

## **AUDIT AND RESOURCES**

**Tuesday 13 November 2018**

### **CABINET**

**Monday 19 November 2018**

## **CORPORATE FINANCIAL MONITORING 1 APRIL TO 30 SEPTEMBER 2018**

**Report of the Corporate Director Support Services  
- Chief Financial Officer**

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### **RECOMMENDATION TO AUDIT AND RESOURCES COMMITTEE**

**It is recommended that the Audit and Resources Committee considers the Corporate Financial Monitoring 1 April to 30 September 2018 and makes any recommendations for amendments to Cabinet for their consideration.**

### **RECOMMENDATIONS TO CABINET**

**It is recommended that Cabinet:**

- (1) considers the General Fund Revenue position as at 30 September 2018 and forecast for 2018/19 and**
- (2) considers the financial performance of the Community Investment Programme as at 30 September 2018 and forecast for 2018/19;**

#### **Summary**

This report presents the Council's overall financial position for the period from 1 April 2018 to 30 September 2018 and looks forward to forecast how the Council's finances will perform for 2018/19. Appendix A shows a forecast favourable position of £10,000.

The Community Investment Programme budget for 2018/19 is £133m of which £74.6m had been spent as at 30 September 2018.

#### **Statutory Powers**

Local Government and Housing Act 1989, Sections 41 and 42  
Local Government Act 1972, Section 151

## Strategic Implications

1. Regular monitoring and management of the Council's financial position is key to ensuring delivery against Strategic Objectives set out in the Council's Corporate Plan 2015-2025 and contributes to the management of corporate risk. While individual variances are actively being managed with Service Managers, the overall position reflects a strong position for the Council in the context of the Efficiency Strategy, external factors and the significant Future Eastleigh change programme. Budget issues will be considered as part of the development of strategy and Budget process for 2019/20.

## Introduction

2. The Corporate Financial Monitoring covers all areas of the Council's finances, including the General Fund Revenue Account (including staff budgets and Local Area Committees), Income and Expenditure Account and Community Investment Programme (CIP).
3. The financial position for services emerging for the year is in line with that reported in the Medium Term Financial Plan. This will enable budgets to be revised for 2018/19 and set for 2019/20 with confidence that the Council's positive financial position will be maintained.
4. Financial Services have liaised with Spending Officers to ensure that monitoring has been carried out on all aspects of the Council's finances for the period from 1 April 2018 to 30 September 2018. Spending Officers provide forecasts for the full year based on their service knowledge. This report has been discussed with Management Team and further detailed portfolio information has been provided to Portfolio Leads.
5. The report contains, in the Appendices, details of the following:

Appendix	Description
A	General Fund Summary and Portfolio Analysis
B	Community Investment Programme
C	Risk Analysis
D	Efficiency Statement

## Revenue Monitoring

6. The financial monitoring for the first quarter is forecasting favourable variances totalling £10,000 for 2018/19. The significant variances are detailed in paragraphs 8-14 along with explanations from the responsible officers. At the halfway point through the year, this report details financial issues that may arise and should be brought to the attention of Members. A summary of variances is tabled below:

	<b>£000's</b>
Income and Expenditure – para 8	105
Corporation Estates – para 9	28
Recycling - para 10	78
Arts & Culture – para 11	(200)
Transport Policy – para 12	40
Housing and Council Tax – para 13	40
Car Parks – para 14	(80)
Other	(1)
<b>Total</b>	<b>10</b>

7. The table below summarises the movement from original Budget to rolling Budget shown in Appendix A

	<b>£000's</b>
<b>Original Budget</b>	<b>1,593</b>
2018/19 Growth	65
Budget Management	190
Efficiency Savings realised in Q1	(94)
MTFP Growth	927
<b>Rolling Budget</b>	<b>2,681</b>

