

Business & Transformation Scrutiny Panel

Agenda
Item:
A.3

Meeting Date: 14th September 2017
Portfolio: Finance, Governance and Resources
Key Decision: No
Within Policy and
Budget Framework YES
Public / Private Public

Title: REVENUE BUDGET OVERVIEW & MONITORING REPORT:
APRIL TO JUNE 2017
Report of: CHIEF FINANCE OFFICER
Report Number: RD 18/17

Purpose / Summary: This report provides an overview of the Council's General Fund revenue budgetary position for the period April to June 2017 which was considered by the Executive on 29th August 2017.

Questions for / input required from Scrutiny:

Members are asked to note the variances contained within this report.

Recommendations:

The Members of the Business & Transformation Scrutiny Panel are asked to note the overall budgetary position for the period April to June 2017.

Tracking

Executive:	29 th August 2017
Overview and Scrutiny:	14 th September 2017
Council:	n/a

Report to Executive

Agenda
Item:

Meeting Date: 29th August 2017
Portfolio: Finance, Governance and Resources
Key Decision: No
Within Policy and Budget Framework YES
Public / Private Public

Title: REVENUE BUDGET OVERVIEW & MONITORING REPORT:
APRIL TO JUNE 2017
Report of: CHIEF FINANCE OFFICER
Report Number: RD 18/17

Purpose / Summary: This report provides an overview of the Council's overall budgetary position for the period April to June 2017 for revenue schemes only. The revenue report includes details of balance sheet management issues, bad debts written off in the period and progress against the transformation savings is also provided.

Recommendations:

The Executive is asked to:

- (i) Note the budgetary performance position of the Council to June 2017;
- (ii) Note the action by the Chief Finance Officer to write-off bad debts as detailed in paragraph 6;
- (iii) Note the virements and release of reserves as set out in paragraph 2.1 and Appendix A.

Tracking

Executive:	29 th August 2017
Scrutiny:	14 th September 2017
Council:	n/a

1. BACKGROUND INFORMATION AND OPTIONS

- 1.1 In accordance with the City Council's Financial Procedure Rules, the Chief Finance Officer is required to report to the Executive on the overall budget position, the monitoring and control of expenditure against budget allocations and the exercise of virement on a regular basis. Further details of virements processed can be found in **Appendix A**. It is the responsibility of individual Chief Officers to control income and expenditure within their service areas and to monitor performance, taking account of financial information provided by the Chief Finance Officer.
- 1.2 All Managers currently receive a monthly budget monitoring report covering their areas of responsibility. Information is collated from the main accounting system and then adjusted to correct any known budget profiling trends, timing differences and commitments. The report has been developed in line with the need to provide sound financial management information to inform the decision making process.
- 1.3 Please note that throughout this report:
- (i) the use of a bracket represents a favourable position i.e. either an underspend or additional income received,
 - (ii) the term 'underspend' is taken to include both reduced expenditure and/or increased income,
 - (iii) the term 'overspend' includes both spending above budget and/or reduced income levels.

2. REVENUE BUDGET OVERVIEW

- 2.1 The following statement shows the total annual revenue budget as at June 2017:

2017/18 Revenue Budget	£
Approved Budget (Council resolution – February 2017)	11,038,000
Carry forward requests (2016/17 in-year)	97,000
Carry forward requests (2016/17 out-turn)	393,000
Council Resolution 2017/18	11,528,000
Non-Recurring Transfers to/(From) Reserves:	
IT Renewals Reserve (Enterprise Licences & IT Strategy)	214,200
Leisure Reserve	10,300
Revenue Grants Reserve	72,000
Cremator Replacement Reserve (Environmental Surcharge Income)	(21,300)
Building Control Reserve (Admin Support)	31,700
General Carry Forward Reserve	10,700
Updated Budget 2017/18	11,845,600

- 2.2 Carry Forward requests relating to 2016/17 totalling £393,000 were approved by Council on 11th July 2017.

