



## **Finance and Performance Sub Committee 16th December 2019**

### **High Risk Budget Monitoring to 31 October 2019**

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#### **Purpose of report**

To provide an overview of the forecast revenue and capital position for high risk budgets against the approved budgets for the period ended 31 October 2019 in financial year 2019/20.

#### **Attachments:**

Appendix 1: High Risk Budget Variance Analysis at 31 October 2019

Appendix 2: Financial Performance Indicators as at 31 October 2019

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#### **1.0 Introduction**

- 1.1 This report provides an overview of the council's forecast revenue and capital position for high risk budgets up to 31 October 2019 against the approved budgets for 2019/20. It highlights any significant under or overspending.
- 1.2 This report is focussed on high risk and high level variations that may have a significant impact on the council's financial position.

#### **2.0 Revenue Position**

##### **2.1 Revenue Overview**

- 2.1.1 Full Council approved a total budget of £12,955,904 for 2019/20, which included a council tax requirement of £4,576,725, parish precepts and a number of technical accounting entries and adjustments. For monitoring purposes, this Finance and Performance Sub Committee is focussed on the collectable income and expenditure of this council. The original revenue budget for the net cost of services, before such adjustments and items, was £11,395,795.
- 2.1.2 Following budget setting in March 2019, the total budget has been revised to £12,024,853. This change in budget relates to net interest receivable and carry forwards from 2018/19 totalling £249,464 (net) approved during the year, and approved supplementary estimates totalling £485,219, as shown in Table 1 below:

<b>Table 1</b>		£
Cost of services		11,395,795
Net interest receivable		(105,625)
Carry forwards from 2018/19 (Policy & Resources 13/05/19)		249,464
Supplementary estimates approved in year:		
- LGA ICT Cyber Security grant		10,700
- Paperless project		157,000
- Parks Improvement grant		14,619
- Asset Management Plan		84,000
- Paperless project transfer from capital		26,000
- LGR contribution		125,000
- ICT Office 16 licences		67,900
<b>Revised budget</b>		<b>12,024,853</b>

## 2.2 Revenue Update

### 2.2.1 Drawdown of Supplementary Estimates

Since the last budget monitoring report up to 31 August 2019, the following drawdowns from reserves into the revenue budget have been completed and are presented in Table 2 to this Sub Committee for information. Any drawdown completed after period 7, which ends 31 October 2019, will be updated in the next monitoring report.

**Table 2**

Reserve	Value	Purpose	Revenue Code	Period Transaction Completed
Delivering the Corporate Plan	£67,900	Office 16 licences required as part of the ICT transformation programme	AKT004	7

2.2.2 Budget monitoring is carried out on a quarterly basis; however, the Corporate Management Team has identified budgets that require monthly monitoring as they are classified internally as 'High Risk'. The following budgets in Table 3 are considered to be high risk:

**Table 3**

Service	Original Revenue Budget	Supplementary Estimates	Virements	Current Revenue Budget
Development and Building Control	£414,545	-	£25,000 (from Joint Planning Unit consultancy budget)	£439,545
Waste Services	£2,566,025	-	£150,000 (from risk management budget held corporately)	£2,716,025
Homelessness	£271,909	-	-	£271,909
ICT	£850,732	£78,600	-	£929,332
Enterprise Centre	£121,918	-	-	£121,918
<b>Total</b>	<b>£4,225,129</b>	<b>£78,600</b>	<b>£175,000</b>	<b>£4,478,729</b>

If new risks emerge throughout the year, the list of high risk budgets will be amended accordingly.

2.2.3 The latest full budget monitoring report was presented to this Sub Committee on 28 October 2019, which forecast an under spend of £56.5k based on budget monitoring as at 31 August 2019. This report focuses only on the high risk areas identified in Table 3 which are subject to monthly monitoring.

2.2.4 Table 4 below shows the actual expenditure to date against high risk budgets, and the estimated out-turn for the year with the variance against budget.

**Table 4**

Service	Current Revenue Budget	Outturn P5	Outturn P7	Variance P7 to Current Budget
Development and Building Control	£439,545	£467,545	£467,545	£28,000
Waste Services	£2,716,025	£2,715,595	£2,738,249	£22,224
Homelessness	£271,909	£271,909	£271,909	£0
ICT	£929,332	£997,904	£997,904	£68,572
Enterprise Centre	£121,918	£121,918	£121,918	£0
<b>Total</b>	<b>£4,478,729</b>	<b>£4,574,871</b>	<b>£4,597,525</b>	<b>£118,796</b>

2.2.5 A breakdown of the variances on high risk budgets is provided in Appendix 1.

2.2.6 The estimated services outturn for the year following full budget monitoring at 31 August 2019 reported to this Sub Committee on 28 October 2019 was an under spend of £56.5k. Reflecting the variance between P5 and P7 outturn figures for high risk budgets only in the overall outturn position results in a projected under spend of £33.8k.