### **Significant Variances and Emerging Issues**

8. The Income and Expenditure account is forecasting a favourable variance of £105,000. £133,000 favourable variance is due to treasury management activity, in particular borrowing being maintained at below forecast rates. The contra variance of £28,000 relates to the movement in reserves detailed in paragraph 9.
9. Corporation Estates is reporting a net £28,000 favourable position. Channon Retail Park is forecasting additional income of £40,000 due to a stepped increase in rent. £12,000 relates to various shortfalls in rent across a number of properties in the property portfolio. Any variance on the Property Portfolio at the year-end will be transferred to the Property Reserve - shown in paragraph 8.
10. The Recycling service is projecting an underspend of £78,000 which is in line with the April – June Corporate Financial Monitoring. This is due to the income share for sale of Dry Mixed Recyclables. This saving will not yet be absorbed as an efficiency saving due to unknown market conditions for contamination charges and potential increased gate fees. The budgets will be assessed as part of the revised budget process.

11. Arts and Culture is forecasting £200,000 adverse variance excluding staffing variances. £148,000 relates to the efficiency target allocated to the service but not yet achieved. The remaining £52,000 is due to challenges around attracting external grants/funding streams. The budget continues to be monitored closely with the Arts and Culture Manager. With the delivery of the new Business Plan, revenue strands including the programme mix, hirers and fundraising being identified and introduced, will start to mitigate existing pressures. In addition to this, the Service has just been awarded a capital funding of £367,800 from Arts Council England following an application sent in July. Although the Business Plan has not been signed off it was essential that action was taken to deliver on some of the income strands and the results are expected to be seen towards the end of the financial year and moving into future years. The Business Plan for this service will be presented to Members of the Audit and Resources Committee at the December meeting.
12. As reported in the Quarter 1 Corporate Financial Monitoring, there continues to be a £40,000 underspend relating to the reduction in public transport subsidies. This will be considered as part of the revised 2018/19 Budget.
13. Housing & Council Tax Support is forecasting a favourable position of £40,000 for 2018/19. This is a difficult budget to monitor accurately due to the size of the sums involved. The budget will continue to be monitored closely and the expenditure and income budgets are likely to move considerably as part of the revised budget process due to the impact of Universal Credit. The overall net effect is likely to be small in 2018/19.
14. The revenue income budget for Parking Services is forecasting £80,000 below target due to a reduction in usage in the Town Centre. It is anticipated that during the Christmas period usage will increase and reduce this shortfall. The Budget process will look in detail at the financial situation and any potential impact on the General Fund will be highlighted to Members for approval if alternative funding cannot be identified.

## Staffing

15. The staff monitoring is forecasting that the Budget will be met by the end of the financial year. This includes forecast transitional spend of £1,007,000, funded from capital receipts. Whilst the overall staffing variance is representing a break even position, there are some headline variances that should be highlighted. These are shown in the table below;

	<b>£000's</b>
Corporate – para 16	(140)
Arts & Culture – para 17	(105)
Property Services – para 18	100
Environment – para 18	40
Housing & Development – para 18	33
Customer Services – para 18	30

Other	42
<b>Total</b>	<b>0</b>

16. The Corporate variance shows the target savings to be met through vacancy factor. Vacancy factor reflects the natural turnover of the organisation.
17. Arts and Culture are forecasting a staffing overspend of £105 000. The existing staff structure has not been adequate for delivering business needs leading to an over reliance on casuals across the two venues. A wider staff review is taking place as a priority action from the new Business plan. The review includes a specific plan for casuals that will ensure compliance with H&S legislation coupled with a reduction in casual staffing spend.
18. The remaining staffing areas are forecasting underspends due to vacancies, which offset the target saving in paragraph 16.

### **Service Redesign and Transition**

19. Service redesign has been supported by use of capital receipts since the beginning of the transformation programme. The table below shows spend to date and forecast spend for 2018/19;

	<b>£000's</b>
<b>Capital Receipts earmarked</b>	<b>(3,965)</b>
Costs funded:	
Transition/Redundancy 2016/17	1,309
Transition/Redundancy 2017/18	1,443
IT anticipated spend 2018/19 Forecast	206
Transition/Redundancy	1,007
<b>Capital Receipts Balance</b>	<b>0</b>

20. The table shows that all earmarked Capital Receipts have been fully utilised. However, it is important to note there will be ongoing support to services throughout the remainder of the transformation and moving into the new way of working. Business Plans will be key in identifying resource pressures which will be reviewed and considered by the Change and Improvement Board.