3. 2017/18 BUDGET MONITORING

- 3.1 The summarised budgetary position as at June 2017 is shown below:

Directorate / Appendix		Annual Net Budget	Net Budget to date	Net Spend to date	Adjusted Variance
		(£)	(£)	(£)	(£)
Community Services	B1	9,208,400	2,115,496	1,981,931	(133,565)
Corporate Support & Resource	B2	3,106,500	1,173,690	1,164,834	(8,856)
Economic Development	B3	1,369,700	140,043	(103,635)	(243,678)
Governance & Regulatory	B4	433,400	255,281	195,316	(59,965)
Corporate ⁽¹⁾	B5	(2,272,400)	215,498	207,398	(8,100)
Sub Total		11,845,600	3,900,008	3,445,844	(454,164)
Flood Expenditure (net) ⁽²⁾	B6	0	0	138,484	138,484
Total		11,845,600	3,900,008	3,584,328	(315,680)

Note 1: Corporate underspends include Salary Turnover Savings, Budget Savings, Inflation Savings, Direct Revenue Financing, Non-Distributed (Pension) costs and corporate management costs (which include bank and audit charges).

Note 2: Net Flooding expenditure relates to costs incurred as a result of the flood, some of which will be able to be claimed back through insurance claims. Non-insured costs will be funded from the

£500,000 flood reserve unless the expenditure can be funded from underspends on base budgets. The overspend to date reflects the current funding required from the flood reserve.

3.2 Further details for each directorate can be found in **Appendices B1 – B6**. Each appendix shows a breakdown of the variance for the Directorate, with comments and a note of any performance issues.

3.3 The main income and expenditure variances are summarised below:

Under achieved Income

- Shortfall on income of £100,100 at John Street Accomodation due to closure from flood damage. Discussions are ongoing with the Council's insurance provider to agree the level of income that can be recovered as part of our insurance claim.
- Shortfall on income from Lanes of £29,400.

Over achieved Income/Grants & Contributions

- Improved levels of income from property rent reviews of £157,000. These are in advance of the £1m additional income from the Council's assets to be achieved from 2018/19 onwards. This is partly offset by costs in relation to Chancerygate of £47,500.
- Improved income levels from Garden Waste of £15,000, Recycling of £19,800 and Bring Sites of £13,800.
- Improved levels of Development Control income of £130,700.
- Improved levels of Building Control income of £107,500.

Under budget Expenditure

- Underspend on Councillors' small scale community schemes of £13,100.
- Underspend on Minimum Revenue Provision of £39,600 due to a lower CFR at 31st March 2017.
- Additional salary turnover saving achieved of £74,900.
- Savings on previous year inflation of £19,700.

Over budget Expenditure

- Overspend of £45,600 in relation to the ICT Strategy costs. A review of ICT Strategy costs is in progress to realign the profiles of expenditure budgets with revised implementation plans.
- Overspend of £138,500 in relation to flood recovery costs not covered by insurance settlements.
- Shortfall on Base Budget Review savings of £109,500.

A subjective analysis of the summarised budgetary position excluding flood related items as at June 2017 is shown below:

Subjective Analysis	Annual Budget (£)	Budget to date (£)	Actual to date (£)	Adjusted Variance (£)
Employee Related	14,610,200	4,243,990	4,257,071	13,081
Premises Related	3,798,200	1,604,977	1,584,938	(20,039)
Transport Related	1,363,900	347,396	334,529	(12,867)
Supplies and Services	5,272,500	2,129,140	1,925,704	(203,436)
Third Party Payments	2,661,200	635,514	703,642	68,128
Other e.g. Housing Benefits	25,751,700	6,660,823	6,639,891	(20,932)
Total Expenditure	53,457,700	15,621,840	15,445,775	(176,065)
Grants and Contributions	(4,782,500)	(1,955,665)	(2,007,975)	(52,310)
Specific Grants e.g. Housing Benefits	(25,739,900)	(6,798,342)	(6,797,902)	440
Customer & Client Receipts	(10,822,700)	(2,898,047)	(3,129,880)	(231,833)
Other Income	(267,000)	(69,778)	(64,174)	5,604
Total Income	(41,612,100)	(11,721,832)	(11,999,931)	(278,099)
Total	11,845,600	3,900,008	3,445,844	(454,164)

- 3.4 The following table shows the position as at June 2017 of savings achieved against the transformation savings targets to date.