2.2.7 Full budget monitoring will be undertaken at 31 December 2019 and reported to this Sub Committee on 3 February 2020.

### 2.3 High Level Overview of Key Trends in Dry Recycling and Food Waste Budgets

2.3.1 This council collects an average of approximately 9,200 tonnes of dry recycling material per annum. Based on the expected costs of processing and disposal of £52 per tonne and haulage of £10 per tonne, the total cost of dry recycling disposal for the 2019/20 financial year is forecast to be approximately £550 - £570k. The budget for recycling disposal charges is currently £470k, and pressure of £80k on dry recycling disposal is reported as at 31 October 2019, as set out in Appendix 1. The forecast outturn for dry recycling disposal will continue to be closely monitored.

### 3.0 Capital Overview

3.1 The Capital Programme was approved by (Full) Council on 4<sup>th</sup> March 2019 at £6.886m. Since then, the programme has been revised to incorporate approved carry forwards and approved movements from the Development Pool in year, as shown in Table 5 below:

**Table 5**

Original Budget	£6.886m
B/Fwd from 2018/19	£1.449m
Approved in year	£0.665m
Removed from capital programme	<u>£(0.026)m</u>
	<b><u>£8.974m</u></b>

3.2 For 2019/20 the high risk capital projects and other key projects identified for monitoring as part of the high risk reporting are set out in Table 6, along with the forecast variance to current budget.

**Table 6**

Key Projects	Original Budget	Approved Movements from Development Pool	Current Budget	Outturn reported at P7	Variance P7 to Current Budget
ICT Transformation	£548,257	£125,412	£673,669	£710,669	£37,000
Office Transformation Project	£109,594		£109,594	£109,594	£0
Enterprise Centre East Northants	£6,028,022		£6,028,022	£6,028,022	£0
<b>Totals</b>	<b>£6,685,873</b>		<b>£6,811,285</b>	<b>£6,848,285</b>	<b>£37,000</b>

3.3 The projected overspend on the ICT transformation programme of £37k is offset by the saving of £37k on Office 16 licences in the capital programme. Office 16 licences will be funded from the revenue budget as it is now known that the licences cannot be capitalised. A supplementary estimate has been drawn down to cover the cost of Office 16 licences in the revenue budget, see section 2.2.1.

### 4.0 Equality and Diversity Implications

4.1 There are no known equality and diversity implications arising from this report.

## **5.0 Privacy Impact Implications**

5.1 There are no known privacy implications arising from this report.

## **6.0 Health Implications**

6.1 There are no known health implications arising from this report.

## **7.0 Legal Implications**

7.1 There are no known legal implications arising from this report.

## **8.0 Risk Management**

8.1 This risks arising from this report are recorded in the council's Corporate Risk Register. The risks are subject to regular review and update.

## **9.0 Resource and Financial Implications**

9.1 This report is of a financial nature and the implications are set out within the report.

## **10.0 Constitutional Implications**

10.1 There are currently no direct implications impacting on the Constitution.

## **11.0 Implications for our Customers**

11.1 There are no direct implications impacting on our customers.

## **12.0 Corporate Outcomes**

12.1 This report links to the following Corporate Outcomes:

- **Effective Management**

*Budget monitoring allows the council to manage and review its financial performance, contributing to the effective management of the council*

- **Good Value for Money**

*This report demonstrates the cost of services provided which contributes to this corporate outcome.*

## **13.0 Recommendations**



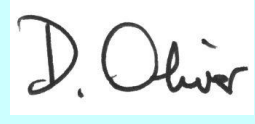
13.1 The Finance and Performance Sub Committee is asked to:

- a) Note the latest forecast on the high risk revenue and capital budgets as at period 7 for 2019-20