### **Community Investment Programme**

21. The Community Investment Programme (CIP) has a rolling budget of £133m for the year. The budget has increased by £30m since the June monitoring report, which is predominantly due to the approval of Chestnut Avenue

(£13.7m), Civic Office Site (£10m), 1 Upper Northam Road (£3.7m), The Post Office site redevelopment (£1.6m).

22. As at Quarter 2 £74.6m has been spent, representing 56% of the total budget. As CIP expenditure does not arise evenly throughout the year managers are asked to identify forecast spend for the year in order that the total CIP budget can be monitored effectively. There have been no major issues with CIP spend so far this year, but consistent and constant monitoring of the CIP programme will continue throughout the remainder of the year to identify any possible slippage in spend so this can be reported and accounted for effectively.

## Efficiency and Improvement

23. The Budget for 2018/19 demonstrates the achievement of the Efficiency Strategy which has met £4.7M of ongoing savings over the life of the Strategy. The table below shows that the £4.7M has been achieved with the full breakdown of the savings shown in Appendix D.

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Target	(950)	(2,700)	(3,700)	(4,700)
Efficiencies achieved	1,651	2,049	3,700	4,794
<b>Over Achieved/(Shortfall)</b>	<b>701</b>	<b>(651)</b>	<b>0</b>	<b>94</b>

24. Savings captured within the table above are only reflected once they are definite and can be included within the budget.

## Risk Management

25. The purpose of the financial monitoring process is to give Members the assurance that the Council's finances are performing broadly in line with the Budget. This report is integral to the Risk Management process in respect of the Council's finances. A full risk assessment in respect of the Council's current and future financial position is included within the Provisional Outturn, Medium Term Financial Plan and Budget reports that are submitted to Cabinet and Council. Appendix C contains the current risk assessment.

## Other Issues

26. Other issues affecting the Council's finances are:
- The Budget process will need to review the emerging issues raised as part of this monitoring process in order to ensure that the Budget provides an accurate revised Budget and also robust budgeting for future years.

## **Chief Financial Officer's Statement**

27. As the Council's Statutory Finance Officer, the Chief Financial Officer is required to advise the Council on all pertinent financial matters including the level of balances and, in particular, to alert Members to any concerns she may have regarding the financial well-being of the Council. This report represents an assessment of the Council's finances as provided by the Chief Financial Officer.
28. The financial monitoring process is a very important element of the Council's financial arrangement as it assesses how effective the day to day management of budgets has actually been throughout the year. Any unforeseen overspends and underspends can distort the Council's financial position and financial planning process.
29. A key element of the financial process is accurate budgeting and forecasting. Historically there are underspends in both revenue and capital budgets. Continuing efforts are being made to identify budget variances and reflect these within the rolling budget. The aim is to ensure greater accountability of budget holders and therefore improved financial management. The improvements in the monitoring of the Community Investment Programme to Boards should see improved financial management of Capital projects.
30. The revenue monitoring report shows a forecast outturn position highlighting a forecast favourable position £10,000 and as always pressures and savings will be considered as part of the revised budget process. Accurate forecasting and budgeting is key to financial resilience for the Council.

## **Equality and Diversity Implications**

31. The Equality Act is not relevant to the decision in this report as the decision does not relate to eliminating discrimination, advancing equality of opportunity, or fostering good relations between different people. An Equality Impact Assessment has not been carried out.

## **Conclusion**

32. The Corporate Financial Monitoring Statement, as well as providing a comprehensive snapshot of the Council's finances, provides the opportunity to advise Members of significant financial issues that may impact on the Council's finances. The overall revenue position at 30 September 2018 shows a forecast favourable position of £10,000.

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Appendices Attached: 4  
Report: fs

LOCAL GOVERNMENT ACT 1972 – SECTION 100D

The following is a list of documents which disclose facts or matters on which this report or an important part of it is based and have been relied upon to a material extent in the preparation of this report. This list does not include any published works or documents which would disclose exempt or confidential information.

Nil