

**FINANCIAL DIGEST : APRIL 2019 - DECEMBER 2019**

**1 Purpose**

- 1.1 This report presents the Financial Digest for the period to 31<sup>st</sup> December 2019. This represents the financial position for the first nine months of the financial year 2019/20.

**2. Recommendations**

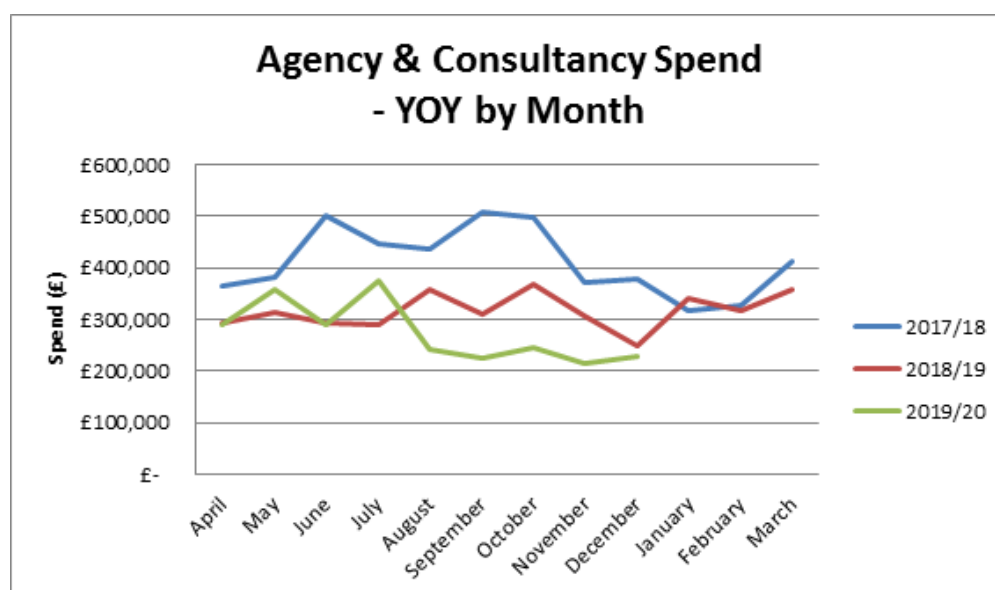
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| 2.1 | Members are requested to consider the digest and its contents. |
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**3 Supporting information**

- 3.1 This report presents the financial digest for the period to the end of December 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 nine 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 December, a net overspend of £1.595m is reported on services, compared with a net overspend of £1.293m reported at Q2.
- 3.5 After allowing for lower financing costs this is reduced to a forecast overspend of £1.067m.
- 3.6 This overspending will be met from higher retained Business Rates generated through the Government's business retention system and Business Rate Pooling Pilot which Bucks authorities signed up for in 2019/20. The Forecast expected gain from Business Rates Retention has been estimated at £4.05m and balance of this gain (£2.983m) will be added to the Retained Business Rate Reserve.
- 3.7 The main change reported for Q3 relates to an increased shortfall of Garden Waste Income of £0.5m, offset by other net budgetary improvements detailed in this report in the final bullet-point of section 3.15.
- 3.8 In making this forecast a number of risks and issues have been identified which are being monitored and managed. The Medium Term Financial Plan (MTFP) agreed by Council in February 2019 assumed a break-even position for 2019/20.
- 3.9 There are a number of exceptional factors in 2019/20 for the Council, with the transition to the single unitary council in April 2020. Whilst every effort is being made to deliver to current year's approved budget and remain focused on continuity of service delivery, the decision has had a significant impact on the cost of service delivery. Furthermore, the decision creates significant uncertainty over the direction of work programmes and uncertainty for staff which has impacted on the financial picture for 2019/20.
- 3.10 The financial outlook is reviewed on an on-going basis to both reduce financial risks that may impact adversely on the financial forecast and to identify additional efficiencies that may support the Council's overall finances.
- 3.11 The forecast level of unallocated balances for the financial year is reported as £2.344m. This is marginally higher than the Council's assessed minimum and this is the result of the financial outturn for 2018/19 being better than forecast.

