



Meeting or Decision Maker:	Audit and Performance Committee
Date:	16 th July 2018
Classification:	General Release
Title:	Period 2 Finance Report
Key Decision:	Review and challenge officers on the contents of the report
Report of:	Steven Mair, City Treasurer

1. Executive Summary

The Period 2 Performance Report presents detailed results for the period in May 2018 against the 2018/19 approved budget. The report provides explanations and commentary in respect forecast variances to budget.

2. Recommendations

- Committee notes the content of the report
- Committee indicate any areas of the report that require further investigation
- Committee highlights any new emerging risks that have not been captured

3. Reasons for Decision

To inform Members of how the City Council is delivering its approved budget.

4. Background, including Policy Context

This report sets out how the City Council is delivering on the City for All vision through effective management of the Council's financial affairs.

1. Key Messages

The Period 2 monthly Revenue monitoring report projects a net underspend of £0.257m by year-end with net risks of £0.606m. All variances will be subject to active management through the financial year and it is anticipated the net risk position will be mitigated by year end.

The Capital monthly monitoring report projects an expenditure underspend of £60.914m by year-end. Income is forecast to under-recover by £17.599m resulting in a net forecast underspend of £43.315m.

At Period 2, the HRA revenue forecast is a surplus of £6.888m compared to a budget of £6.994m. This represents a forecast overspend of £0.106m.

The forecast gross capital outturn for the HRA is £144.298m, resulting in a total variance of £6.047m compared to the budget of £150.345m.

2. Revenue – Forecast Outturn

At Period 2, Cabinet portfolios are projecting a net underspend of £0.257m by year-end with net risks of £0.606m. The table below shows a summary of forecast variances, risks and opportunities by Cabinet portfolio.

Cabinet Portfolio	Full Year Budget (£m)	Full Year Forecast (£m)	Full Year Variance to Date (£m)	Risks Identified (£m)	Opps Identified (£m)	Projected Variance inc. Opps and Risks (£m)
Leader of the Council	8.638	8.638	-	-	-	-
Deputy Leader, Economic Development, Education and Community	13.863	14.099	0.236	0.125	(0.150)	0.211
Finance, Property and Regeneration	53.742	53.249	(0.493)	0.554	(2.250)	(2.189)
Family Services and Public Health	80.870	80.870	-	2.027	-	2.027
Environment and City Management	(14.552)	(14.552)	-	-	-	-
Public Protection and Licensing	8.271	8.271	-	-	-	-
Housing and Customer Services	34.863	34.863	-	0.128	(0.128)	-
Place Shaping and Planning	1.947	1.947	-	0.300	-	0.300
NET CONTROLLABLE BUDGET	187.641	187.384	(0.257)	3.134	(2.528)	0.349

Council Tax*	53.831	53.831	-
Business Rates - Net of Tariff*	133.810	133.810	-
CORPORATE FINANCING	187.641	187.641	0.000

Net (Surplus) / Deficit	-	(0.257)	(0.257)
--------------------------------	----------	----------------	----------------

*any additional receipts from Council Tax or Business Rates are not recognised until next year due to accounting regulations and are therefore forecasted to budget.

Period 2 Forecast Outturn by Cabinet Portfolio

Leader of the Council (Councillor Nickie Aiken)

At the end of Period 2, the reported forecast outturn is equivalent to the annual budget of £8.368m with no reported risks or opportunities.

Deputy Leader, Economic Development, Education and Community (Councillor David Harvey)

At the end of Period 2, there is a forecasted overspend of £0.236m, which largely relates to a pressure within Special Educational Needs around transport costs in Children's Services, driven by increased volumes of journeys. Whilst this contract is part of a wider transport tender exercise, there is little expectation this will reduce costs as it is being disaggregated from a Tri-Borough to a Bi-Borough contract thus losing the economies of scale. The service continues to work on alternative mitigations including travel training and promoting parents as first choice providers of school transport where they express a wish to do so.

There are opportunities totalling £0.150m in Community Services within City Management and Communities relating to staffing vacancies. These are largely offset by a risk of under-recovery of income from the leisure contract with the opening of Moberly Leisure Centre being slightly behind that expected in the original tender model.

Finance, Property and Regeneration (Councillor Rachael Robathan)

At the end of Period 2, there is a forecasted underspend of £0.493m against budget. This is due to additional interest earnings within the City Treasurer's department.

There are risks identified of £0.554m, £0.300m of this is related to the TUPE transfer of customer-facing staff to the Council within Property, Investments and Estates in Growth, Planning and Housing and £0.254m is due to a potential under recovery from external income in Legal Services in Corporate Services.

