

FINANCIAL DIGEST : APRIL 2019 – SEPTEMBER 2019

1 Purpose

- 1.1 This report presents the Financial Digest for the period to 30 September 2019. This represents the financial position for the first six months of the financial year 2019-20.

2. Recommendations

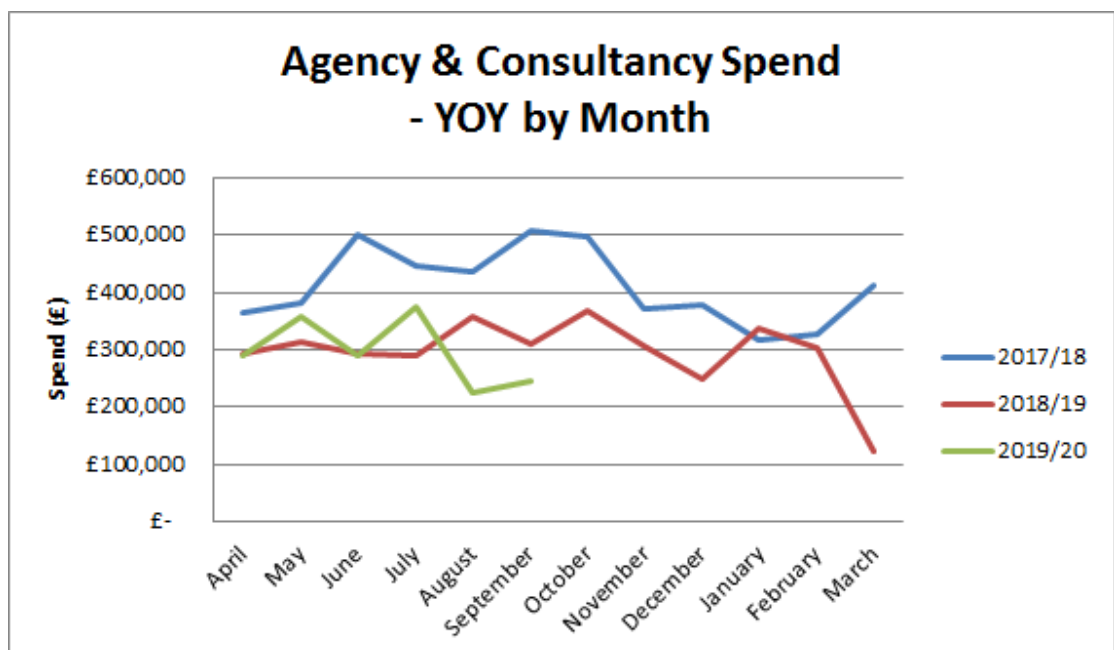
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| 2.1 | Members are requested to consider the digest and its contents. |
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3 Supporting information

- 3.1 This report presents the financial digest for the period to the end of September 2019 for member's consideration.
- 3.2 The financial digest is attached as Appendix 1.
- 3.3 The year to date financial information is based on the actual income and expenditure for the first six months of the financial year. An estimate of the expected financial outturn position for 2019/20 is also provided.
- 3.4 As at the end of September, a net overspend against budgets of £783,376 is reported, at portfolio level. Over the remaining months of the financial year, it is forecast that following a review of corporate budgets and the use of reserves, overspends at portfolio level will be offset by savings on corporate budgets.
- 3.5 The Council are forecasting to balance the budget for the 2019-20 financial year. A number of risks and issues have been identified and are being monitored and managed and it is anticipated that any additional cost pressures will be offset by budget underspends and additional income across the Council.
- 3.6 The Medium Term Financial Plan (MTFP) agreed by Council in February 2019 assumed a break-even position for 2019-20.
- 3.7 Members can be assured that the timely reporting has allowed for mitigating actions to be identified by budget holders and managers across the Council to address the emerging financial position.
- 3.8 2019-20 represents an exceptional year for the Council, with the move to the single unitary council in April 2020. The Secretary of State's decision to create a single unitary council in Buckinghamshire fundamentally reshapes the drivers for financial planning. Whilst every effort is being made to deliver to budget and remain focused on continuity of service delivery, the decision still has a profound impact on strategy and future planning. Furthermore, the decision creates uncertainty over the direction of work programmes and uncertainty for staff.
- 3.9 The financial environment is challenging and the focus of the Council remains to delivering financial stability.
- 3.10 The financial outlook is being reviewed on an on-going basis to both reduce financial risks that may impact adversely on the financial forecast and to identify additional efficiencies.

