

TITLE: FINANCE REPORT

Committee: Finance & Assets Committee

Date: 28th November 2019

Author: Finance Manager

[U126]

1. ISSUE

1.1 This report provides Members with budget monitoring information for services under the Finance & Assets Committee and then, as part of its corporate remit, for the Council as a whole.

2. RECOMMENDATION (S)

2.1 Members are requested to note:

- This Committee has a projected yearend underspend of £398,500 when compared to its approved revenue budget of £5,181,667.
- That overall the Council has a projected yearend underspend of £351,000 when compared to its approved revenue budget of £13,445,801.
- That the overall position for the Council on Capital is a projected outturn of £3,773,185, which is an underspend of £7,362,620 when compared to its revised budget.

3. BACKGROUND / OPTIONS

3.1 Under Financial Regulations, each policy committee is required to consider projections of financial performance against both its revenue and capital budget on a quarterly basis, with this Committee further considering the overall Council position.

3.2 This is the second report for the 2019-20 financial year and details actual expenditure incurred as at 30th September 2019 and projections as to the yearend position at this time.

3.3 Appendix 1 details the overall revenue position for both this Committee and the Council overall. In appendix 1 the budgets under the stewardship of this Committee are shown in detail, with then, the position for the Operational Services Committee shown in summary.

3.4 The detailed revenue budget position for the Operational Services Committee is shown in appendix 2. A report explaining the variances for this Committee

in more detail was presented to the Operational Services Committee on the 18th November.

- 3.5 In summary however, at this point there are two outturn forecast variances being projected within Operational Services Committee, these being in relation to Planning, where an overspend is forecast as a result of the volume and type of applications being received, two agency workers have been employed to ensure the level of customer service continues and that target deadlines for dealing with applications and any subsequent appeals is being met. And then an underspend in Homelessness as a consequence of the District not being required to put anybody up in hotel accommodation during the first six months of the year.
- 3.6 With regard to Finance & Assets Committee, the significant variances of actual spend compared to profiled budgeted spend at the end of September 2019, where no variance is forecast for yearend, are detailed below:

Service	Variance £	Explanation
Financial Services	(48,733)	There remains an outstanding accrual for work on the statutory accounts for 2018/19 as a consequence of the delayed audit. A saving on staffing has occurred, but this will be used to pay for the CivicaPay upgrade.
Sports & Recreation	(£12,927)	Grants have been allocated but not yet paid.
Local Plans	(85,647)	We have received £25,000 of income from DCLG for supporting the development of Neighbourhood Plans, but the main reason for the underspend is that we have not yet been invoiced by Peterborough City Council for their work in this area.
Parks & Gardens	£114,703	The quarter 2 invoice to the trading company to recover the cost of seconded staff has not yet been raised.
Public conveniences	£13,003	An overspend on salary costs as a result of needing to cover sickness.
Register of Electors	(41,021)	This relates to income received in advance for individual electoral registration, this will be used in year.

3.7 Explanations for the forecast yearend variances reported for this Committee are detailed in the below table:

Service	Variance £	Explanation
Economic Development	(£27,000)	This relates to an increase in the rental income during the first two quarters of the year. However, because of the short-term nature of many of the leases at the Council's business centres, it is difficult to determine whether this will continue, we have therefore made a prudent estimate for the yearend position.
Housing Benefit	(£130,000)	The Housing Benefit budget was built using information as at August 2018, the most up-to-date information available at the time. However, more up-to-date information is now available and the outturn forecast has been adjusted to reflect this.
Legal	(£15,000)	There was an underspend on the staff budget in the first half of 2019/20. There is now a full complement of staff within the Legal Team, so no further underspends are expected during the remainder of the year.
Management Team	(£100,000)	The Council's budget will benefit from charging the Combined Authority for management support during 2019/20.
Mepal Outdoor Centre	30,000	The overspend is currently at £30,000. When the budget was constructed it was expected that a contractor would be taking over the management of the centre, as this has not happened ECDC are having to pick up the utility and insurance costs for the site.
Registration of Elections	(£3,500)	Savings will be made on printing and stationary in this budget.
Member and Committee Support	£37,000	Savings will be made on members training (£3,000), how this will be outweighed by an increase in Members special responsibility allowance backdated to April 1 st of £40,000.

