

**REPORT TO:** Cabinet

6 November 2019

**LEAD CABINET MEMBER:** Councillor John Williams,  
Lead Cabinet Member for Finance

**LEAD OFFICER:** Peter Maddock, Head of Finance

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## **2019/2020 (QUARTER 2) REVENUE & CAPITAL BUDGET MONITORING**

### **Executive Summary**

1. To consider the monitoring data and trends in respect of the 2019/2020 revenue and capital budgets and emerging budget issues for the period to 30 September 2019.

### **Key Decision**

2. This is not a key decision as there are no resource implications directly arising from the report at this stage.

### **Recommendations**

3. **That Cabinet is requested to consider the report and, if satisfied, to:**
  - (a) **Acknowledge the 2019/2020 revenue budget position as at 30<sup>th</sup> September 2019 against the approved revenue budget shown in Appendices A, B(1) and B(2), the major variances with reasons for these variances and the action being taken to address the underlying issues;**
  - (b) **Acknowledge the position as at 30<sup>th</sup> September in respect of the Capital Programme for 2019/2020 and the variances as shown in Appendices C(1) and C(2).**

### **Reasons for Recommendations**

4. To advise the Cabinet of the latest monitoring information in respect of the 2019/2020 revenue and capital budgets, for the period to 30 September 2019, and emerging budget issues that impact on the Council's Medium Term Financial Strategy.

### **Details**

#### 2019/2020 Revenue Budget Monitoring – Overview

5. Effective budget monitoring is a requirement of the Council's Financial Regulations and the Medium Term Financial Strategy (MTFS) and is critical to sound financial management. This process enables the Cabinet to monitor the approved budget, to identify emerging issues and, where appropriate, to put plans in place to address forecast budget issues.

6. A framework for budget monitoring has been established and this enables budgetary performance and agreed efficiency actions to be monitored through the use of performance flags (Red, Amber and Green – RAG Status) and Direction of Travel indicators. This provides a statement of financial health and an overview of how the Council is utilising its resources.
7. An integral part of the monitoring process is the regular meetings with Budget Holders and Lead Cabinet Members to proactively monitor compliance with the approved budget. This enables the identification of potential risks and emerging budget pressures so that appropriate action can be taken at an early stage.

#### Revenue Budget Monitoring

8. This report represents the revenue monitoring information for the period 1<sup>st</sup> April 2019 to 30<sup>th</sup> September 2019.
9. The budget variances are reported at **Appendix A** and have been assigned a RAG status (Red, Amber and Green) based on the following:

Under spends and overspends up to 2% of the budget	Green
Overspends between 2% and 10% of the budget	Amber
Overspends greater than 10%	Red

#### Revenue Budget Monitoring –Variances

10. This initial monitoring and assessment of the 2019/2020 revenue budget has identified a number of issues that require action to avoid budgetary pressures and issues that need to be kept under review. The key issues that require further reference are discussed in the following paragraphs:

#### Salary Budgets

11. The table below identifies the variance on salary budgets by service area as at 30 September 2019:

	<b>2019/2020</b>			
	<b>Budget to date (30/09/19)</b>	<b>Actuals to date (30/09/19)</b>	<b>Variance</b>	<b>Variance %</b>
Corporate	2,718,480	2,424,190	-294,290	-11%
H&ES	3,827,035	3,745,971	-81,064	-2%
Housing	2,459,700	2,230,220	-229,480	-9%
Planning	3,082,200	2,796,653	-285,547	-9%
<b>Total</b>	<b>12,087,415</b>	<b>11,197,035</b>	<b>-890,380</b>	<b>-7%</b>

12. The analysis reflects the vacancies that have existed in the period to 30 September 2019, although a number of these posts have now been recruited. The analysis takes account of the cost of agency staff backfilling vacant permanent posts (with agency costs generally much higher than permanent appointments), but it does not allow for the budgeted “vacancy factor” allowance of £500,000, or £250,000 for year to date, that reduces the actual variance for the period to 30 September 2019 to £640,000.