- 3.11 The forecast level of balances for the financial year is reported as £2.353m. This is higher than planned. The increase to the working balances is as a result of the 2018-19 financial outturn being better than forecast.
- 3.12 Earmarked reserves are held for legitimate reasons and the use of earmarked reserves is an essential part of sound financial planning.
- 3.13 The year to date forecast position currently assumes some use of reserves to offset agency costs for planning where there are unusual pressures. The use of further reserves will be assessed during the year.
- 3.14 There are a number of underlying factors to the reported YTD overspend.
- 3.15 Detail of the significant cost pressures and efficiencies for the period to date include:
- Savings against budget in relation to transitional relief for business rates (£110,000)
 - Budget savings arising as a result of the delay in implementation of the taxi token scheme (£16,000)
 - Within the environment and leisure portfolio, an overspend on staff of £103,000 relates to the use of agency staff working on planning enforcement during a period of change and restructure as a review of work processes is undertaken to realise service improvements. It is anticipated that the use of agency staff will cease in the final quarter of the financial year.
 - A year-to-date overspend against budget is also reported for the housing benefit department (£45,000). Additional staff have been engaged to address a back log of work. Vacancies in this area has also led to agency use at premium cost. The department is benchmarked to be lean compared to other authorities. Currently, the staffing position is much improved and all temporary staff have been released other than those covering current vacancies or those who are funded. No recurrent staffing pressures are assumed.
 - For the period to the end of September, a number of vacancies have arisen both as a result of secondments made to the unitary team and also staff leaving the organisation. This includes both members of the senior management team and also staff across the Project Management Office, Communications and the Electoral and Democratic teams. A number of the vacancies remain unfilled and not covered by agency, resulting in underspends. (£175,000).
 - Pressure on SEED income due to the impact of unitary decisions has resulted in a year to date income shortfall of £42,000. Whilst pipeline council to council income remains strong, the ability to deliver it is reducing pending Unitary. Resources in the team are also being diverted to support other corporate priorities.
 - Staffing pressures across the planning and building control teams remain a financial pressure in the reported budgets year to date. Staffing budgets are overspent by £150k (after the use of reserves). Work continues in this area to review working practices and spend levels whilst maintaining service provision.
 - A shortfall against income targets for the planning department (£277,000) is largely a result of reduced staffing capacity to deliver to targets together with a shortfall to the pre-planning application pipeline and income recovery levels.

- The Council are reporting a year to date overspend of £267,000 waste budgets. This relates largely to increased costs of waste disposal. The cost of disposal is based mainly on the commodity value of each material (plastic, card, paper etc.) and therefore the cost paid is largely outside of the Council control. This has been highlighted as a future financial risk.
- 3.16 For the six months of the financial year to date, the main financial issues emerging are outlined in the paragraph above. Across the Council, many other budgets have less significant variances as spending patterns can be varied over the months and commitments not fully realised, resulting in smaller year to date variances. Budget holders review spend on a monthly basis.
- 3.17 The year to date financial position includes spend on agency staff. The spend on high cost agency staff continues to be monitored and managed in order to minimise overspends on salary budgets. The use of agency to cover vacancies and service pressures incurs a premium and often results in an adverse variance to agreed budgets.
- 3.18 Members have previously considered a paper outlining the management arrangements for agency and temporary staff.
- 3.19 Agency spend is incurred for a number of reasons including
- To support funded project work e.g. Connected Knowledge programme
 - To support service delivery where there are vacancies or activity related pressures.
- 3.20 The graphs below detail the current spend across the organisation, and also comparative information for previous years.



- 3.21 Agency spend for the period July to September 2019 is 10.5% lower than the spend over the first three months of the financial year. Members will also note that agency spend for the period to date in 2019/20 is 4.4% lower than 2018/19.
- 3.22 Detail of the reserves and provisions currently held by the Council are listed on page 14 of the digest. These reserves are held against specific risks and commitments. The table details the closing balances for reserves at the end of March 2019 and gives an estimate of known/anticipated movements. The level of reserves held will change during the financial year as commitments are confirmed and approved.
- 3.23 As well as the revenue budget the digest, on page 15 also reports on the level of capital spend to 30th September 2019. A spend of £1,286,183 is reported. The spend is primarily on existing projects. Spend on existing and planned projects will be reviewed over the coming months to assess any capital slippage for the financial year.
- 3.24 On page 16 there is information on the level of investments and borrowings during the first six months of the financial year. No new borrowing has been taken out so the current level remains at £18.5m.
- 3.25 The council had £36.2m invested at the end of September, in a combination of banks, building societies and money market funds.

