicated and comments on key areas are provided below:

- Private Sector Housing Grants - every effort is made to spend the Budget although some of the activity is demand led. It is likely that some of the Budget may, therefore, not be spent by the 31 March but more will be spent next year as activity will be ramped up to meet the Council's new strategic priorities
- Affordable Housing – anticipated spend of £0.3m. Some uncertainty though on timing of actual expenditure
- Community Services/Grants – Some minor variations expected. Some uncertainty though on timing of actual expenditure
- Corporate Services - anticipated underspend of £100k on ICT as forecasting the precise amount of Budget required for the year was difficult.

HRA (Council Housing)

8.20 Details on budgets and forecasts for the year are set out in Appendix A. Investment plans for this year total £7.8m including £2.4m carried forward from last year.

8.21 The current position is as follows:

Planned Maintenance and Improvements (Budget £6.4m)

- At the end of September 2014, £0.9m or 14% was spent and a further £2.3m or 37% committed
- There are a number of changes to the planned programme, most notably in relation to additional spend of £775k on roofing work, which is being undertaken to properties at the same time as the PV Panels project. Budgets are being reallocated from other areas to fund this.
- Potential forecast year end position of between £5.9m and the full Budget of £6.4m (between 92% and 100%) being spent. – an underspend of up to £0.5m. This will depend, however, on progress on individual schemes and projects before the end of the year
- Some risk and uncertainty exists on individual projects and this is allowed for in the forecast variances that are summarised in Appendix A.

New Homes Fund (Budget £1.4m)

- Funds have been earmarked for the development partner projects with Havebury Housing.
- Only a small amount will be spent this year but will be used to support delivery of the Mid Suffolk Affordable Homes Programme. 2 new housing schemes are proposed. It is anticipated that start on sites will range from June to September 2015 with completion of the schemes ranging from June through to July 2017. Total programme costs are £5.3m with funding coming from:

Homes and Communities Agency Grant	£ 472k
New Homes Fund	£1,417k
Other HRA Funding Streams	£1,733k

9. Appendices

Title	Location
A - Capital Programme	Attached

10. Background Documents

Strategy Committee, 10 February 2014 (Budget report)

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APPENDIX A

BABERGH CAPITAL PROGRAMME 2014/15	Original Budget £'000	Revised Budget inc Carry Forwards £'000	Forecast £'000	Revised Budget LESS Forecast £'000
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Housing Revenue Account

Planned Maintenance & Response				
Planned maintenance	2,968	4,751	5,151	400
Disabled Facilities work	200	200	350	150
Other programmes	1,110	1,212	812	-400
Environmental Improvements	150	150	0	-150
Horticulture and play equipment	70	70	70	0
Risk / Uncertainty Allowance	0	0	-500	-500

New build programme	900	1,417	100	-1,317
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HRA Risk / Uncertainty Allowance	0	0	-500	-500
HRA Capital Spend	5,398	7,800	6,483	-1,317
TOTAL HRA Capital Spend	5,398	7,800	5,983	-1,817

General Fund

Housing				
Mandatory Disabled Facilities Grant	357	249	249	0
Discretionary Housing Grants	200	200	200	0
Grants for Affordable Housing	50	329	329	0
Renovation/Home Repair Grants	62	38	38	0
Energy Efficiency Grants	1	9	9	0
Risk / Uncertainty Allowance	0	0	-200	-200
Total Housing	670	825	625	-200

Environmental Services				
Replacement Refuse Freighters - Joint Scheme	150	150	150	0
Total Environmental Services	150	150	150	0

Community Services				
Planned Maintenance / Enhancements - Car Parks	40	53	53	0
Street Parking Improvements	8	8	8	0
Planned Maintenance / Enhancements - Kingfisher	114	137	107	-30
Planned Maint / Enhancements - Hadleigh Pool	25	48	63	15
Play Equipment	25	52	26	-26
Broadband Development	50	50	25	-25
Replacement CCTV Cameras	40	40	40	0
Community Development Grants	129	293	293	0
Risk / Uncertainty Allowance	0	0	-200	-200
Total Community Services	431	681	415	-266

Asset Management				
Planned Maint / Enhancements - Hadleigh HQ	35	56	56	0
Planned Maint / Enhancements - Other Corp Buildings	48	86	51	-35
Carbon Reduction	135	235	235	0
Installation of PV Panels on Housing Stock	4,485	4,485	3,485	-1,000
Risk / Uncertainty Allowance	0	0	-600	-600
Total Asset Management	4,703	4,862	3,827	-1,035

Corporate Services				
ICT costs related to joint working with Mid Suffolk	398	587	487	-100
Regeneration Fund	1,520	1,330	650	-680
Risk / Uncertainty Allowance	0	0	-500	-500
Total Corporate Services	1,918	1,917	1,137	-780

General Fund Risk / Uncertainty Allowance	0	0	-1,500	-1,500
Best Case	7,872	8,435	6,554	-1,881
Worst Case	7,872	8,435	5,054	-3,381