

# Southend-on-Sea Borough Council

**Report of Strategic Director (Finance & Resources)  
to  
Cabinet  
on  
6 November 2018**

**Agenda  
Item No.**

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Control

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## **Revenue and Capital Budget Monitoring 2018/19 – September 2018**

### **All Scrutiny Committees**

**Executive Councillor: Councillor John Lamb**

### ***A Part 1 Public Agenda Item***

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## **1 Purpose of Report**

The budget monitoring report is a key tool in scrutinising the Council's financial performance. It is designed to provide an overview to all relevant stakeholders. It is essential that the Council monitors its budgets throughout the year to ensure that it is meeting its strategic objectives and that corrective action is taken where necessary.

## **2 Recommendations**

That, in respect of the 2018/19 Revenue Budget Monitoring as set out in appendix 1 to this report, Cabinet:

- 2.1 Note the forecast outturn for the General Fund and Housing Revenue Account, as at September 2018;
- 2.2 Note the planned management actions of £3,230,000 to achieve that forecast outturn;
- 2.3 Approve the planned budget transfers (virements) of £2,610,170
- 2.4 Note the potential transfer of £1,293,000 from the Business Transformation Reserve in respect of the forecast General Fund overspend unless further management action and savings are identified to rebalance the budget; and
- 2.5 Note the potential transfer of £93,000 to the HRA Capital Investment Reserve in respect of the forecast HRA underspend.

That, in respect of the 2018/19 Capital Budget Monitoring as set out in appendix 2 of this report, Cabinet:

2.6 Note the expenditure to date and the forecast outturn as at September 2018 and its financing;

2.7 Approve the requested changes to the 2018/19 capital programme as set out in Section 2 of Appendix 2;

### **3 Background and Summary**

#### **Revenue**

3.1 The forecast overall position at the end of September is a net overspend of £1,293,000 (1.1% of net expenditure) compared to £1,679,000 at the end of August.

3.2 In February 2018 the Council agreed for 2018/19 a General Fund revenue budget of £123.036M and a balanced Housing Revenue Account revenue budget. This report details the projected outturn position for 2018/19 based on information as at the end of September (period 6). The report includes details of

- General Fund Revenue Budget position;
- Progress in delivering the 2018/19 revenue savings ;
- Housing Revenue Account Revenue Budget position.

3.3 As at the end of September, the initial General Fund outturn is suggesting a net overspend of £4,829,000 (3.9% of net expenditure), being a projected portfolio overspend of £5,338,000 being partly offset by a £509,000 underspend on non-portfolio services. In the absence of any management action to bring the budget back into line, this sum would fall to be met from the General Reserves. That would reduce General Reserves below the optimal level set by the Council's Section 151 Officer in his adequacy of balances statement to the Council in setting the 2018/2019 budget. The cause of the overspend lies entirely within portfolios, with the most significant budget issues being within Adults and Housing, Children & Learning and Infrastructure.

3.4 Directors are proposing some management actions, totalling £3,230,000, which reduces the overspend of portfolio services to £2,108,000. In line with previous custom and practice, unless further management action and savings are identified to rebalance the budget, it is assumed that the residual overspend will be drawn down from earmarked reserves rather than impacting on the General Reserve.

3.5 There is also a proposal to utilise planned earmarked reserves totalling (£306,000), which alongside the (£509,000) non portfolio service underspend, results in the net overspend of £1,293,000.

3.6 The forecast for the Housing Revenue Account indicates that the HRA will have an income surplus of £562,000 in 2018/19. This is because early predictions are showing higher rental income than budgeted for. Offsetting this is a £469,000 increase in repairs, leaving a net forecast underspend of £93,000.

3.7 Full details of the budget issues facing each portfolio, together with an outline of the management action being undertaken and the residual pressures can be

found in the revenue budget monitor at appendix 1. That appendix also sets out the RAG status of the savings targets for each portfolio.

## **Capital**

3.8 In February 2018 the Council agreed a capital programme budget for 2018/19 of £92.984M. This budget was revised at June Cabinet to £77.689M following approved re-profiles and other amendments. This report details the projected outturn position for 2018/19 based on information as at the end of September (period 6). The report includes details of progress in delivering the 2018/19 capital programme and in receiving external funding relating to that year.

