**Annex 1**

**Budget Management**

**2017/18**

***Period 10 (End of January)***





**Budget Monitoring Summary**

**Revenue**

The budget for 2017/18 of **£10.950 million** was approved by Council on 20 February 2018.

The forecast outturn at period 10 (January) provided by the services is now estimated to be **£10.768 million**. This gives a favourable variance when compared to the latest budget of **(£0.182) million**.

Services have identified that the main contributors to this variance as:

|  |  |
| --- | --- |
|  | £ |
| 1 | Lower demand and costs in Temporary Accommodation provision than anticipated has provided a net favourable variance.  | (65,300) |
| 2. | Additional expenditure on Rent Deposit Guarantee Scheme due to the final payment from the ‘Easy Let Scheme’. Furthermore, some debts deemed irrecoverable have been written off.  | 12,000 |
| 3. | Kerbside Recycling:- 1. Additional income expected from recycling credits due continuing high performance.
2. Increased cost of disposal of cans and plastics; this is a national trend.
 | (73,000)12,000 |
| 4. | In-year staffing variances due to vacancies and restructures  | (38,900) |
| 5. | Cemetery income is lower than anticipated due to reduction in demand. | 10,000 |
| 6. | Increased garage rent collected due to reduction in number of voids. | (16,980) |
| 7. | Increased income from planning fees | (33,000) |
| 8. | Reduced income from short term investments | 25,000 |
| 9.  | Other Variances.  | (14,000) |
|  | **Total Revenue Variances** | **(182,180)** |

**Capital**

The capital budget approved by Council on 20 February 2018 is £**18,585 million**.

Services have identified re-phasing of **£0.750 million** from the 2017/18 into 2018/19.

The main contributors to this re-phasing of budgets are shown in the table below. Full details of all variances can be found in Appendix 3.

|  |  |  |
| --- | --- | --- |
|  |  | **£** |
| 1. | Temporary Accommodation with the District. This scheme is to commence until 2018/19. | (800,000) |
| 2. | Retail Parades. This scheme is now expected to be implemented in April 2018.  | (95,530) |
| 3. | Replacement of Grounds Maintenance Vehicles. The tendering process as begun, however, orders will not be placed until 2018/19.  | (163,860) |
| 4. | New Waste & Recycling Vehicles. The tendering process has begun and options for vehicular solutions are being assessed, with the delivery (purchase) of new vehicles is expected to commence in 2018/19. | (323,970) |
| 5. | Cemetery Car Park. Delayed due to planning permission which has recently been granted and the scheme is due to commence in 2018/19.  | (74,730) |
| 6. | ICT Hardware Replacement. This will be spent on core infrastructure transformation in 2018/19. | (40,000) |
| 7. | ICT Modernisation – Delay has meant that this will be incurred in 2018/19.  | (60,000) |
| 8. | Three Rivers House Whole Life Costing - to be re-phased to 2018/19. | (41,000) |
| 9. | Play Project due to be delivered in April / May 2018  | (45,420) |
| 10. | Car Park Restoration – work already commenced and due to complete in 2018/19.  | (30,000) |
| 11. | Total of other variances below £20,000. | (75,050) |
| 12. | Drawdown of investment budget into 2017/18 for a loan to Three Rivers Homes Limited – this loan is to support works to the Grapevine site in South Oxhey.  | 1,000,000 |
|  | **Totals Capital Variance - rephasing.** | (749,560) |

**1.0 Revenue Budget**

1.1 The Council’s latest approved budget is **£10.950 million.** The forecast outturn is now estimated to be **£10.768 million** which results in a favourable variance of (**£0.182) million.** There are no variances for future years at this stage.

1.2 The trend over the financial year 2017/18 is plotted on the graph below. The forecast outturn should be compared with the original budget plus the carry forwards from 2016/17 as this is essentially the starting point for the 2017/18 working budget.