*(Reason: This is for information / monitoring purposes)*

- b) Note the supplementary estimate drawn down to period 7

*(Reason: This is for information / monitoring purposes)*

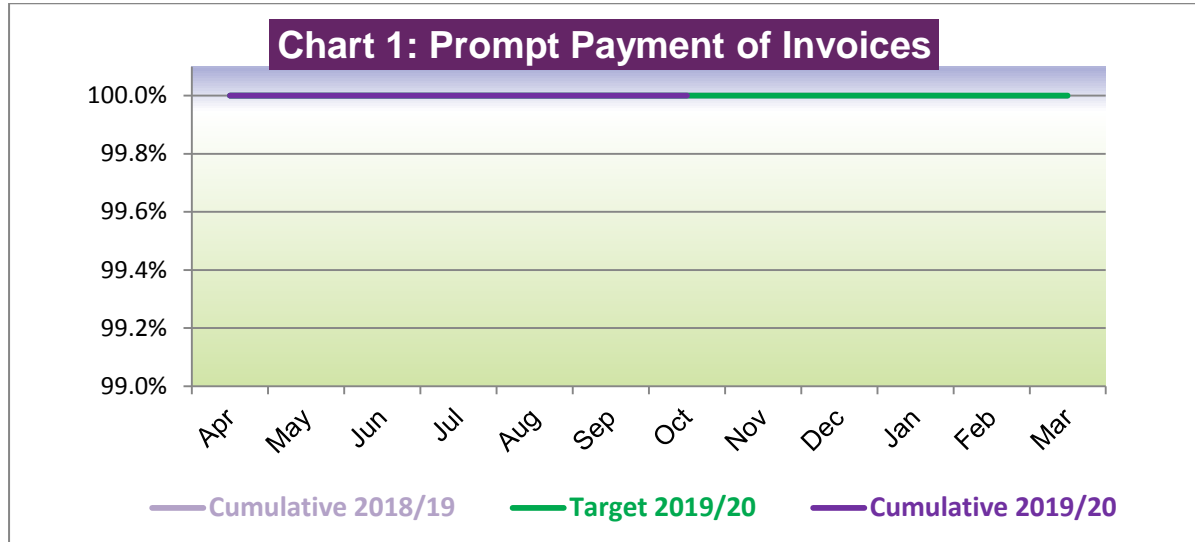
<b>Legal</b>	Power: Local Government Act 2003				
	Other considerations:				
<b>Background Papers:</b>					
<b>Person</b>	<b>Originating</b>	Katherine Hayward, Finance Manager			
<b>Report:</b>		☎ 01832 742090 ☒ khayward@east-northamptonshire.gov.uk			
<b>Date: 25 November 2019</b>					
<b>CFO</b>		<b>MO (Deputy)</b>		<b>CX</b>	
05/12/19		05/12/19		05/12/19	

Head of Service	Cost Centre Code	Cost Centre Narrative	2019/20 Current Budget	Outturn P5	Outturn P7	Variance to budget P7	Comments
P Bland	CFA002	DEVELOPMENT CONTROL	£292,640	£307,640	£307,640	(£15,000)	£15k overspend on consultants
P Bland	CFE001	BUILDING CONTROL	£146,905	£159,905	£159,905	(£13,000)	£13k reduced building control income
M Deacon	*/5813	GROUNDS MAINTENANCE	£226,137	£226,137	£226,137	£0	No issues reported
M Deacon	CAA004	GARDEN WASTE	(£175,140)	(£178,640)	(£215,140)	£40,000	£40k additional income from household collection
M Deacon	CAA001 CAA002 CAA006 CAA008 CAA009	WASTE COLLECTION AND RECYCLING	£1,688,168	£1,701,238	£1,750,392	(£62,224)	£435.2k pressure from waste management charges £80k pressure from recycling disposal charges £38k rent pressure due to amenities costs not included in budget £10k pressure due to decline in customers for trade waste service £150k pressure re Sidegate Lane closure displacement costs -£150k income (expectation to reclaim Sidegate Lane closure costs as per contract clause from NCC) -£484.2k additional income from FCC rebate -£15.8k saving on bulky household collection
M Deacon	CAA003 CAB001 CAB002	STREET CLEANSING	£976,860	£966,860	£976,860	£0	No issues reported
P Bland	CDD001 CDD003 CDD005	HOMELESSNESS	£271,909	£271,909	£271,909	£0	No issues reported
M Drewery	AKT001 AKT002 AKT003 AKT004 AKT006 AKT101 AKT102 AKT103 AKT104 AKT201 AKT202 AKT204	ICT	£929,332	£997,904	£997,904	(£68,572)	£23k pressure re additional licence costs £7k pressure re telephony costs £37k pressure from internet related charges for lines
G Macdonald	CKT006	ENTERPRISE CENTRE REVENUE	£121,918	£121,918	£121,918	£0	No issues reported
		<b>TOTAL</b>	<b>£4,478,729</b>	<b>£4,574,871</b>	<b>£4,597,525</b>	<b>(£118,796)</b>	

## Financial Performance Monitoring – Period 7

### 1. Prompt Payment of Invoices (Invoices paid within 30 Days)

- 1.1 The cumulative total on prompt payment of invoices as at 31<sup>st</sup> October 2019 was 100% which is on target for this year and on par with last year's performance for the same period. The current year performance is shown alongside the equivalent figures for 2018/19 in **Chart 1**.

