

Committee: Cabinet

Date of meeting: 13 September 2017

Subject:	2017/18 Revenue and Capital Budget Update – Quarter 1
Lead Officer:	Head of Finance
Portfolio Holder:	All
Link to Council Priorities:	All
Exempt information:	None
Delegated status:	For resolution
Key decision:	No

EXECUTIVE SUMMARY:

This is the first quarter monitoring report against the 2017/18 approved budget, which provides an update on the Revenue and Capital budget position as at 30 June 2017 and an early view for the financial year.

RECOMMENDED: THAT

(A) NOTE THE REVENUE AND CAPITAL BUDGET POSITION FOR THE FIRST QUARTER OF 2017/18.

REPORT:

1. Revenue Budget

- 1.1 This is the first financial report on the 2017/18 budget. Appendix A contains the budget monitoring by portfolios to 30 June 2017, with Appendix B showing the variances against the key indicators requested by the Overview and Scrutiny Committee. Positive variances are shown in parentheses.
- 1.2 At the end of June 2017, the operational revenue budget shows a positive variance against net operational budget (including capital financing) of £351,000 for the position to date. This includes one-off income amounts shown below totaling £146,000. The following variations are worthy of note:

Community Development

The variance to the profiled budget at the end of June is primarily due to lower than profiled spend on CCTV repairs and contract monitoring costs.

Corporate Development

The variance to the profiled budget at the end of June is primarily due to employee underspends due to staff turnover and vacancies.

Environment

The variance on the Environment is £62,000 above budget in Quarter 1. In the main this variance is on waste collection and attributable to unbudgeted TUPE and contract management office costs, these costs will be met from the waste collection contract savings in the last three quarters of the year.

Highways & Transport

Income from off-street parking is up by £20,000, in addition there is a one-off lump sum compensation payment (£59,000). Elmbridge's share of the on-street parking surplus is up by £38,000 (this surplus is transferred to an earmarked reserve). There has been a £7,000 overspend on sundry amenities and fly-tipping.

Housing

Net expenditure on Bed & Breakfast is £26,000 below the profiled budget for the first quarter. However, the net expenditure and occupancy level are comparable to the first quarter of 2016/17. The net budget was increased in 2017/18 by £100,000 to take account of the increasing numbers of households needing accommodation. There has been an increase in Care & Repair fees above the profiled budget of £24,000, mainly due to a large receipt of £14,000 in April. Expenditure on Housing salaries is £17,000 under the profile budget due to staff turnover.

Leisure & Cultural

Although the Leisure portfolio overall is on target, there are a couple of variances within the total. The main variance is a payment of £30,000 to Walton Casuals to cover loss of income for the 2016/17 football season whilst they were ground sharing. This will be funded from the New Homes Bonus.

Planning

There has been a drop in the level of planning income for the first quarter; the income is £67,000 below profiled budget and £9,000 lower than the income for the first quarter of 2016/17. There has also been an underspend in salaries of £44,000 due to vacancies.

Resources

The variance to the profiled budget at the end of June is primarily due to employee related savings of £92,000 and additional property related income of £88,000.

Of the £88,000 additional income, £73,000 is one-off income £22,000 of which will be offset by additional expenditure later in the financial year. The remaining £15,000 is recurring income above budget, as rent and service

charges are due in advance on the rental quarter dates this reflects additional income for the first six months; two thirds of which relate to service charges and will be offset by additional expenditure later in the financial year.

Social

The underspend on the Social portfolio is due mostly to staff turnover and vacancies of £16,000. Income is up against the profiled budget by £27,000, across various budgets.

Licensing

The variance of £6,753 is mainly due to a shortfall in premises licensing income.

Salaries

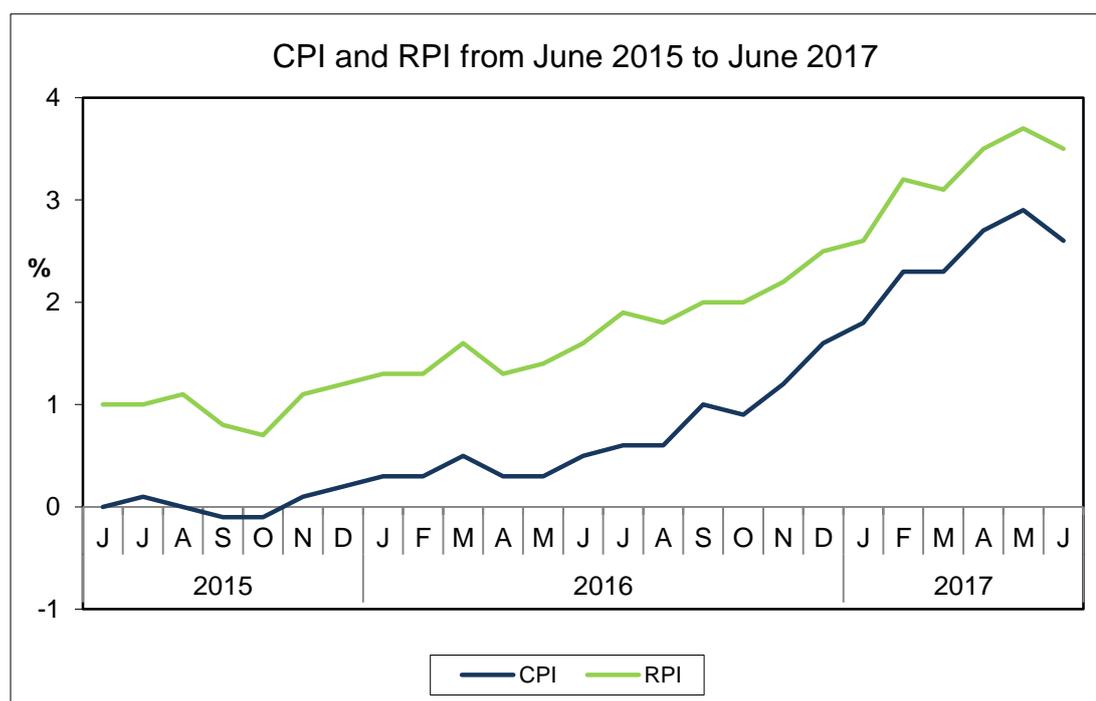
It should be noted that salary underspends identified in the above portfolios are for the first quarter and these underspends may not continue for the remainder of the year as a result of appointments to the vacant posts.