1.3 The table below compares the latest budget to the forecast outturn and shows the variance against each Committee. It also shows the spend to date up to the end of January (Period 10).The figures relate to costs and incomes within each Committee.

|  |
| --- |
| **2017/18 Revenue Account – General Fund Summary** |
|
|  |  | **(A)** |  | **(B)** | **(B – A)** |
| **Committee** | **Original Budget** |  **Latest Budget**  | **Net****Spend****to** **Period 10** |  **Forecast****Outturn**  |  **Outturn Variance**  |
| **£000** | **£000** | **£000** | **£000** | **£000** |
| Leisure, Wellbeing & Health | 2,270 | 2,134 | 1,511 | 2,144 | 10 |
| Sustainable Development, Planning & Transport | 1,834 | 2,127 | 1,016 | 1,826 | (301) |
| General Public Services & Community Safety | 1,947 | 1,777 | 1,012 | 1,691 | (86) |
| Policy & Resources | 4,487 | 4,912 | 4,981 | 5,082 | 170 |
| **Net General Fund** | **10,538** | **10,950** | **8,520** | **10,743** | **(207)** |
| **Interest Received**  | **0** | **0** | **0** | **25** | **25** |
| **Total**  | **10,538** | **10,950** | **8,520** | **10,768** | **(182)** |

1.4 Each Committee’s revenue medium term financial plan which incorporates comments by Officers is shown **Appendix 1**.

1.5 The detail of comparing latest budget to the forecast outturn together with an explanation of the variances by committee is shown in **Appendix 2.** Committee’s with significant variances are provided in the narratives below

1.6 **Leisure, Wellbeing & Health**

* Cemeteries: - Reduction in income of £10,000 due to the lower demand.

1.7 **Sustainable Development, Planning & Transport**

* Homelessness- Reduction of costs of temporary accommodation of (£280,000) provision of due to:
1. Less expensive provision of temporary accommodation due to the acquisition in the year of leaseholder buy-in properties in South Oxhey (Thrive) which are being used as temporary accommodation thus reducing the payment to more expensive private landlords. There is also rental income for these properties which is shown in property investment income. (See Policy and Resources Committee at paragraph 1.9).
2. Provision of cheaper temporary accommodation outside the district.
* Final Payment for management fees for rent deposit scheme totalling £12,000.
* Increased income from pre-application fees and planning condition fees of (£33,000)

1.8 **General Public Services & Community Safety**

 Waste Services.

* A favourable variance of (£73,000) is now predicted due to increased income from HCC’s waste model (Alternative Financial Model) regarding waste to land-fill sites.
* Increase in the cost of disposal of cans and plastics for kerbside recycling of £12,000, due to fluctuations in the recycling markets.
* Additional income from the sale of scrap metal and environmental fixed penalty notices (£13,000).
* Additional income received from trade waste for the disposal of glass, paper and card (£12,000).

1.9 **Policy and Resources**

* Property Investment – variance of £214,700 due to savings in the cost of temporary accommodation in properties at South Oxhey which have been allocated to the Homelessness cost centre in the Sustainable Development and Transport Committee (see paragraph 1.7 above) and had been accounted for as Property Income.
* Customer Service Centre – vacancies of (£47,300).
* Communication - additional advertising income from Three Rivers Times (£7,000).
* Office Services- one-off restructure costs and additional essential user lump car allowance of £10,150. Ongoing savings from 18/19.
* Electoral Services - additional consultancy costs for interim Electoral Services Manager of £26,250.
* Debt Recovery Team- spend on salaries is lower than previously projected. (£28,000).
* Insurance – increase due to renewal and higher insurance premium tax £18,000.
* Shortfall of £25,000 on investment income as the Council has invested in more short term deposits where returns are low due to its requirement to increase its liquidity for investment decisions on its property portfolio.

1.10 The graph below shows the 2017/18 forecast outturn compared with the outturns for 2016/17 and 2015/16.

1.11 The effect of the variances on the Council’s general fund balance over the medium term (2017/18 – 2020/21) is shown in the table below.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Movement on General Fund** | **2017/18** | **2018/19** | **2019/20** | **2020/21** |
| **£000** | **£000** | **£000** | **£000** |
| Balance at 1 April | (4,094) | (3,530) | (4,209) | (4,040) |
| (Surplus)/deficit  | 564 | (679) | 169 | 398 |
| Balance at 31 March | (3,530) | (4,209) | (4,040) | (3,642) |

 *The surplus/deficit shown above is adjusted for the forecasted outturn. A prudent minimum general fund balance of not less than £2 million is considered appropriate.*

**2.0 Capital Programme**

2.1The Council’s capital programme has been designed to support and enhance its core services.