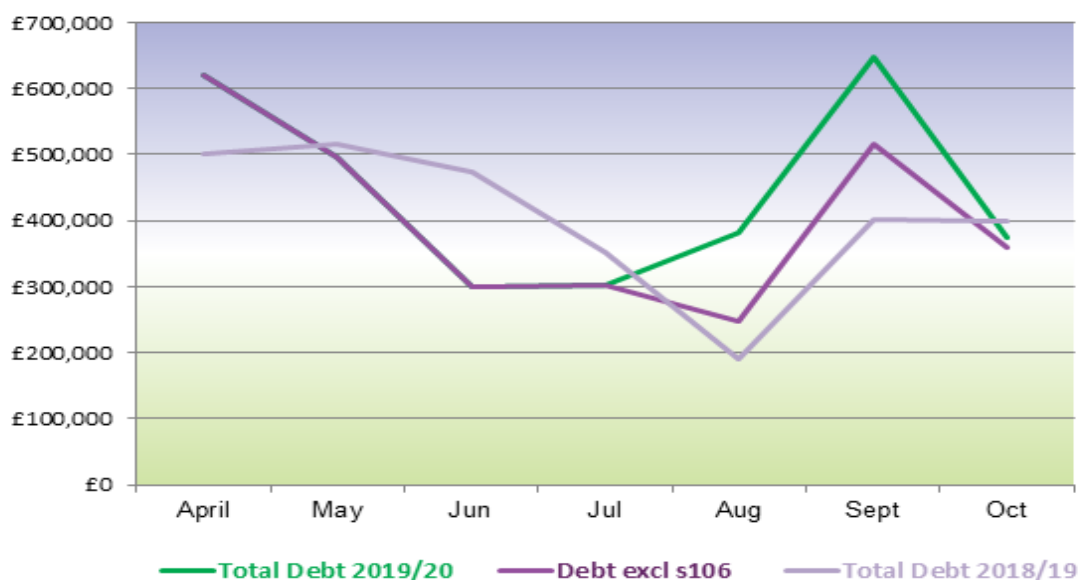


- 1.2 Regulation 113(7) of the Public Contracts Regulations 2015 states that all in-scope organisations must publish, annually, the percentage of invoices paid within 30 days and any interest value paid to suppliers due to late payment. No interest was paid due to late payment of invoices during this period.