Savings Target	Target (£)	Achieved (£)	(Overachieved) /Outstanding (£)
Up to & including 2014/15		44,400	(44,400)
2015/16	1,211,000	1,127,600	83,400
2016/17	1,201,000	1,217,000	(16,000)
2017/18 Target	795,000	395,000	400,000
2017/18 Base Budget Review	403,000	293,500	109,500
Net Position 2017/18	3,610,000	3,077,500	532,500
2018/19 Current Target	1,479,000	453,600	1,025,400
Net Recurring position	5,089,000	3,531,100	1,557,900

4. FORECAST OUTTURN POSITION 2017/18

4.1 The Council's financial position is affected by a number of external factors that have a financial impact during the course of the year and ultimately at the year end. These include:

- The general effect of local economic activity on the Council's income streams e.g. car parking, tourism and leisure activities.
- Fuel prices, energy costs and other inflationary issues.
- The effects of the housing market and property prices, especially with regard to income from land charges, rents and building and development control.

4.2 The Council's financial position along with budget profiling will continue to be closely monitored and likely year end position will be reported more fully in the Quarter 3 report to the end of December 2017. It will be important to maintain a prudent approach so as to ensure a sustainable budget position for future years to avoid any significant variance at the year end.

4.3 The areas of significant variance noted in this report will also be scrutinised fully and incorporated into the 2018/19 budget process if the position is deemed to be recurring in nature.

5. BALANCE SHEET MANAGEMENT

5.1 In line with CIPFA guidance and good practice, information relating to significant items on the Council's balance sheet is shown below. The information concentrates on those items that may have a material impact on the Council if not reviewed on a regular basis.

Balance Sheet item	Balance at 31/03/2017	Balance at Jun 2017	Note
Investments	£14.7m	£10.8m	(i)
Loans	£15.0m	£15.0m	(ii)
Debtors	£1.32m	£1.67m	(iii)
Creditors	£0.004m	£0.24m	

- (i) The anticipated annual return on these investments is estimated at £262,400 for 2017/18 with current forecasts anticipated to be slightly below these projections.
- (ii) The cost of managing this debt, in terms of interest payable, is budgeted at £1,319,700 in 2017/18 with costs currently on target.
- (iii) There may be a significant impact on the cash flow of the Council if outstanding debts are not received. Any debts deemed to be irrecoverable are

written off against a bad debt provision set up specifically for this purpose. Other significant debts relate to Council Tax, NNDR, and Housing Benefit overpayments.

- (iv) The Council's VAT partial exemption calculation for the period ending June 2017 has been calculated and is well below the 5% limit set by HMRC at 0.63%. However, this will increase as expenditure is incurred on the capital programme especially on VAT exempt activities i.e. Civic Centre reinstatement.

6. BAD DEBT WRITE-OFFS

- 6.1 The Chief Finance Officer has delegated authority for the write-off of outstanding debts for NNDR (not available at the time of writing this report), Council Tax and Debtors (including Penalty Charge Notices). In accordance with this, the Executive is asked to note that debts totalling £57,494.98 have been written off during Quarter 1 to the end of June 2017. A summary of bad debts is given in Table 1, **Appendix C** of this report and these costs will fall against the following:

	£
General Fund	34,137.29
Council Tax (Collection Fund)	23,357.69
NNDR	0.00
Total Write-offs	57,494.98

- 6.2 The "write-ons" itemised in Table 2, **Appendix C**, totalling £3,970.52, are in respect of balances originally written off that have since been paid, credit write-offs for the Quarter 1 to the end of June 2017. The write-ons will be credited as follows:

	£
General Fund	14.51
Council Tax (Collection Fund)	3,956.01
NNDR	0.00
Total Write-ons	3,970.52

- 6.3 In the case of the General Fund, the write-offs will be charged against provisions for bad debts. However VAT, which has been identified separately, will be recouped in future VAT returns. Any write-off/write-on of Council Tax/NNDR will fall against the provisions within the Collection Fund. Any Council Tax court costs written off will be charged against the Bad Debt Provision within the General Fund.
- 6.4 At this stage of the year, the level of bad debts is broadly in line with expectations and at this level will be within the scope of the current provisions to fund the bad

debts. However, this situation is continuously under review and any major deviations will be the subject of future reports.