4 Options considered

- 4.1 The financial forecast represents a view of the likely financial outturn for the financial year, given current working assumptions.
- 4.2 With six months of the financial year left, it is difficult to assess the financial outturn with absolute certainty. In preparing forecasts, best estimates of income and expenditure are made in line with known expectations and intelligence on emerging issues in liaison with budget managers.
- 4.3 Whilst currently reporting a break-even position, the following risks and issues have been identified and are being monitored and managed;
- Variances on budgeted staff costs
 - Income shortfalls in relation to property and garden waste income.
 - Higher than budgeted costs of waste disposal
 - Revision of corporate budgets in relation to financing items including Business rates.
- 4.4 Staff costs
Across the Council, the financial position is influenced by the spend on staff costs. Despite known pressures on staff costs in areas including planning, enforcement and housing benefit, it has been possible to offset overspends with underspends and additional efficiencies in other areas including Project management office, democratic services and senior manager vacancies.
- 4.5 Income shortfalls: Across the council, budget holders are managing
- Planning income is behind planned levels due to staffing constraints and changes to the pre-planning applications pipeline. A revised PPA plan is being agreed and a proactive drive to increase activity is now in place.

- The tenants at 66 High Street, Aylesbury have given notice to vacate the property on 30th September 2019. The forecast has improved since the forecast at the end of Quarter 1 as the tenant has revised plans for occupancy to March 2020. The status of the letting remains under review.
- The forecast also reflects income foregone from keeping space vacant at the Gateway to meet unitary requirements.
- With the implementation of the improved garden waste subscription service during 2019 residents were offered pro-rata payments which has resulted in a non-recurrent shortfall in the current year (£200,000). Annual billing for all residents will occur in November 2019 for the year 2020.

4.6 Waste Disposal costs

- The Council have identified a cost pressure in relation to waste disposal costs. This is currently forecast to be £0.4m above budgeted costs for 2019-20
- This cost pressure is being flagged as a forecast overspend for the financial year, and also as a MTFP pressure for 2020-2021.

4.7 Financing items

A number of changes to budgets, held at a Corporate level, in relation to financing items have been actioned which have resulted in a better than planned position.

- An increase to dividend paid to the Council for the Crematorium and AVE
- The forecast position reflects savings on interest charges due to lower than planned level of borrowing.
- Revision downwards of Minimum Revenue Provision (MRP) in line with revised borrowing requirements
- Above budgeted level of income recovery in relation to Business rates

4.8 The Council also holds a small contingency budget which can be used to offset some financial risk.

4.9 Limited use of reserves has been assumed at this stage. It is legitimate that reserves be applied to address some one-off or exceptional budgetary pressures. Reserves are held e.g. for planning related issues and this is currently identified as having exceptional finance pressures in year.

4.10 Timely forecasting is a vital function to support the financial management agenda. In preparing a financial forecast, it is possible to identify and flag any emerging issues in relation to finance and related activities, and early identification of issues allows for timely corrective action to be identified as required.

4.11 Monitoring processes are in place, during 2019-20, to measure and monitor performance in year against the agreed plan. The budgetary pressures facing the Council are understood and budget holders and managers are working hard towards delivering savings through efficiency and income generation.

4.12 The key financial management messages for the Organisation for the remainder of the financial year, based on the YTD financial position are highlighted as being:

- Reduce agency spend and dependency on temporary staffing solutions

- Identify where things could be done more efficiently, and at reduced cost
 - Maximise all opportunities to increase income to the Council
 - Reduce spend on non-pay items where possible
 - Manage financial uncertainties arising from external factors including Unitary decision
- 4.13 The financial outlook is being reviewed on an on-going basis to both reduce financial risks that may impact adversely on the financial forecast and also to identify opportunities to improve on the current forecast position.
- 4.14 Members should note that ongoing pressures and risk identified as part of the monitoring process are being raised for consideration in developing MTFP proposals for 2020/21 for the Buckinghamshire Council.
- 4.15 Aylesbury Vale Finance officers are working closely with colleagues from across the county to present a combined in-year monitoring position for the Shadow Executive.

5 Resource Implications

- 5.1 The resource implications are as detailed within the digest. The digest represents the main forum for reporting budget performance to members.

6 Response to Key Aims and Objectives

- 6.1 Budget monitoring helps us to ensure resources are deployed in a way that is consistent with our key aims and outcomes.

Contact Officer

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Background Documents

Appendix : Financial Digest September 2019