### 2. Sundry Debt Performance

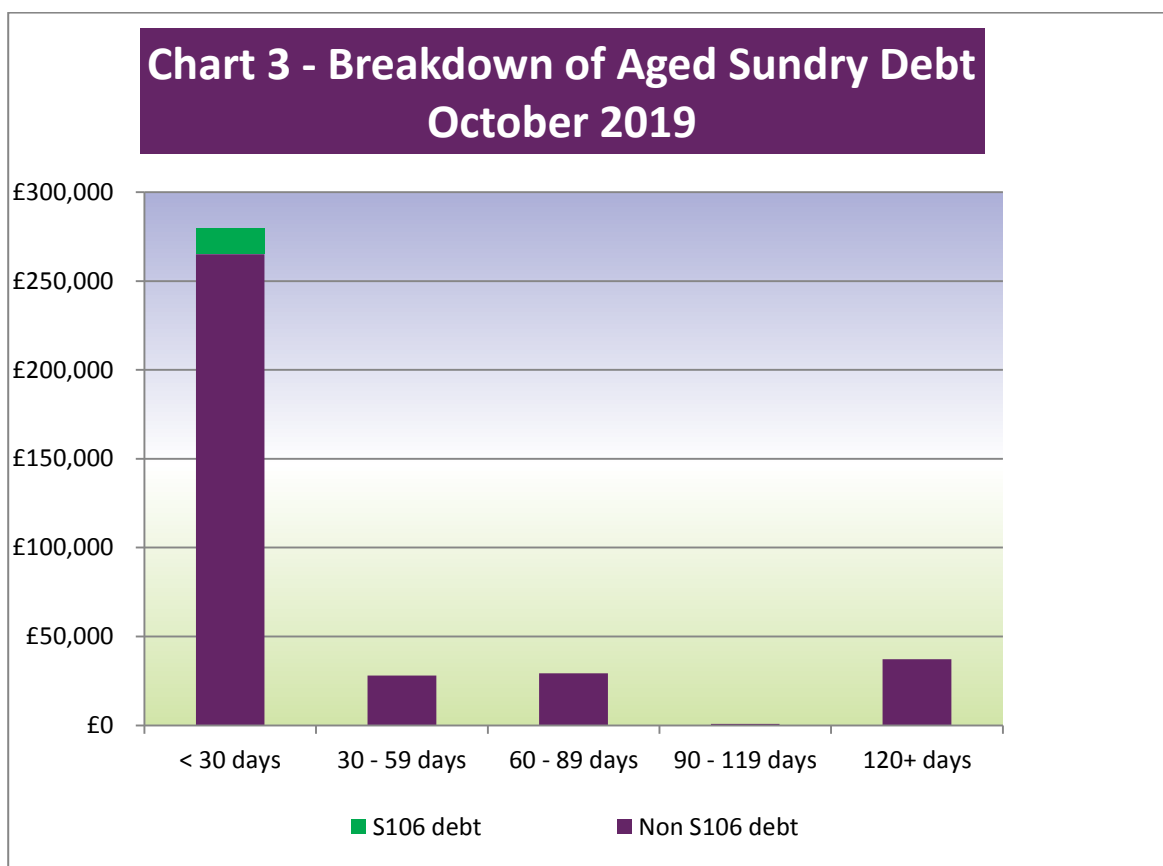
- 2.1 The total outstanding sundry debt as at 31<sup>st</sup> October 2019 was £373.4k and is set out in **Chart 2** alongside comparative figures for 2018/19. Of this, £279.4k (74.83%) was less than 30 days old. The debt relating to S106 funds was £14k. The total debt is lower than in the same period in 2018/19, which was £399.0k.

**Chart 2: Sundry Debt**

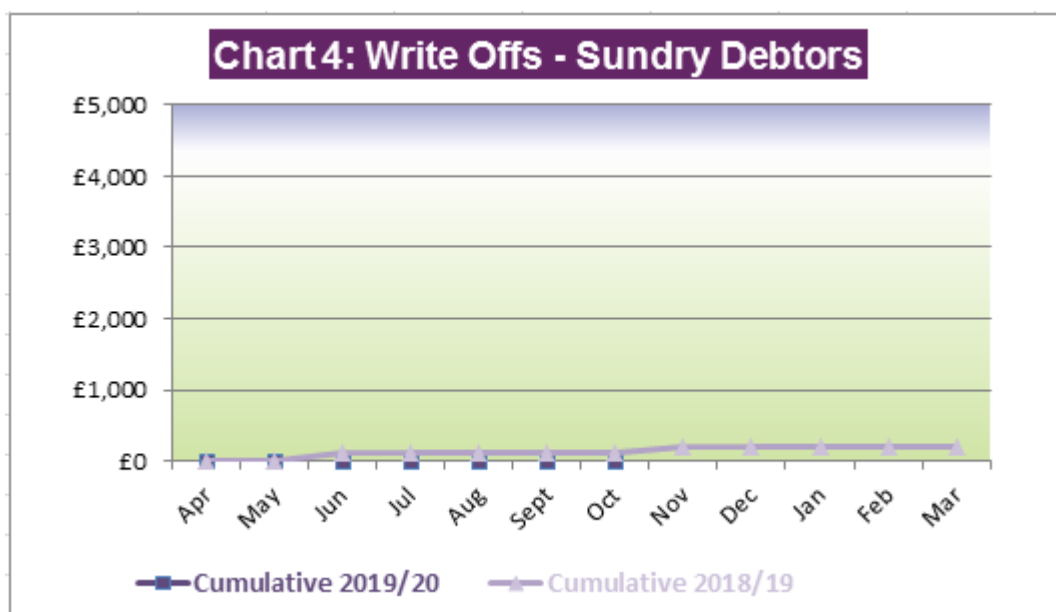




2.2 **Chart 3** shows the breakdown of sundry debt at 31<sup>st</sup> October 2019 by number of days overdue.