2.2 The latest Capital budget is **£18.585** million.

The forecast outturn for capital expenditure by Services at Period 10 is **£17.835 million**.

* + 1. The variance of **(£0.750) million** is due to re-phasing of schemes.

 The Schemes that contribute to the variance include:

* Temporary Accommodation Other sites:

(£800,000) is to be re-phased into 2018/19 as construction of temporary accommodation is expected to commence in Quarter 2 of 2018/19.

* Replacement of Grounds Maintenance Vehicles: (£163,860).

The procurement process is ongoing with orders to be placed in 2018/19.

* Cemeteries Car Park :( £74,730). Planning permission was recently granted and work is expected to commence in 2018/19.
* Retail Parades: (£95,530). Work on the rapid electric charging points and Delta Gain Retail Parade refurbishment are due to commence in late March 2018.
* Waste and Recycling Vehicles: (£323,970). The procurement process is ongoing with acquisition expected in 2018/19.
* Property Investment Board- Drawdown from the investment fund provide a £1.0 million loan facility to Three Rivers Homes Limited for work to the Grapevine site. This loan is interest bearing and provides a revenue return to the Council.

2.3 The table below shows the 2017/18 Capital Programme budget, forecast outturn, spend to date and variance for each service committee for period 10.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Committee** | **Original Budget****£000** | **Latest Budget £000** | **Spend to P10 £000** | **Forecast****Outturn****£000** | **Outturn Variance****£000** |
| Leisure, Wellbeing & Health | 1,946 | 1,371 | 704 | 1,066 | (305) |
| Sustainable Development, Planning & Transport | 3,761 | 2,844 | 601 | 1,887 | (957) |
| General Public Services & Community Safety | 395 | 946 | 553 | 618 | (328) |
| Policy & Resources | 736 | 2,147 | 2,375 | 2,987 | 840 |
| **Total Service** | **6,839** | **7,308** | **4,233** | **6,558** | **(750)** |
| *South Oxhey Initiative*  | *10,766* | *11,277* | *8,796* | *11,277* | *0* |
| **Total Capital** | **17,605** | **18,585** | **13,029** | **17,835** | **(750)** |

2.4 As at the end of period 10, services have spent a total of £13,029 million against a latest budget of £18,585 million. This represents **70% of the budget**. The total spend to date includes the sum of £8.796 million which relates to the South Oxhey Initiative.

2.5 Service accountants have met with budget holders who have confirmed that budgets will be spent by the end of the financial year; this will be monitored at future budget reports and any additional re-phasing will be identified as they become known.

2.6 The Council’s Medium Term Capital Investment Programme is shown by scheme by each Committee at **Appendix 3** this includes commentary from officers. The reasons for the variance on each scheme reported for this period are shown at **Appendix 4.**

2.7 The capital programme is mainly supported by three income streams; capital receipts (derived from the sales of assets), grants and contributions, and the use of reserves. Services can also make a contribution to capital from surplus revenue funds if needed. In addition the Council may prudentially borrow to fund its capital programme. Borrowing maybe required for 2018/19, although it is anticipated that this will be funded from internal cash resources. Any decision on borrowing (amount and duration) will be taken if and when the need arises. Funding of the capital investment programme over the medium term is shown at **Appendix 5.**

**3.0 Council Income**

3.1 The Council is able to fund the provision of services from an array of income sources. The Council receives income from the Government in the form of grants, Council tax payments from residents and from customers who pay a fee or charge for using some specific council services. The budgeted income (excluding housing benefits grant from central government) total for 2017/18 is £21.880 million. The two biggest sources of income are council tax and fees & charges. From 2019/20, the Council does not expect to receive any Revenue Support Grant from central government.

