

HARBOROUGH DISTRICT COUNCIL

REPORT TO THE CABINET MEETING OF 9<sup>th</sup> March 2020

PUBLIC REPORT: Yes

EXEMPT REPORT: No

<b>Report Title</b>	2019/20 Revenue and Capital Monitoring – Quarter 3					
<b>KEY DECISION</b>	No					
<b>Report Author</b>	Karen Watling, Chief Officer: Finance & Assets					
<b>Purpose of Report</b>	<ul style="list-style-type: none"> <li>To provide Cabinet with a forecast outturn position based upon the period 1 April to 31 December 2019.</li> </ul>					
<b>Reason for Decision</b>	<ul style="list-style-type: none"> <li>This report is for noting, no decision making is required</li> </ul>					
<b>Portfolio (holder)</b>	Councillor James Hallam; Finance & Assets					
<b>Corporate Priorities</b>	<table border="1"> <tr> <td colspan="2">YOUR COUNCIL: innovative, proactive and efficient</td> </tr> <tr> <td>CO 10</td> <td>Deliver Financial Sustainability for the future</td> </tr> </table>		YOUR COUNCIL: innovative, proactive and efficient		CO 10	Deliver Financial Sustainability for the future
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CO 10	Deliver Financial Sustainability for the future					
<b>Financial Implications</b>	<ul style="list-style-type: none"> <li>The report gives a forecast outturn position for the Council's 2019/20 revenue and capital budgets.</li> </ul>					
<b>Risk Management Implications</b>	<ul style="list-style-type: none"> <li>It is important to monitor the position against budget regularly in order to ensure any issues can be addressed appropriately and in a timely manner.</li> </ul>					
<b>Environmental Implications</b>	<ul style="list-style-type: none"> <li>None</li> </ul>					
<b>Legal Implications</b>	<ul style="list-style-type: none"> <li>The Council is legally required to set and manage a balanced budget. The Quarter 3 monitoring indicates that the Council financial commitments are being managed within the resources approved by the Council.</li> </ul>					
<b>Equality Implications</b>	<ul style="list-style-type: none"> <li>None</li> </ul>					
<b>Data Protection Implications</b>	<ul style="list-style-type: none"> <li>None</li> </ul>					
<b>Consultation</b>	<ul style="list-style-type: none"> <li>Consultation has been undertaken with Portfolio Holder. The budget managers and finance business partners discuss financial performance at regular budget monitoring meetings. Key budget variances are discussed with Portfolio Holders.</li> </ul>					
<b>Options</b>	<ul style="list-style-type: none"> <li>None</li> </ul>					
<b>Background Papers</b>	<ul style="list-style-type: none"> <li>Variances by cost centre</li> </ul>					
<b>Appendices</b>	<ul style="list-style-type: none"> <li>Appendix A Financial Outturn Q3</li> <li>Appendix B – Variances over £25,000</li> <li>Appendix C – Capital Qtr 3</li> </ul>					
<b>Recommendations</b>	<p><b>2.1 To note that as at 31 December 2019 the revenue budget is forecast to underspend by</b></p>					

	<p>£984k as shown in Appendix A.</p> <p>2.2 To note the analysis given in Appendix B for cost centre variances over £25k.</p> <p>2.3 To note the actual expenditure to 31<sup>st</sup> December 2019 incurred on the Capital Programme as shown in Appendix C.</p> <p>2.4 To note that as at the 31 December 2019 the Capital Programme is forecast to underspend by £1,489m, as outlined in Appendix C, and that most of this underspend will be required to be carried forward into 2020/21 as slippage.</p>
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## 1. Introduction

- 1.1 Each year the Council sets its budget in February for the following financial year. Forecast financial performance against the budget is then reported on a quarterly basis to the Cabinet.
- 1.2 In addition, a revised budget for the 2019/20 Capital Programme was approved by Council on 24<sup>th</sup> February 2020.
- 1.3 As noted in the 2020/21 Budget Report approved by Council at its meeting on 24<sup>th</sup> February 2020, budget monitoring reports will now report on the overall surplus/deficit position on the revenue budget and not just limit the forecast to the “Net Direct Cost of Services” budget sub-total. This will be undertaken to provide greater clarity and transparency of the Council’s overall financial position.
- 1.4 The Quarter 2 revenue and capital budget monitoring report indicated that a detailed cost center budget breakdown would be supplied as part of the quarter 3 report. The Interim Chief Officer: Finance & Assets, as S151 Officer, has decided not to include this as information is already given quarterly in **Appendix B** on forecast under and overspends for every cost center budget that has a variance of £25k or over. A £25k variance on a net budget of £12.783m represents 0.2% of the net budget and this level of reporting is therefore considered sufficiently detailed by the S151 Officer for proper transparency and accountability purposes.