There are opportunities identified of £2.250m, £2.000m of which relate to additional interest earnings from within the City Treasurer's department that maybe realised throughout the year. The implementation of the new treasury management strategy has improved returns since the budget was set. Additionally, continuing speculation on a further rate rise in 2018/19 may lead to increased opportunities.

Family Services and Public Health (Councillor Heather Acton)

At the end of Period 2, the reported forecast outturn is equivalent to the annual budget of £80.870m.

Public Health service is forecasting a nil variance against budget with expenditure being fully funded by the Public Health Grant allocation and the Public Health earmarked reserve.

However, there are reported risks of £2.027m. These consist of £1.100m within Family Services from Children's Services of which £0.630m relates to placement cost pressures from Care Leavers, £0.747m in Integrated Commissioning, which includes £0.500m from the Speech and Language Therapy (SALT) contract and £0.180m in Operations and Programmes, which is related to staffing costs.

Environment and City Management (Councillor Tim Mitchell)

At the end of Period 2, the reported forecast outturn is equivalent to the annual budget of (£14.552m) with no reported opportunities or risks.

Public Protection and Licensing (Councillor Ian Adams)

At the end of Period 2, the reported forecast outturn is equivalent to the annual budget of £8.271m with no reported opportunities or risks.

Housing and Customer Services (Councillor Andrew Smith)

At the end of Period 2, the reported forecast outturn is equivalent to the annual budget of £34.863m. There is a risk in Information Services from Corporate Services of £0.128m related to licencing costs for Office 365 but this is offset by an equivalent opportunity dependent on the outcome of a review of Office 365 licences and telephony costs.

Place Shaping and Planning (Councillor Richard Beddoe)

At the end of Period 2, the reported forecast outturn is equivalent to the annual budget of £1.947m. There are also reported risks of £0.300m from Place Shaping in Growth, Planning and Housing related staffing pressures.

3. Capital – Forecast Outturn

The council's General Fund capital projects are currently reporting a forecast gross expenditure of £395.238m and gross income of £162.249m against a revised gross expenditure budget of £456.152m and gross income budget of £179.848m. This equates to a net underspend of £43.315m comprising an underspend of £60.914m on expenditure and an under-recovery of income of £17.599m.

The Revised Budgets are the 2018/19 approved budgets as impacted by the 2017/18 outturn.

The table below summarises the period 2 forecasted position by the category of projects:

Project Categorisation	Revised Expenditure Budget	Revised Income Budget	Expenditure Forecast	Income Forecast	Expenditure Variance	Income Variance	Net Variance
	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)
Development	48,114	(25,693)	40,496	(28,642)	(7,618)	(2,949)	(10,567)
Investment	68,336	-	46,900	-	(21,436)	-	(21,436)
Operational	311,233	(154,154)	279,373	(133,607)	(31,860)	20,548	(11,312)
Efficiency	28,468	-	28,468	-	-	-	-
Total	456,152	(179,848)	395,238	(162,249)	(60,914)	17,599	(43,315)

The period 2 forecast summary by Cabinet Member is as follows:

General Fund Summary

	Original Expenditure Budget	Revised Expenditure Budget	Revised Income Budget	Expenditure Forecast	Income Forecast	Expenditure Variance	Previous Expenditure Forecast	Expenditure to Date
	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)
Leader of the Council	50	50	-	50	-	-	-	-
Family Services and Public Health	14,402	18,355	(17,603)	17,728	(16,976)	(627)	-	704
Economic Development, Education and Community	16,713	18,362	(1,453)	18,123	(1,435)	(239)	-	1,616
Place Shaping and Planning	22,675	23,918	(19,749)	2,972	(854)	(20,946)	-	235
Finance, Property and Regeneration	195,626	201,474	(25,693)	164,601	(28,642)	(36,873)	-	20,505
Housing and Customer Services	51,195	63,367	(45,104)	63,872	(45,109)	505	-	3,111
Environment and City Management	41,129	41,563	(13,542)	38,829	(12,528)	(2,734)	-	822
Environment and City Management/Place Shaping and Planning*	55,065	58,540	(55,007)	58,540	(55,008)	-	-	2,285
Public Protection and Licensing	2,055	2,055	(1,697)	2,055	(1,697)	-	-	304
Service Area Total	398,910	427,684	(179,848)	366,770	(162,249)	(60,914)	-	29,583
Flexible Use of Capital Receipts	20,944	28,468	-	28,468	-	-	-	-
Grand Total	419,854	456,152	(179,848)	395,238	(162,249)	(60,914)	-	29,583

