

# Southend-on-Sea Borough Council

## Report of Strategic Director (Finance & Resources)

to  
**Cabinet**  
on  
**12 March 2019**

**Agenda  
Item No.**

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### Revenue and Capital Budget Monitoring 2018/19 – January 2019

#### All Scrutiny Committees

Cabinet Member: Councillor John Lamb

#### *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 £1,631,000 net surplus for the General Fund and the forecast £119,000 net surplus for the Housing Revenue Account, as at January 2019;
- 2.2 Note the planned management actions of £721,000 to achieve that forecast outturn;
- 2.3 Approve the planned budget transfers (virements) of £377,000;
- 2.4 Approve the transfer of £300,000 to the Public Health Reserve as a result of unspent ring fenced grant;
- 2.5 Approve the transfer of £200,000 from the Interest Equalisation Reserve to mitigate against the impact of a change in Government regulations;

- 2.6 Approve the transfer of £65,000 from the Supporting People Reserve to mitigate the temporary non-delivery of a budget saving;
- 2.7 Approve the transfer of £790,000 from the Grants Reserve to release surplus funds within the Reserve;
- 2.8 As a result of the forecast net surplus, approve the following one-off investments totalling £480,000 as set out below;
- £100,000 to support secondary schools
  - £130,000 additional support for children and vulnerable adults subject to gang exploitation
  - £100,000 for a deep clean of the High Street
  - £100,000 for Place branding, marketing and signage costs
  - £50,000 for additional parking enforcement provision
- 2.9 Note the potential transfer of £1,151,000 to the Business Transformation Reserve in respect of the residual forecast General Fund net surplus; and
- 2.10 Note the potential transfer of £119,000 to the HRA Capital Investment Reserve in respect of the forecast HRA net surplus.

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

- 2.11 Note the expenditure to date and the forecast outturn as at January 2019 and its financing;
- 2.12 Approve the requested changes to the 2018/19 capital investment 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 January is for a net surplus of £1,631,000 (1.3%) of net expenditure or (2.1%) of council tax requirement. This compares to a forecast surplus of £1,553,000 at the end of December.
- 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 January (period 10). 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 The year end forecast for the General Fund is derived as follows:

£2,759,000 initial portfolio overspend
<b>less</b> £721,000 management actions, principally being <ul style="list-style-type: none"> <li>• £400,000 adults transformation savings (Adults &amp; Housing)</li> <li>• £50,000 childrens savings (Children &amp; Learning)</li> <li>• £210,000 troubled families income target (Children &amp; Learning)</li> </ul>
<b>results</b> in £2,038,000 forecast portfolio overspend, principally being <ul style="list-style-type: none"> <li>• <u>Overspends</u> <ul style="list-style-type: none"> <li>• £120,000 civic centre maintenance (Growth)</li> <li>• £270,000 Learning Disabilities and Mental Health residential care (Adults &amp; Housing)</li> <li>• £115,000 Supporting People and Housing (Adults &amp; Housing)</li> <li>• £940,000 childrens social care placements (Children &amp; Learning)</li> <li>• £490,000 childrens social care staffing (Children &amp; Learning)</li> <li>• £325,000 parks and open spaces income shortfall (Healthy Communities &amp; Wellbeing)</li> <li>• £700,000 highways (Infrastructure)</li> <li>• £750,000 car parking (Infrastructure)</li> <li>• £690,000 streetwork permit income (Infrastructure)</li> </ul> </li> <li>• <u>Underspends</u> <ul style="list-style-type: none"> <li>• (£380,000) additional rental income (Growth)</li> <li>• (£195,000) additional planning income (Growth)</li> <li>• (£345,000) Older People residential care (Adults &amp; Housing)</li> <li>• (£170,000) customer services staffing (Healthy Communities &amp; Wellbeing)</li> <li>• (£300,000) Public Health staffing and contract delivery (Healthy Communities &amp; Wellbeing)</li> <li>• (£235,000) flood defences (Public Protection)</li> <li>• (£760,000) waste disposal and management (Public Protection)</li> </ul> </li> </ul>
<b>less</b> £414,000 non portfolio underspends, principally being <ul style="list-style-type: none"> <li>• (£450,000) release of unused contingency</li> </ul>
<b>less</b> £755,000 from earmarked reserves
<b>less</b> £2,500,000 additional funding <ul style="list-style-type: none"> <li>• (£2,500,000) additional income associated with business rates</li> </ul>
<b>results in £1,631,000 forecast net surplus by the year end</b>

- 3.4 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.
- 3.5 The forecast for the Housing Revenue Account indicates that the HRA will have a net surplus of £167,000 in 2018/19, (3.7%) of net operating expenditure. Of this £48,000 will be used to fund additional revenue contributions to capital, with the remaining £119,000 being transferred to the HRA Capital Investment Reserve.
- 3.6 As a result of the forecast general fund net surplus, discussions have taken place as to a small number of one-off interventions that can be undertaken that will be of immediate benefit to the Borough. These are:
- £100,000 to support three secondary schools yet to be graded as good by Ofsted so that all our children get the best education

- £130,000 for additional support for children and vulnerable adults subject to gang exploitation. This money will fund 2 social workers and a media campaign
- £100,000 to undertake a spring deep clean of the High Street in line with the Southend 2050 ambition and outcomes
- £100,000 for branding and marketing of the Borough as well as some wayfinding signage within the borough
- £50,000 for additional out of hours parking enforcement

3.7 Cabinet are recommended to approve these one-off investments totalling £480,000.

### **Capital**

3.8 In February 2018 the Council agreed a capital investment programme budget for 2018/19 of £92.984M. This budget was revised at June Cabinet to £77.689M and was further revised at November Cabinet to £60.481M following approved re-profiles and other amendments. Since November Cabinet further work has been done to align the revised 2018/19 budget to the forecast outturn and the budget was further revised at February Cabinet to £52.648M.

3.9 This report details the projected outturn position for 2018/19 based on information as at the end of January (period 10). The report includes details of progress in delivering the 2018/19 capital investment programme and in receiving external funding relating to that year.

3.10 The progress of schemes for 2018/19 is detailed in section 1 of Appendix 2 with Section 2 setting out the resulting requests to:

- Carry forward £1,448,000 of 2018/19 scheme budgets into future years;
- Bring forward £987,000 of budget from future years into 2018/19;
- Add scheme budgets totalling £233,000 into 2018/19 where new external funding has been received;

3.11 As at the end of January the expected capital outturn for 2018/19 is £52,420,000.

3.12 The 2018/19 capital budget is part of the wider capital investment programme spanning several years.

## **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 the Southend 2050 Road Map**

The robustness of the Council's 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 and Diversity Implications

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 – January 2019

Appendix 2 Capital Investment Programme Budget Monitoring 2018/19 –  
January 2019