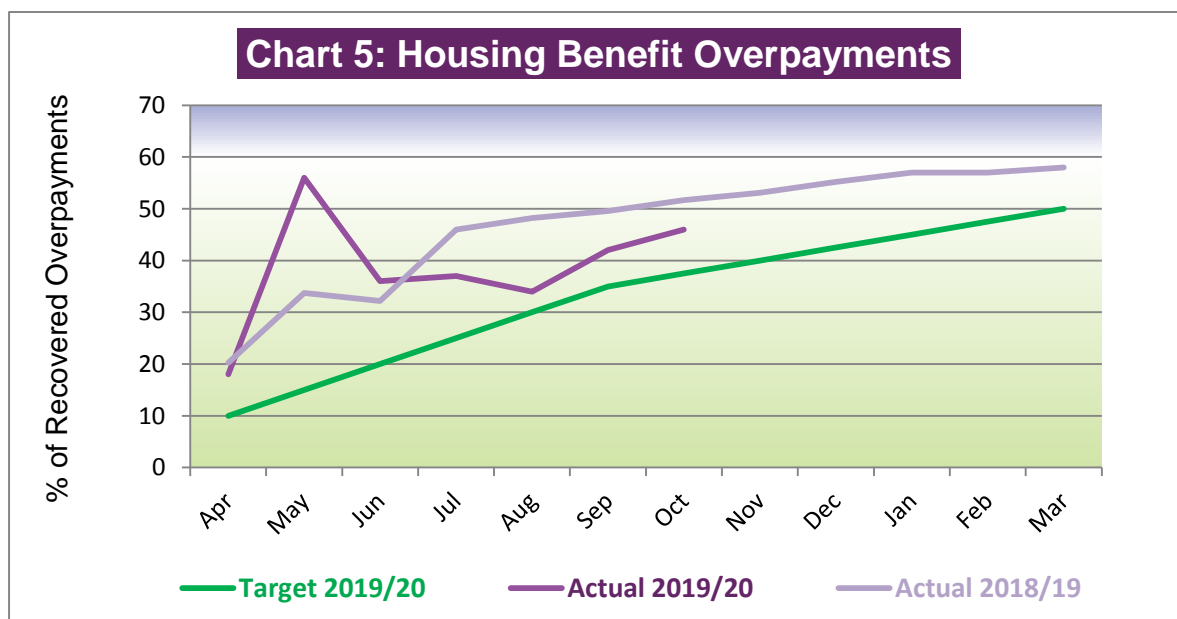


2.3 The council also monitors the amount of debt written off for sundry debtors which can be seen in **chart 4** below. No sundry debts were written off in the period to 31 October 2019. This can be compared to 2018/19 where there had been £0.1k of write offs during the same period.



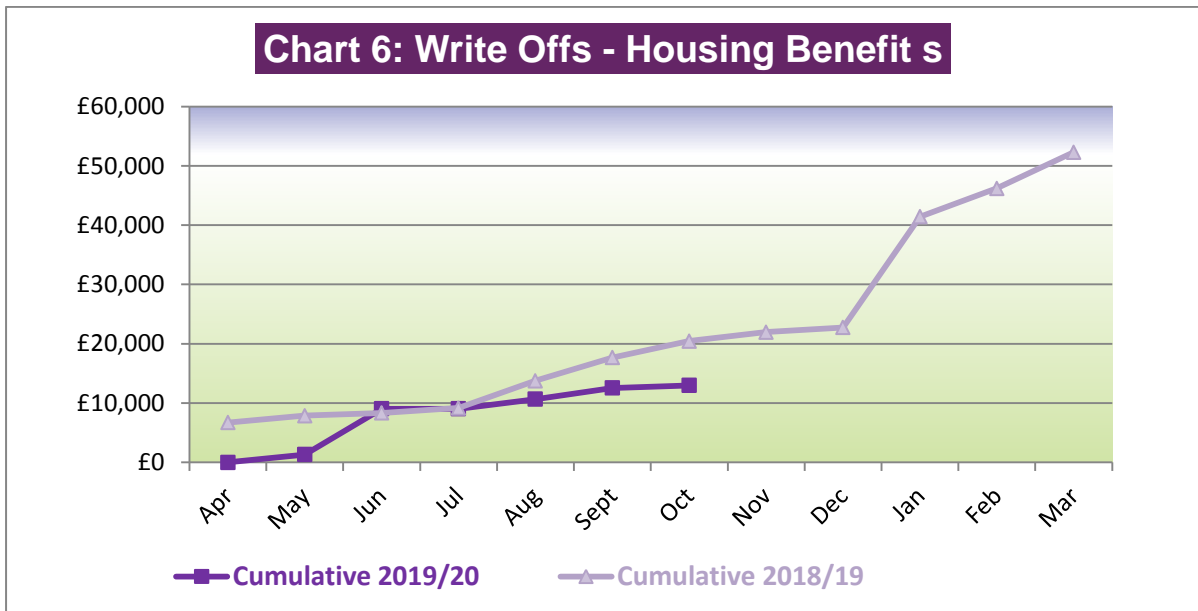
### 3. Housing Benefit Overpayments

3.1 **Chart 5** shows the total amount of housing benefit overpayments recovered against the target rate set for 2019/20 in comparison to the 2018/19 figures.