### Precautionary items

13. A prudent level of revenue contingency is maintained to enable unforeseen and "one off" needs (i.e. having no long term ongoing revenue commitment) to be considered for funding. The 2019/2020 revenue budget includes the sum of £75,000 for this purpose. The Shared Waste Service Board have now confirmed that there is a serious risk that waste material recovery facility (MRF) contamination could lead to an increase in the price of MRF contract by up to £100,000; whilst it is established practice that the funding for the range of precautionary items is only released at year end, when the financial implications are known, Cabinet should be aware of the anticipated application of the allocated contingency to the MRF contract.
14. The potential cost of holiday and overtime back pay claims were also part of these precautionary items but this is currently being managed within the existing budget.

### Virement Movements

15. A number of virements have taken place in the first half of the financial year, the largest of these is the £130,000 budget for "OneVu" development, which was moved from Human Resources (HR) to the Contact Centre to enable it to be accounted for in the same cost centre as the anticipated savings of £75,000 that had been factored into the 2019/2012 approved budget. The customer portal, "OneVu", is the on-line tool that is enabling customers to log in remotely, 24/7, and to complete on-line forms that can be connected to back office systems, thus enabling the streamlining of business processes.

### Revenue Budget – Summary Position

16. The table below summarises the budgetary position for each Service Area, and this is further detailed in **Appendix A**. An explanation for some of the key variances is given in **Appendix B(1)** (General Fund) and **Appendix B(2)** (HRA):

Directorate	Full	Budget	Actual	Variance	Variance
	Year	to	to	to	to
	Budget	date	date	date	date
	£'000	£'000	£'000	£'000	%
Corporate Services and unallocated	6,134	2,111	2,021	-90	-4.3%
Health and Environmental Services	7,247	2,388	2,074	-314	-13.1%
Housing General Fund	1,561	-176	-336	-160	-90.9%
Planning	5,247	1,906	1,407	-499	-26%
<b>Net Service Costs</b>	<b>20,189</b>	<b>6,229</b>	<b>5,166</b>	<b>-1,063</b>	<b>-17%</b>
Overheads	6,293	2,998	3,006	8	0%

17. The negative position shown on Housing General Fund above is due to the receipt of Disabled Facilities Grant from the Better Care Fund in advance of spend.

18. In overall terms (as summarised in Appendix A), the Council has a current underspend position of £1.328 million. This is made up of net service costs underspend of £1.063 million (shown in the table above), additional investment income of £0.27 million that was not originally budgeted for (including the rent from 140 Cambridge Science Park, the Council's first commercial property purchase) and other minor financial adjustments (with a small total overspend of £5,000).
19. Whilst there are some areas in the detailed tables showing an overspend both the General Fund and HRA revenue budgets are showing overall underspends as detailed in **Appendix A**.

#### Revenue Budget – Detailed Position

20. The tables at Appendix B(1) and B(2) look at some of the larger non staff related budgets and show whether they are under or overspent and an indication where possible of whether they are likely to remain so at the year end.

#### Business Rates and Council Tax

21. The approved 2019/2020 budget estimates income of £6.811 million from the Business Rates precept and Section 31 grant income (Section 31 grants are amounts given to local authorities to compensate them for the loss of rates income due to the various reliefs announced by the government to support businesses). Business Rates income growth in the district continues to be good and, based upon current projections, the estimated income to the General Fund from these sources could be £8.9 million (an additional £2.089 million).
22. Cabinet will, however, be aware of the challenge made by National Health Service hospitals to their business rates liability which could impact on the total amount collected. The next hearing on this is due in November 2019 and the position will need to be kept under review.
23. As regards Council Tax, the precept for this Council has been set at £9.093 million with an estimated surplus at the end of 2018/2019 of £82,000 which is being paid into the General Fund during 2019/2020. Income from council tax is ahead of expectations and, whilst the actual surplus was marginally higher at the end of 2018/2019 than predicted, this and the additional income will also not affect the General Fund until 2020/2021.