3.2 The chart below shows the amount of income for each source as a percentage of total income.

3.3 The table below shows the significant sources of income for chargeable services. It should be noted that the income receivable from the Regulatory Services and Parking Enforcement are not linear and are subject to peaks and troughs throughout the financial year. Under Environmental Protection services, trade waste is invoiced to customers half yearly in April and October and garden waste is charged for in one instalment at the beginning of the financial year.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Service** | **Income Stream** | **2017/18 Latest Budget****£** | **2017/18****Actual to end of January****£** | **%****of****Income received** | **2017/18****Forecast Outturn****£** |
| Regulatory Services | Land & Property Charges | (100,010) | (85,982) | 86% | (100,010) |
| Application Fees | (580,210) | (469,945) | 81% | (580,210) |
| Parking Enforcement | Penalty Charge Notices | (200,000) | (189,229) | 95% | (200,000) |
| Long term Pay and Display | (104,650) | (95,497) | 91% | (104,650) |
| Environmental Protection | Trade Refuse | (578,020) | (542,643) | 94% | (578,020) |
| Garden Waste | (841,000) | (845,024) | 101% | (841,000) |
| Property Services | Property Investment Income | (365,000) | 0 | 0 | (150,300) |

3.4Further details on the Council’s key budget indicators for revenue service income streams (including volumes and trends) are shown at **Appendix 6**

**4.0 Debtors (invoicing)**

4.1 The Council charges its customers for various services by raising debtor invoices. The customer is given 21 days to pay and unless there is a dispute, a reminder is issued. If the debt remains outstanding, then a variety of recovery methods are employed including rearranging the payment terms, stopping the provision of the service or pursing the debt through legal recovery processes.

4.2 As at 31January 2018, the total outstanding debt was £445,064 of which £351,692 is less than a month old and therefore it is anticipated that this will be recovered. Outstanding debt over a year old is £44,063 which is 10% of the total debt. The table below shows a summary of the outstanding debt by the three main aged categories.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Aged debt as at the end of January 2018** | **Services** | **Under 1 Month** | **Over 1 Month to year** | **Over a year** | **Total** |
| **Committee** |  | **£** | **£** | **£** | **£** |
| Leisure, Wellbeing & Health | Leisure  | 11,446 | 4,487 | 0 | **15,932** |
| Sustainable Development, Planning & Transport | Housing | 33,229 | 32,294 | 3,132 | **68,655** |
| Regeneration | 49,113 | 0 | 0 | **49,113** |
| General Public Services & Community Safety | Environmental Services | 116,785 | 4,409 | 659 | **121,853** |
| Other | 0 | 0 | 1,925 | **1,925** |
| Policy & Resources  | Legal & Property | 61,351 | 5,588 | 15,420 | **82,360** |
| Communications | 0 | 150 | 0 | **150** |
| Human Resources | 0 | 1337 | 0 | **1,337** |
| Revenues & Benefits | 79,768 | 1,043 | 22,927 | **103,738** |
| **Total**  |  | **351,692** | **49,308** | **44,063** | **445,064** |

4.3 The main reason for the debt over year relates to unpaid commercial rent and recovery of outstanding court costs.

**5.0 Council Tax and Business Rates Collection**

5.1Council Tax. The Council’s performance in the collection of Council Tax can be seen in the following chart. It shows the collection percentage to date together with the target for the year. The actual income collected as at 31 January 2018 is just above the profiled expectation for this point in the year.

5.2Business Rates. The Councils performance for business rate collection is shown in the following chart. It shows the collection percentage to date together with the target for the year. The actual income collected as at the 31 January 2018 is slightly lower compared to the profiled expectation for this point in the year.

**6.0 Treasury Management**

6.1 The interest earned on the investments made by the Council supports the funding of the services it provides. The target rate for earning interest rate is set at 12 basis points (bps) above the average bank rate; this currently equates to 42 bps for the year. Up to the end of January, the average annualised interest rate earned on investments was 45 bps.

6.2 The Council set a target of £139,000 on investment interest for 2017/18. The total estimated investment income for the current year is £114,000, which gives an adverse variance of £25,000. This is a result of the Council spending more on capital which reduces balances available for traditional investments, and also from having to hold more money ‘on-call’ and in short-term deposits where returns are low due to its requirement to increase its liquidity pending investment decisions on its property portfolio.