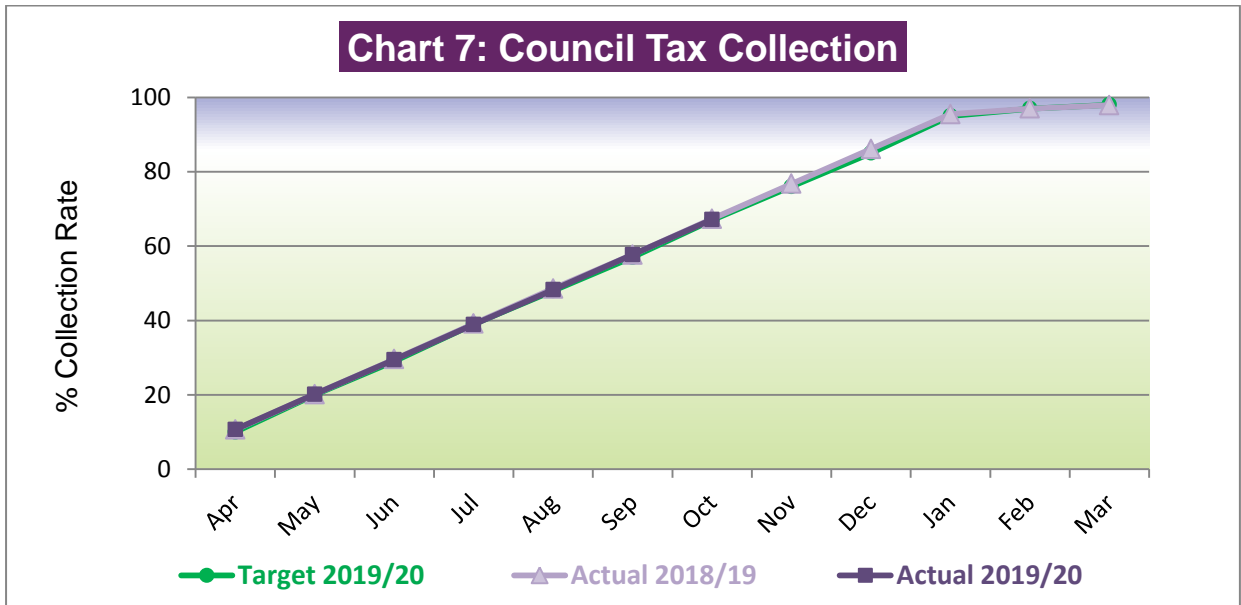
3.2 Housing benefit overpayment collection as at 31 October 2019 was 46.0% which is lower than for the same period last year when 51.7% was achieved. However, performance is above the target of 38% set for this period.

3.3 The council also monitors the amount of debt written off for housing benefit overpayments which can be seen in **chart 6** below. At 31 October 2019 a total of £13.0k was written off as irrecoverable. This can be compared to 2018/19 when £20.0k had been written off during the same period.