7. CONSULTATION

7.1 Consultation to date.

SMT and JMT have considered the issues raised in this report.

7.2 Consultation Proposed

Business and Transformation Scrutiny Panel will consider the report on 14th September 2017.

8. CONCLUSION AND REASONS FOR RECOMMENDATIONS

8.1 The Executive is asked to:

- (i) Note the budgetary performance position of the Council to June 2017;
- (ii) Note the action by the Chief Finance Officer to write-off bad debts as detailed in paragraph 6;
- (iii) Note the virements and release of reserves as set out in paragraph 2.1 and Appendix A.

9. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

9.1 The Council's revenue budget is set in accordance with the priorities of the Carlisle Plan and the position for the first quarter of 2017/18 shows the delivery of these priorities within budget.

Contact Officer: Emma Gillespie

Ext: 7289

**Appendices A, B1 to B6, C.
attached to report:**

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

- **None**

CORPORATE IMPLICATIONS/RISKS: SMT and JMT have been involved in the preparation of this report. Risks to budgets and development of ongoing impact of issues identified are monitored carefully and appropriate action taken.

Community Services – N/A

Corporate Support and Resources – Financial implications are contained within the main body of the report.

Economic Development – N/A

Governance and Regulatory Services – The Council has a fiduciary duty to manage its finances properly and the proper reporting of budget monitoring is part of this process.

REVENUE BUDGET MONITORING 2017/18

VIREMENTS PROCESSED FOR PERIOD APRIL TO JUNE 2017

Date	Virement Details	Permanent/ Temporary	Value	Authorised By
Requested by Officers (under £35,000 or delegated authority)				
Various	Base Budget Review Savings	Permanent	293,500	Corporate Directors
07/04/2017	Funding Local Plan Examination costs from General Carry Forward Reserve	Temporary	6,800	Director of Resources (email 01/09/16)
20/04/2017	Provision of budget from Community centres to part fund increased Community Centre ICT costs	Permanent	3,400	Deputy Chief Executive
04/05/2016	Provision of budget from Revenues and Benefits for temporary post in Customer Services	Temporary	21,400	OSA10/16 & OSA51-16/17 Director of Resources
Various	Release of funding held in Revenue Grants Reserve	Temporary	72,000	Chief Finance Officer
June 2017	Release of funding from General Carry Forward Reserve for Graduate Planner post in line with OSA14-15 (approved October 2015)	Temporary	10,700	OSA45/15 Director of Resources & OSA41-17/18.
06/07/2017	Provision of NNDR budget for Corporate Properties	Permanent	22,900	Chief Finance Officer 06/07/17
21/12/2015	Appointment of Leisure Contract Retender Advisor (up to £125,000)	Temporary	10,300	OD 184/15 Deputy Chief Executive
Approved by Executive (£35,000 to £70,000)				
01/06/2015	Provision of budget for Microsoft Licences from Renewals Reserve	Temporary for 3 years	£48,000 per year	Executive 01/06/15
31/03/2017	Release of budget from the Repair & Renewals Reserve to fund ICT Strategy implementation	Temporary	116,600	RD57/15 Executive 08/02/16
Approved by Council (over £70,000)				
13/02/2017	Release of Building Control Reserve to support increased technical support	Temporary for 3 years	£31,700 (2017/18)	ED04/17 Council 13/02/17
11/07/2017	Carry forward from 2016/17 into 2017/18	Temporary	393,000	Council 11/07/17

REVENUE BUDGET MONITORING 2017/18

COMMUNITY SERVICES	Gross Expenditure	Gross Income	Recharges	Total
Position as at 30th June 2017	£	£	£	£
Annual Budget	17,207,600	(5,355,600)	(2,643,600)	9,208,400
Budget to date	4,315,726	(1,538,535)	(661,695)	2,115,496
Total Actual	4,302,676	(1,665,059)	(655,686)	1,981,931
Variance	(13,050)	(126,524)	6,009	(133,565)
Carry Forwards/Reserves & Provisions				0
Adjusted Variance	(13,050)	(126,524)	6,009	(133,565)