3.9 Capital challenge meetings have been held with each department, led by the Leader and the Strategic Director for Finance and Resources. This was to ascertain whether:

- Any scheme or reduction in funding of a scheme could be withdrawn from the programme;
- Any schemes that could move on a year or two in the programme;
- Any schemes funded by borrowing that could be alternatively financed;
- The actual physical progress of each scheme (e.g. out to tender, site assembly, on site, etc.) and whether the current budget will be spent in 2018/19.

3.10 The outcomes of these capital challenge meetings are detailed in section 1 of Appendix 2 with Section 2 setting out the resulting requests to:

- Carry forward £18,546,000 of 2018/19 scheme budgets into future years;
- Bring forward £263,000 of budget from future years into 2018/19;
- Add scheme budgets totalling £1,172,000 into 2018/19 where new external funding has been received;
- Remove scheme budgets totalling £664,000 from 2018/19;

3.11 As at the end of September the expected capital outturn is £59,914,000.

## **4 Other Options**

The Council could choose to monitor its budgetary performance against an alternative timeframe but it is considered that the reporting schedule provides the appropriate balance to allow strategic oversight of the budget by members and to manage the Council's exposure to financial risk. More frequent monitoring is undertaken by officers and considered by individual service Directors and the Council's Corporate Management Team (CMT) including approval of management action.

To the extent that there are options for managing the issues identified these are highlighted in the report in order to ensure that members have a full picture of the issues and proposed solutions as part of their decision making

## **5 Reasons for Recommendations**

The regular reporting of Revenue and Capital Budget Monitoring information provides detailed financial information to members, senior officers and other interested parties on the financial performance of the Council. It sets out the key variances being reported by budget holders and the management action being implemented to address the identified issues.

Set alongside relevant performance information contained within the monthly performance report (MPR) pack it also informs decision making to ensure that Members' priorities are delivered within the agreed budget provision.

It is important that issues are addressed to remain within the approved budget provision or where they cannot be contained by individual service management action, alternative proposals are developed and solutions proposed which address the financial impact; Members have a key role in approving such actions as they represent changes to the budget originally set and approved by them.

## **6 Corporate Implications**

### **6.1 Contribution to Council's Vision & Critical Priorities**

The robustness of the Councils budget monitoring processes and the successful management of in-year spending pressures are key determinants in maintaining the Council's reputation for financial probity and financial stewardship.

### **6.2 Financial Implications**

As set out in the body of the report and accompanying appendices.

### **6.3 Legal Implications**

The report provides financial performance information. It is consistent with good administration for the Council to consider monitoring information in relation to plans and budgets that it has adopted.

Section 3 of the Local Government Act 1999 requires the Council as a best value authority to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness". Monitoring of financial and other performance information is an important way in which that obligation can be fulfilled.

The Council is required by section 151 of the Local Government Act 1972 to make arrangements for the proper administration of its financial affairs. The Council is also required by section 28 of the Local Government Act 2003 to monitor its budget, and take corrective action as necessary. The Council's chief finance officer has established financial procedures to ensure the Council's proper financial administration. These include procedures for budgetary control.

It is consistent with these arrangements for the Cabinet to receive information about the revenue and capital budgets as set out in the report.

#### 6.4 People Implications

None arising from this report

#### 6.5 Property Implications

None arising from this report

#### 6.6 Consultation

None arising from this report

#### 6.7 Equalities Impact Assessment

None arising from this report

#### 6.8 Risk Assessment

Sound budget monitoring processes underpin the Council's ability to manage and mitigate the inherent financial risks associated with its budget, due to the volatility of service demand, market supply and price.

The primary mitigation lies with the expectation on CMT and Directors to continue to take all appropriate action to keep costs down and optimise income (e.g. through minimising spending, managing vacancies wherever possible). Adverse variances will require remedial in-year savings and budget reductions. The back-stop mitigation would be to draw on reserves to rebalance the budget, but this will only be done at year end should other measures fail.

With the likely scale of funding pressures and future resource reductions, it is important that the Council holds a robust position on reserves and maintains the ability to deal with issues that arise during the financial year.

#### 6.9 Value for Money

The budget set reflects the Council's drive to improve value for money and to deliver significant efficiencies in the way it operates. Monitoring the delivery of services within the budget set helps to ensure that the planned value for money is achieved.

#### 6.10 Community Safety Implications

None arising from this report

#### 6.11 Environmental Impact

None arising from this report

## **7 Background Papers**

None

## **8 Appendices**

Appendix 1 Revenue Budget Monitoring 2018/19 – September 2018

Appendix 2 Capital Programme Budget Monitoring 2018/19 – September 2018