 **APPENDIX 1**

**Medium Term Revenue Budget by Committee**















**Explanation of Variances reported in this period - Revenue** **APPENDIX 2**





 **APPENDIX 3**

**Medium Term Capital Investment Programme**















**Explanation of Variances Reported this Period - Capital APPENDIX 4**





 **APPENDIX 5 Funding the Capital Investment Programme 2017-2020**



**Key Budget Indicators – Income Streams** **APPENDIX 6**









**Budgetary Risk APPENDIX 7**

| **Risk No.** | **Type of Risk** | **Comment** | **Risk Impact** |  **Risk Likelihood** |
| --- | --- | --- | --- | --- |
| 7 | The Medium term financial position worsens.  | In that the general fund balance falls below the minimum prudent threshold and capital funding is insufficient to meet the capital programme. This appears as item no.8 in the Council's strategic risk register. | IV | D |
| 8 | Revenue balances insufficient to meet estimate pay award increases | The medium term planning period takes into account a 2% increase for the period 2017/18 to 2020/21 | III | D |
| 9 | Revenue balances insufficient to meet other inflationary increases | Other than contractual agreements, budgets have been cash limited where possible.  | II | D |
| 10 | Interest rates resulting in significant variations in estimated interest income | The interest rate has a significant impact on the proceeds from capital receipts that are invested in the money market. The volatility of the global economy continues to place uncer**t**ainty on the investment strategy.  | III | C |
| 11 | Inaccurate estimates of fees and charges income | See Key Budget Indicators shown in the latest Budget Monitoring report  | V | E |
| 12 | Revenue balances insufficient to meet loss of partial exemption for VAT | If the council's expenditure on functions for which it receives income that is exempt for VAT purposes exceeds 5% of its total vat able expenditure, then the Council may lose its ability to recover VAT on all of its exempt inputs*. Three Rivers House has now been given the opt to tax status which reduces this risk and means all lettings are now subject to VAT.*  | II | E |
| 13 | The estimated cost reductions and additional income gains are not achieved | Savings identified and included in the budget will be monitored as part of the budget monitoring process | IV | E |
| 14 | The Council is faced with potential litigation and other employment related risks | The Council has no outstanding litigation cases.  | III | E |
| 15 | The amount of government grant is adversely affected | The grant settlement has been factored into the MTFP. The Council decided to accept the Government’s offer of a four year settlement. | II | E |
| 16 | Localising support for council tax | The introduction of universal credits and the localising of support for Council Tax will substantially alter the administering of Housing and Council Tax Benefits | II | E |
| 17 | Right to Buy Receipts & VAT Shelter Receipts | Under the housing stock transfer with Thrive Homes Limited (THL) the Council is entitled to use its share of the proceeds to fund the capital programme. The level of activity on these income streams are outside the Council's control.  | IV | E |
| 18 | Fluctuations in Business Rates Retention | The Council is legally obliged to cover the first 7.5% loss on its pre- determined baseline level.  | IV | C |
| 19 | Failure to deliver the South Oxhey Initiative to desired outcomes and objectives | This is a key project. This appears as item no.7 in the Council's strategic risk register. | IV | D |
| 20 | Failure of ICT systems | The Council's integrated Financial Management System (FMS) is held on an ICT platform. If this were to fail then potentially there will be a loss of functionality occurring during any downtime.  | III | E |
| 21 | Property Investment | The Council set up a Property Investment Board in 2017 to manage its property portfolio in order to secure additional income of £1 million to support its general fund. Depending on the availability of sites, successful bids and Government legislation on property investments, it presents a risk to achieving this target | IV | D |

*Note: The risk numbers relate to the Council’s risk register. Risk numbers 1-6 do not relate to finance or budgetary risks.*

**Matrix Key**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **Impact** |  |  |
|  |  | **I** | **II** | **III** | **IV** | **V** | **Likelihood** | **Impact** |
| **Likelihood** | **A** |  |  |  |  |  | A equal to/or > 98% | V = Catastrophic |
| **B** |  |  |  |  |  | B = 75% - 97% | IV = Critical |
| **C** |  |  | **10** | **18** |  | C = 50% - 74% | III = Significant |
| **D** |  | **9** | **8** | **7,19,21** |  | D = 25% - 49% | II = Marginal |
| **E** |  | **12,15,16** |  **14, 20** | **13,17** | **11** | E = 3% - 24% | I = Negligible |