Miscellaneous Finance	(190,000)	The Council remained in a cash surplus position at the end of the 2018/19 financial year, which meant that no external borrowing was needed. It is now expected that external borrowing will not be required until, at the earliest, early 2020, resulting in a saving on the external interest budget. The amount of Minimum Revenue Provision (MRP) contribution has also been reduced as more CIL was allocated to the scheme in 2018/19 than forecast, reducing the amount of borrowing required and also MRP is now being paid over 25 years, rather than 20 years, as detailed in the Treasury Management Report.
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Capital

- 3.8 The Council's capital programme for 2019/20 (appendix 3) has now had the slippage from 2018/19 applied, and we have also been notified of the value of Disabled Facilities Grant that we will be receiving this year. These two changes result in the total capital programme value for 2019/20 being £11,135,805.
- 3.9 It is currently expected that the Council will underspend its revised budget by £7,362,620. This relates to the Soham Eastern Gateway project, where the County Council have decided that they no longer wish to apply for the Housing Infrastructure Fund funding for the development in Soham. And, further the Trading Company is not now expected to require the remaining £380,000 available from its original loan agreement with the Council.
- 3.10 There is also an underspend on Operational Services capital as a consequence of delays with the improvements on the Depot at Littleport as further costings are obtained to ensure that best value for money is achieved.

Reserves

- 3.11 The Council's forecast movements in Reserves for the year are detailed in appendix 4, this shows that the General Fund will be increased to remain at the 10% of the net budget as agreed at Council. Other Earmarked Reserves (excluding CIL) reduce by £1,272,029, which is mainly a consequence of the planned use of the Surplus Savings Reserve in 2019/20.

Budget

- 3.12 Work has started on building the budget for 2020-21, with detail discussions with budget holders having taken place during October and November.
- 3.13 A National Spending Review was supposed to have taken place during 2019, to be implemented in April 2020, but this has not happened, with instead a Spending Round announcement being made on the 4th September 2019. This is a one-year announcement for 2020-21 only, which to the most part rolls

forward the 2019-20 position. It is believed in practice this means that the Council will continue to receive Revenue Support Grant and Rural Services Grant at the same level as in 2019-20. It had been expected that these grants would stop in 2020-21.

- 3.14 A full Spending Review is now expected in 2020, to start in April 2021. At the same time, Government intend to implement the results of the Fair Funding Review and revised arrangement for Business Rates retention, moving the amount retained within Local Government from 50% to 75%. Both of these changes had originally been planned for April 2020.
- 3.15 From an East Cambs perspective, this is believed to good news. Because the intention is to do a full base reset of Business Rates at this point, we expect to lose all the benefit that we have gained from Business Rates growth in the District since April 2013. By the process being delayed, we will retain the benefit of this growth for a further year.
- 3.16 Government further published its technical consultation on the 2020-21 Local Government Finance Settlement on the 3rd October 2019. The two main points to note from this, are that Government will continue to recognise four years' worth of housing growth in determining New Homes Bonus grant for 2020-21, although this reduces to two years in 2021-22 and one year in 2022-23. And that the referendum limit for district councils is likely to be the higher of 2% or £5.
- 3.17 With Parliament now closed for the General Election, the timing of the Provisional Local Government Finance Settlement is far from clear, so final clarification as to the actual level of grants we will receive in 2020/21 is unclear. No announcement will be made until after the Election and it will then be at the determination of whoever is in power to determine the timetable, although promises have been made that the Final Settlement will be made in line with statutory timetable for councils being required to set Council Tax.
- 3.18 On our more detailed budget build arrangements, while the local government pay negotiations for 2020/21 have not yet started, we have made an assumption that the inflationary rise for pay will be 2% and have also made some allowance for potential increments being awarded to staff from April 2020. Most other budgets have been left at the same cash value, but major contracts and utility costs have had the same 2% added for inflation.
- 3.19 Members will be aware that the MTFs approved in February 2019, already had a balanced budget for 2020/21 based on the use of reserves from the Surplus Savings Reserve. While final information (as discussed above) is not yet available, the delays in the Spending Review and Fair Funding Review, are expected to provide an up-side for East Cambs, and as such, I remain confident that a balanced budget (after the allocation of funding from the Surplus Saving Reserve) will be achieved for that year.

3.20 At this point in the budget preparation process no additional capital schemes, to those detailed for 2020/21 in last years' budget, have been identified to be included in the 2020/21 programme.

4 ARGUMENTS / CONCLUSIONS

4.1 The projected net revenue expenditure for the Council is forecast to be £13,094,801 in 2019/20. This would give an underspend of £351,000 compared to the Council's approved budget.

4.2 The projected Capital Outturn for the Council stands at £3,773,185. This reflects an underspend of £7,362,620 when compared to the revised budget.

5 FINANCIAL IMPLICATIONS/EQUALITY IMPACT ASSESSMENT

5.1 There is a revenue underspend of £351,000 compared to this Council's approved budget, all things being equal, this will be transferred to the Surplus Savings Reserve at yearend.

5.2 Equality Impact Assessment (INRA) not required

6 APPENDICES

- 6.1 Appendix 1 – Summary Budget Monitoring – September 2019
Appendix 2 – Operational Services Budget Monitoring – September 2019
Appendix 3 – Capital Budget Monitoring – September 2019
Appendix 4 – Reserve Accounts – September 2019

Background Documents

Council Budget as approved by Council on the 21st February 2019

Location

Room 104
The Grange
Ely

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