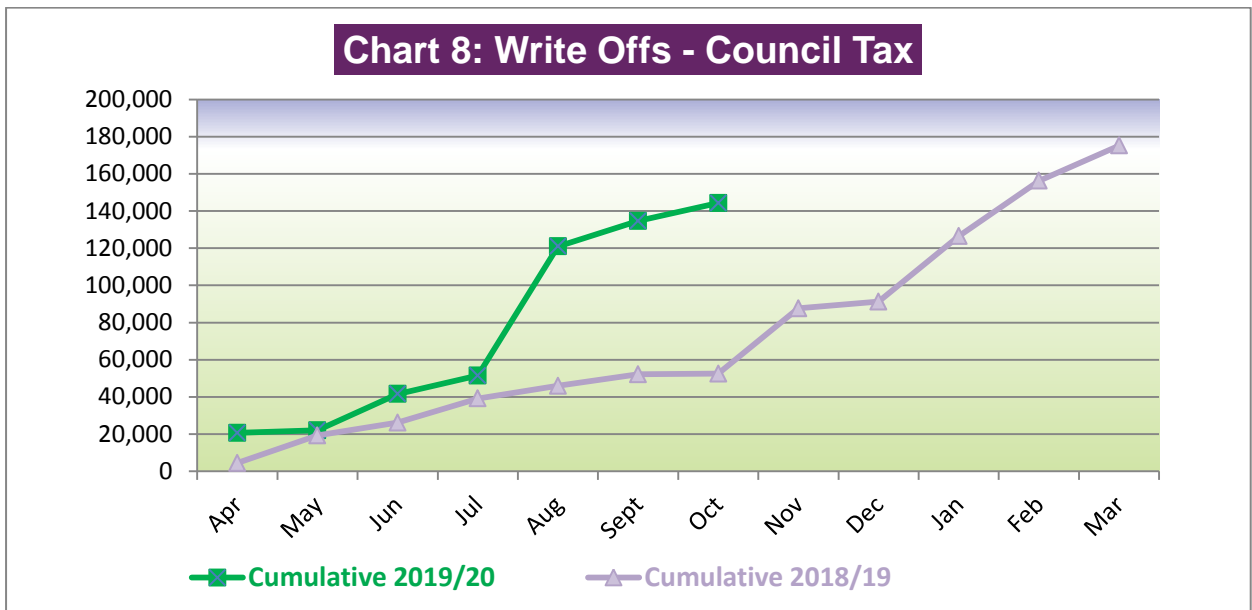


#### 4. Council Tax Collection

4.1 Chart 7 shows performance for the collection of Council Tax for the period. Council tax collection at 31 October 2019 was 67.17%, which is 0.17% above target.

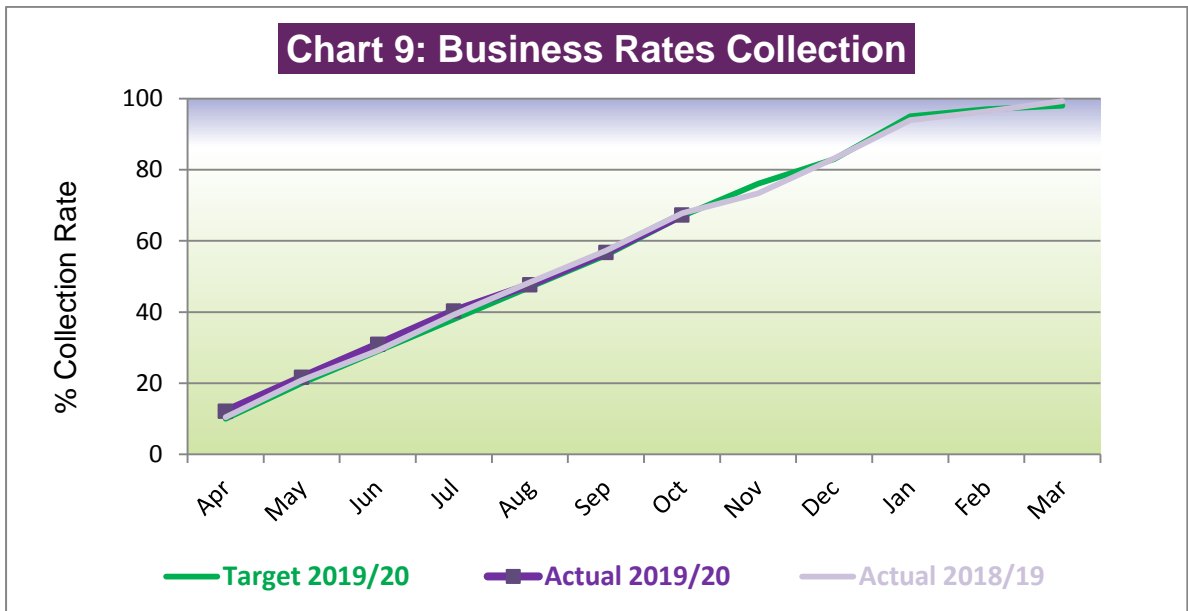


4.2 The council also monitors the amount of debt written off for council tax. At 31 October 2019 a total of £144.3k had been written off as irrecoverable, which can be compared to £52.6k for the same period in 2018/19. This can be seen in **chart 8** below. The increase in write offs is a result of an increased number of IVAs and bankruptcies as compared to the prior year, and an increase in the number of absconders who cannot be traced.



## 5. Business Rates Collection

- 5.1 The collection of business rates as at 31 October 2019 was 67.24%, which is on target for the period. This is comparable with the level collected for the same period in 2018/19 (67.8%). The performance is shown below in **chart 9**.



5.2 The amount of debt written off as irrecoverable for business rates at 31 October 2019 totalled £9.7k in comparison to £5.3k which had been written off during the same period in 2018/19. This can be seen in **chart 10** below.