- 3.12 In addition to unallocated balances, the Council also holds Earmarked reserves. These 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 relevant to the reported year to date overspend.
- 3.15 Detail of significant cost pressures and efficiencies for the period to date and impacting on the forecast year end position include:
- Net savings against budget in relation to transitional relief for business rates (£113,009) for the Waterside car park.
  - Budget savings arising as a result of the delay in implementation of the taxi token scheme (£25,020).
  - Within the Economic Development Portfolio, the net overspend to date arises from net £42,040 increased income offset by net £28,043 increased agency spending and £63,096 higher accommodation costs.
  - Within the environment and leisure portfolio, an overspend on staff of £156,107 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. Additionally, lower than planned income and increased horticulture contract costs create a net overspend of £24,684. Overspends are offset by £68,124 reduced costs and higher income for Communities and Community Centres.
  - For the Finance and Resources portfolio, a net year to date overspend of £46,281 is reported. This combines savings from vacancies, transfers to the unitary project and agency costs to maintain service provision amounting to £163,420, offset by £117,139 year to date overspend against budget to maintain services in the housing benefit department to cover operational requirements.
  - Pressure on SEED income due to the impact of unitary decisions has resulted in a year to date net income shortfall of £39,661. 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.
  - Budget pressures across the planning and building control teams remains an issue, with £600k applied from reserves to offset higher staffing costs, most of which arise from increased agency costs. Shortfalls in current year planning income of £557k are reported in year to date figures. Work continues in this area to review working practices and spend levels whilst maintaining service provision.
  - The Council are reporting a year to date overspend of £812,029 waste budgets. This relates to £316k higher waste disposal fees arising from current contracts. This has been highlighted as a future financial risk.
  - A further 2019/20 overspend of £509k is associated with changes in the accounting treatment of the Garden Waste service, meaning that income received is aligned with service delivery costs. This is not a loss of income, only recognising the income in the accounts later than presently. This change impacts 2019/20 only; assuming that take-up of the Garden Waste service is achieved.

- 3.16 For the nine 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 and income 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 Overall, agency spending has fallen from previous levels. Total agency spending at the end of December 2019 is 12.7% lower than the same point in 2018/19 and 57.7% lower than the similar period for 2017/18. Planning agency spending is 7.1% lower than the same point in 2018/19 and 27.1% lower than the similar period for 2017/18.
- 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 31<sup>st</sup> December 2019. Spend on existing and planned projects is £3,812,703, with projected slippage of Capital Projects of £8.3m forecast at the year end.
- 3.24 On page 16 there is information on the level of investments and borrowings during the first nine 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 £45.2m invested at the end of December, 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 nine months of the financial year left, it is difficult to assess the financial outturn with absolute certainty, especially in the transitional phase moving towards the new unitary authority. 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 previously been identified and continue to be monitored and managed in the final quarter of the financial year;
- 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. Managing staff costs will continue to be a key focus for budget managers.

#### **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 gave notice to vacate the property on 30<sup>th</sup> 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 have resulted in a non-recurrent shortfall in the current year (£700,000). Annual billing for all residents will occur in November 2019 for the year 2020 and the change in accounting policy aligns income with service costs moving forward. Assuming that targets are met for take up of the Garden Waste Service, this budget pressure will occur only in 2019/20

#### 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 2020/21.

#### 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 an 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 This report assumes that surplus business rates and s31 income will be applied as an increased contribution to reserves in 2019/20. This process maintains the overall balanced position reported previously and maintained in this report to the end of December 2019.

4.10 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

4.11 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.

4.12 Members should note that ongoing pressures and risk identified as part of the monitoring process are being raised for consideration in MTFP proposals for 2020/21 for the Buckinghamshire Council.

4.13 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 December 2019