Analysis of Variances		Expenditure Variance	Income Variance	Recharges Variance	Adjusted Variance
Service	Note	£	£	£	£
Bereavement Services	1	(15,013)	(21,515)	79	(36,449)
Small Scale Community Schemes	2	(13,175)	0	0	(13,175)
Waste Services	3	10,024	(47,473)	203	(37,245)
Miscellaneous	4	5,114	(57,536)	5,727	(46,695)
Total Variance to date		(13,050)	(126,524)	6,009	(133,565)

Note	Community Services - Comments
1.	Various minor underspends including energy costs; increased cremation fee income.
2.	Under budget on Councillors' small scale community schemes.
3.	Over budget transport costs & supplies & services; surplus income from Garden Waste, Recycling & Bring Sites.
4.	Various minor overspends & additional income across the service.

REVENUE BUDGET MONITORING 2017/18

CORPORATE SUPPORT AND RESOURCE	Gross Expenditure	Gross Income	Recharges	Adjusted Total
Position as at 30th June 2017	£	£	£	£
Annual Budget	36,639,500	(26,999,900)	(6,533,100)	3,106,500
Budget to date	10,085,070	(7,451,698)	(1,459,682)	1,173,690
Total Actual	10,079,620	(7,456,855)	(1,457,931)	1,164,834
Variance	(5,450)	(5,157)	1,751	(8,856)
Carry Forwards/Reserves & Provisions				0
Adjusted Variance	(5,450)	(5,157)	1,751	(8,856)

Analysis of Variances		Expenditure Variance	Income Variance	Recharges Variance	Adjusted Variance
Service	Note	£	£	£	£
ICT Services	1	47,954	(3,128)	773	45,598
Treasury and Debt Management	2	(40,474)	10,916	0	(29,558)
Miscellaneous	3	(12,930)	(12,945)	978	(24,897)
Total Variance to date		(5,450)	(5,157)	1,751	(8,856)

Note	Corporate Support & Resources - Comments
1.	Overspend in relation to ICT Strategy expenditure.
2.	Under budget on Minimum Revenue Provision, under achieved market deposit investment interest.
3.	Various minor underspends, and increased levels of income.

REVENUE BUDGET MONITORING 2017/18

ECONOMIC DEVELOPMENT	Gross Expenditure	Gross Income	Recharges	Adjusted Total
Position as at 30th June 2017	£	£	£	£
Annual Budget	3,209,000	(1,378,400)	(460,900)	1,369,700
Budget to date	736,837	(481,430)	(115,364)	140,043
Total Actual	734,814	(723,224)	(115,225)	(103,635)
Variance	(2,023)	(241,794)	139	(243,678)
Carry Forwards/Reserves & Provisions				0
Adjusted Variance	(2,023)	(241,794)	139	(243,678)

Analysis of Variances		Expenditure Variance	Income Variance	Recharges Variance	Adjusted Variance
Service	Note	£	£	£	£
Development Control	1	(6,985)	(130,688)	0	(137,672)
Building Control	2	10,180	(107,466)	0	(97,287)
Miscellaneous	3	(5,218)	(3,640)	139	(8,719)
Total Variance to date		(2,023)	(241,794)	139	(243,678)

Note	Economic Development - Comments
1.	Improved levels of income from fees and charges.
2.	Overspend on employee costs; surplus fee income received to date.
3.	Various net minor underspends and surplus income across the service.

REVENUE BUDGET MONITORING 2017/18

GOVERNANCE AND REGULATORY	Gross Expenditure	Gross Income	Recharges	Adjusted Total
Position as at 30th June 2017	£	£	£	£
Annual Budget	9,518,200	(6,005,000)	(3,079,800)	433,400
Budget to date	2,775,173	(1,749,012)	(770,880)	255,281
Total Actual	2,610,569	(1,642,521)	(772,732)	195,316
Variance	(164,604)	106,491	(1,852)	(59,965)
Carry Forwards/Reserves & Provisions				0
Adjusted Variance	(164,604)	106,491	(1,852)	(59,965)