1.3 Economic Update

Over the last year CPI has increased from 0.0% in June 2015 to 2.9% in May 2017. Over the same period RPI has increased from 1.0% to 3.7%. There was a slight easing of the inflation rate in June as the rates dropped to 2.7% and 3.5% respectively. The CPI is the measure which estimates the average price of consumer goods and services purchased by households and the RPI includes the same measures as the CPI, but also includes mortgage interest payments, council tax and some other housing costs not included in CPI.

The inflation rates do give rise to risks for contract payments, where contractual increases are linked to either CPI or RPI. However, the Council does currently hold a risk reserve that can be used for inflation on contracts and it is possible this will be needed to meet inflation led increases.

The CPI for the last year is set out below along with the RPI for information:



The Bank of England base rate has been 0.25% since 4 August 2016, and recent economic data has led the Bank of England monetary committee to maintain the current rate.

2. Capital Monitoring

- 2.1 Appendix C shows the variation of actual expenditure at the end of June against the annual estimated project costs, as agreed by the Council in February 2017. Where relevant, the budgets have been adjusted for underspends from the previous financial year.
- 2.2 The budgets have been profiled in line with the information included in the 2017/18 bid pro-formas provided by the lead officer for each scheme and, where relevant, profiles have been included for those budgets brought forward from previous years, either due to re-phasing as part of the 2017/18 budget process or underspends at the year end.
- 2.3 For monitoring purposes, a “major project” is defined as one with a current estimate of £25,000 or more.
- 2.4 At the end of the First Quarter the following are worthy of note:

Housing

Housing Enabling Fund - £1,402,800 underspend: the pattern of expenditure is difficult to predict due to the demand led nature of the type of projects funded through this budget. There have been two recent approvals for further expenditure of £1,030,000.

Private Sector Housing Grants – £109,100 underspend on 2017/18
Approvals: as with the Housing Enabling Fund; the pattern of expenditure on Private Sector Housing Grants is difficult to predict due to the demand led nature of these grants.

This underspend is partially offset by an overspend on the 2016/17 Approvals. The total underspend across all Private Sector Housing Grants is £50,000.

Leisure & Culture

Sports Hub, Waterside Drive - £83,200 above profiled budget; expenditure on items being funded from the CIL for the pitches and fit out of the Sports Hub has begun earlier than was anticipated when the budget was profiled.

Resources

Sports Hub (Development) - £1,474,300 above profiled budget: the budget profile was based on the initial contractor payment schedule, some of this expenditure at the end of the project will relate to the element of the cost funded from CIL which is in Leisure & Culture. Overall total expenditure on the project is on track to be completed within budget by the end of quarter 3.

Works from Condition Survey 2012 - £133,500 underspend: works have been re-prioritised to make best use of available funds for the final year of this plan.

IT Development Fund - £51,300 above profiled budget: upgraded equipment and the roll out of Skype has caused expenditure to be ahead of profile at the end of quarter 1.

Social

Hersham Centre and Village Hall - £59,800 overspend: £250,000 has been added to the capital programme as approved by special urgency to deal with the unexpected health and safety issues at the centre and hall.

Financial implications:

The first quarter budget monitoring shows actual net expenditure 7% lower than the profiled budget. The main variances are within the Resources and Highways & Transport portfolios.

Environmental/Sustainability Implications:

None for the purpose of this report.

Legal implications:

None for the purpose of this report.

Equality Implications:

None for the purpose of this report.

Risk Implications:

This is the first quarter monitoring for year and any forward prediction using this data should be viewed with caution.

Community Safety Implications:

None for the purpose of this report.

Principal Consultees:

None for the purpose of this report.

Background papers:

None for the purpose of this report.

Enclosures/Appendices:

Appendix A: Financial Performance Monitoring by Portfolio to June 2017.

Appendix B: Financial Performance Monitoring Significant/Key Budgets to June 2017.

Appendix C: Capital Budget Monitoring to June 2017.

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