#### Capital Budget Monitoring

24. Council, at its meeting on 21 February 2019, approved the re-profiled Capital Programme and associated funding for the period 2019/2020 to 2023/2024. There is a continued need to monitor the progress of capital projects and a re-profile of the General Fund programme is included on this agenda with a similar exercise planned for the HRA in the near future. Both programmes will be revised and updated as part of the Capital Budget in February 2020.
25. The Cabinet monitors the performance of the capital programme by reviewing on a regular basis the progress of all schemes. Regular reports on the Capital Programme to the Cabinet should identify the following changes:

- any schemes that are not being progressed as originally envisaged or those that are no longer required;
  - the revised phasing of a scheme(s) having regard to the latest information and any changes in forecast funding;
  - changes in funding requirements of committed schemes and the reasons relating thereto;
  - any budget amendments.
26. The Capital Programme is summarised in the table at **Appendix A**, with an explanation of variances provided at **Appendix C(1)** (General Fund) and **Appendix C(2)** (HRA). It should be noted that the Capital Programme set out is that as approved by Council on 21 February 2019.

### **Implications**

27. In the writing of this report, taking into account the financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:

#### **Legal**

28. The legal position and relevant issues can be summarised as follows:

(a) Revenue Budget

The Council is required, by law, to set a balanced revenue budget each year which for 2019/2020 was approved by Council on 21 February 2019. The purpose of this report, in accordance with best financial management practice, is to advise the Cabinet of significant variations from that budget.

(b) Capital Programme

Prudential Indicators that underpin the Council's capital investment demonstrate that the investment is prudent, sustainable and affordable. The Council is required, in compliance with the Prudential Code, to monitor and report performance against the established Prudential Indicators. The ongoing review of the Capital Programme is required to enable effective monitoring of these indicators.

#### **Policy**

29. There are no policy implications from this report.

#### **Finance**

30. The financial implications are outlined in the report.

## **Risks**

31. The risk implications can be summarised as follows:

(a) Revenue Budget

When the Council considers each revenue service and function budget it is important that endeavours are made to identify potential risks. Inevitably, during the course of the financial year, some of these risks will occur and impact on the budget by either requiring further expenditure or by reducing the Council's budgeted income.

The budget is monitored on a regular basis to identify risks and take action to mitigate the risks when they arise.

(b) Capital Programme

In relation to Capital resources, the following risks should be taken into account when considering this report:

- (i) Capital schemes can emerge at any time based on newly identified needs or changes in legislation which require funding to be identified;
- (ii) The forecast cost/timing of existing schemes may vary as implementation is undertaken;
- (iii) Forecast capital receipts may not be achieved which could result in some schemes not proceeding until other sources of capital finance become available or unless further recourse is made to borrowing;
- (iv) Key risks associated with the Capital Programme are that budgets are not adequate, leading to over spend with consequent financial implications or that the schemes will not meet the desired objectives.

## **Environmental**

32. There are no environmental implications arising directly from the report.

## **Equality and Diversity**

33. In preparing this report, due consideration has been given to the District Council's statutory Equality Duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relations, as set out in Section 149(1) of the Equality Act 2010. A relevance test for equality has determined that the activity has no relevance to South Cambridgeshire District Council's statutory equality duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relation. An equality analysis is not needed.

## **Effect on Council Priority Areas**

34. Timely and robust consideration of the Council's budget is vital to ensure that financial performance is in line with expectations, emerging issues are identified and tackled and that Business Plan priorities are met.

## Background Papers

Where the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 require documents to be open to inspection by members of the public, they must be available for inspection:

- (a) at all reasonable hours at the offices of South Cambridgeshire District Council;
- (b) on the Council's website; and
- (c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

The following documents are relevant to this report:

- General Fund Medium Term Financial Strategy – Report to Cabinet: 7 November 2018
- Budget Report – Report to Cabinet: 6 February 2019
- Business Plan 2019 - 2014 – Report to Council: 21 February 2019
- Medium Term Financial Strategy and General Fund Budget – Report to Council: 21 February 2019

## Appendices

- A Budget Monitoring Summary – Position as at 30 September 2019
- B Revenue Monitoring Tables – Position as at 30 September 2019
- C Capital Programme – Position as at 30 September 2019

### Report Author:

Peter Maddock – Head of Finance  
e-mail: [peter.maddock@scambs.gov.uk](mailto:peter.maddock@scambs.gov.uk)

Suzy Brandes – Principal Accountant  
e-mail: [suzy.brandes@scambs.gov.uk](mailto:suzy.brandes@scambs.gov.uk)