Analysis of Variances		Expenditure Variance	Income Variance	Recharges Variance	Adjusted Variance
Service	Note	£	£	£	£
Homeless Accommodation	1	(11,192)	92,356	0	81,164
The Lanes	2	(1)	29,437	0	29,436
Asset Review Income	3	(157,000)	0	0	(157,000)
Property Services	4	56,961	(2,329)	104	54,737
Miscellaneous	5	(53,372)	(12,973)	(1,956)	(68,302)
Total Variance to date		(164,604)	106,491	(1,852)	(59,965)

Note	Governance & Regulatory Services - Comments
1.	Lower expenditure levels & shortfall in income due to temporary closure of John Street.
2.	Shortfall in rent income for 2017/18.
3.	Additional income generated from rent reviews being set aside as savings in advance of a future year's saving target.
4.	Contractual costs incurred on Chancerygate.
5.	Various net minor underspends and surplus income across the service.

REVENUE BUDGET MONITORING 2017/18

CORPORATE MANAGEMENT	Gross Expenditure	Gross Income	Recharges	Adjusted Total
Position as at 30th June 2017	£	£	£	£
Annual Budget	(45,600)	(2,226,800)	0	(2,272,400)
Budget to date	805,163	(589,665)	0	215,498
Total Actual	813,352	(605,954)	0	207,398
Variance	8,189	(16,289)	0	(8,100)
Carry Forwards/Reserves & Provisions				0
Adjusted Variance	8,189	(16,289)	0	(8,100)

Analysis of Variances		Expenditure Variance	Income Variance	Recharges Variance	Adjusted Variance
Service	Note	£	£	£	£
Other Financial Costs	1	13,044	(16,289)	0	(3,245)
Miscellaneous	2	(4,855)	0	0	(4,855)
Total Variance to date		8,189	(16,289)	0	(8,100)

Note	Corporate - Comments
1.	Improvements in savings for Salary Turnover (£74,900) & Inflation savings (£19,700). Shortfall on base budget review savings (£109,500); additional grant income received.
2.	Various minor underspends.

REVENUE BUDGET MONITORING 2017/18

REVENUE FLOOD RECOVERY	Gross Expenditure	Gross Income	Recharges	Adjusted Total
Position as at 30th June 2017	£	£	£	£
Annual Budget	0	0	0	0
Budget to date	0	0	0	0
Total Actual	1,134,997	(996,513)	0	138,484
Variance	1,134,997	(996,513)	0	138,484
Carry Forwards/Reserves & Provisions				0
Adjusted Variance	1,134,997	(996,513)	0	138,484

Analysis of Variances		Expenditure Variance	Income Variance	Recharges Variance	Adjusted Variance
Service	Note	£	£	£	£
Flood Damage Recovery	1	167,749	(29,264)	0	138,484
Flood Government Grant	2	967,249	(967,249)	0	0
Total Variance to date		1,134,997	(996,513)	0	138,484

Note	Flood - Comments
1.	Additional costs incurred as a result of the floods which will be recoverable through Insurance in full or in part. Variance shown is the balance required to be funded from revenue reserves as this is not covered by insurance.
2.	Flood grants paid out; fully recoverable through government grants.

BAD DEBT PROVISION

TABLE 1	Write-Offs June 2017		
Type of Debt	No.	£	Comments
NNDR (General)			
NNDR (PSCT)			
Council Tax	49	23,357.69	01/04/17 to 30/06/17
Debtors:			
Private Tenants			
Housing Benefit Overpayments	95	25,394.67	01/04/17 to 30/06/17
General Fund	33	2,709.62	01/04/17 to 30/06/17
Penalty Charge Notices:			
On Street	42	4,214.00	01/04/17 to 30/06/17
Off Street	22	1,819.00	01/04/17 to 30/06/17
Ex FTA Benefit			
TOTAL	241	57,494.98	
TABLE 2	Write-Ons June 2017		
Type of Debt		£	Comments
NNDR (General)			
Council Tax	10	3,956.01	01/04/17 to 30/06/17
Debtors:			
Private Tenants			
Housing Benefit Overpayments			
General Fund	4	14.51	01/04/17 to 30/06/17
Ex FTA Benefit			
TOTAL	14	3,970.52	