## 2. Key Facts

### 2.1 Revenue Budget

- 2.1.1 The Council's 2019/20 revised revenue budget requirement is £12.783m. **Appendix A** shows the forecast financial position as at the third quarter, to 31 December 2019. It is forecast that the revenue budget will underspend by £984k (or 7.7% of the approved net budget).
- 2.1.2 This is a prudent estimate as there is still one quarter of activity remaining in the year. It also assumes that all corporate contingencies will be fully allocated and spent by the year end.
- 2.1.3 The Council therefore continues to exercise tight budget management with no significant adverse spend projections that cannot be met within approved budgets.
- 2.1.4 The 2020/21 Budget Report approved by Council on 24<sup>th</sup> February 2020 assumes that any surplus generated in 2019/20 will be transferred to the Council's General Fund Balance. This welcome boost to the Council's reserves will assist in funding the significant financial challenges from 2021/22 onwards which were identified in the 2020/21 Budget Report.
- 2.1.5 **Appendix B** shows an analysis of forecast under/overspending and increased income for all cost centres that have a total variance above £25k.
- 2.1.6 The significant variances (those above £80k) are shown in the table below.

Budget	Variance £000s	Explanation
Staffing	(288)	A 3.2% underspend forecast on the total employee budget of £9m arising from staff turnover and vacancy management. Note: this saving is across the Council 's portfolios and cost centres budgets.
Major Project Contingency	(130)	The budget is not planned to be used this financial year, but a request will be made to carry it forward into 2020/21 for funding work required on the commercial investment strategy and collaborative / devolution work.
Investment income	141	The budget assumed that £5m would be invested in pooled property funds at 4% yield but only £1.5m has been invested due to capacity and change of S151 Officer issues. The 2020/21 approved budget does not include any new income from these investments.
Interest income	(85)	Increased income arising from interest rates being higher than assumed at the time of preparing the 2019/20 budget.

Assets Team	92	Higher than budgeted salary costs due to fixed term contracts and agency staffing required to take forward the Council's major capital projects. The situation is currently being reviewed with a restructuring planned to be implemented during 2020/21.
Development Control	(94)	Net planning fees above budget assumptions.
Interest payable	(265)	Due to the significant slippage of schemes (particularly major projects) into 2020/21 there is no current need for the Council to borrow to fund these schemes and consequentially the budget for interest charges arising from new borrowing will be substantially underspent.
Grant Funding	(199)	An increase in Section 31 grant paid to the Council by central government to compensate the Council for "lost" Business Rates income arising from central government's determination on allowable Business Rates reliefs.

Note – figures in brackets are underspends or increased income

## 2.2 Capital Programme

- 2.2.1 Council approved a capital programme for 2019/20 in February 2019 of £17.620m and a revised programme of £10.896m at its meeting on 24<sup>th</sup> February 2020. The decrease in the size of the budget is due to three significant major projects slipping into 2020/21 in terms of their delivery (De Verdon Road and Naseby Square housing developments and the Market Harborough Leisure Centre).
- 2.2.2 As at the end of Quarter 3, it is forecast that there will be an underspend against the revised capital programme budget of £1.489m. An explanation of the variances is given in **Appendix C**. Much of this underspend will be slippage and will need to be carried forward into 2020/21: the quarter 4 outturn report will make recommendations to Cabinet on this.
- 2.2.3 It should be noted that the Chief Officer: Finance & Assets is seeking clarification on the capital budget approved for the Harborough Innovation Centre. The budget is forecast to be underspent by £417k and due to changes in personnel and management arrangements at the centre it is not currently known whether the entire budget is required. An update on this issue will be given in the quarter 4 outturn report.
- 2.2.4 Cabinet should also note that the Harborough Grow On Centre build is now complete and is within the approved budget of £3.4m.
- 2.2.5 The funding of the capital programme is shown in the table below. Whilst some of the programme is to be funded by borrowing this will be internal

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rather than external borrowing. The Council has, as at 31 December 2019, £30m of cash balances available. The S151 Officer will utilise these resources temporarily to fund the capital programme rather than borrow money from the Public Works Loans Board (PWLB). This is established good treasury management practice and results in the Council making savings in its revenue budget (as explained in 2.1.6 above).

<b>Funding source</b>	<b>2019/20 Revised Capital Programme</b>	<b>2019/20 Forecast Outturn Position</b>
Unsupported borrowing	3,393,319	2,352,874
Short term borrowing (MRP exemption)	1,614,495	1,484,495
Borrowing to be funded by new income streams	211,866	103,291
Useable capital receipts	447,369	423,318
Revenue Budget funded	25,796	25,796
Section 106 contributions	2,459,269	2,402,389
Other contributions	2,325,244	2,196,244
Government Grants	418,347	418,347
<b>Total funding requirements</b>	<b>10,895,705</b>	<b>9,406,754</b>