*Projects which come under both portfolios have been shown separately here

Funding

	Original Budget	Revised Budget	Full Year Forecast	Expenditure Forecast	Full Year Forecast
	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)
Grants	(168,013)	(179,848)			(162,249)
Revenue Account	(70)				
External Funding Total	(168,083)	(179,848)			(162,249)
Internal Funding*	(251,771)	(276,304)			(232,989)
Grand Total	(419,854)	(456,152)			(395,238)

* This is by capital receipts or borrowing

Generation of Capital Receipts

	Original Budget	Revised Budget	Full Year Forecast	Actual to Date
	(£,000's)	(£,000's)	(£,000's)	(£,000's)
Moxon Street	(79,750)		(84,000)	(84,000)
Sir Simon Milton UTC	(8,080)		(8,080)	
Capital Receipts Total	(87,830)	-	(92,080)	(84,000)

Leader of the Council (Councillor Nickie Aiken)

A capital budget of £0.050m relates to Events and Filming.

Family Services and Public Health (Councillor Heather Acton)

At Period 2, the Family Services and Public Health is forecasting a £0.627m underspend against the gross budget.

The main contributor to the underspend variance is the Lupus Street project, a former day care centre that is currently empty. Adults Commissioning and Housing are jointly carrying out a strategic review of housing needs, for example for people with Mental Health. This will then inform the direction of use of the property and therefore the completion date. As it is not known if this project will take place this year or slip into 2019/20, no forecast has been loaded giving an underspend variance of £0.327m.

The remaining underspends are on IT systems projects. These include the MOSAIC upgrade and re-procurement, upgrades to the People First Website and the procurement of an add-on to facilitate customer self-service, all of which will involve market testing and the procurement of a care management system through a competitive tendering process.

The schools related projects are forecasting to budget. The schemes will be timed for the main school holiday in Period 4 and Period 5. Therefore, costs will be expected in Period 6.

Deputy Leader, Economic Development, Education and Community

(Councillor David Harvey)

At Period 2, the portfolio is forecasting a £0.239m underspend to the revised budget. The only contributor to the variance is the Beachcroft project. There was a delay in getting site access due to works on substations that had to be undertaken. This has delayed the scheme a few weeks, possibly meaning some works will be re-profiled into next financial year.

Place Shaping and Planning *(Councillor Richard Beddoe)*

At Period 2, Place Shaping and Planning is forecasting underspend by £20.946m.

A delay in capital expenditure requires a re-profile of £20.225m Place Shaping budgets into future years. Scheme options are under review following consultation responses, therefore feasibility and design work will not be capitalised until there is a decision on final design (end of 2020).

Due to a deferred start in the Connect Westminster project, project applications and resulting voucher payments are below forecast. This has resulted in a re-profile of £0.6m of the budget to 2019/20.

Finance, Property and Regeneration *(Councillor Rachael Robathan)*

The Finance, Property and Regeneration portfolio is forecasting a £36.873m underspend against the full year budget.

The most significant variance of £21.436m is for Strategic Acquisitions Leisure Review, which is forecasting nil spend. The project is currently on hold and officers are not actively seeking properties. Strategic Acquisitions Huguenot House is forecasting an underspend of £3.732m. This financial year the Council has purchased two flats and made an offer on a third, and this is reflected in the forecast.

Underspends in Development include Dudley House £1.632m, owing to adjustments to the contractor's projected costs, and Huguenot House £1.061m, as the project is continuing to consult on the proposed option. Also as there has been no agreement from Merton LBC, £2.564m has been re-profiled for the Coroners court to 2019/20. The City Hall project is currently on track and forecasting to underspend. The Seymour Leisure Centre project is anticipated to commence to work on site this year but the delay in obtaining site access has led to £1.351m of works being re-profiled.

Housing and Customer Services (Councillor Andrew Smith)

The Housing and Customer Services portfolio is forecasting to £0.505m overspend, which is less than 1% of the budget.

This overspend is due to the Affordable Housing Fund. The Affordable Housing Fund forecast comprises a number of separate schemes and it is anticipated that £0.945m expenditure will be brought-forward from future years, wholly funded by the Affordable Housing Fund. This is partly offset by underspends of £0.200m on Church Street Regeneration and £0.240m on Harrow Road.

Environment and City Management (Councillor Tim Mitchell)

Environment and City Management is forecasting a £2.734m underspend to the full year budget. The underspend consists of variances on three projects.

There is re-profiling of £1.664m on the Piccadilly Underpass project due to feasibility studies being more complex than originally envisaged as a result of additional works needed to identify fire prevention measures.

There is also re-profiling of £0.900m on Cycle Superhighway Route 11 as the scoping of the original works has changed. This is matched by the re-profiling of corresponding funding.

The underspend of £0.170m on Moberley Sports Centre Redevelopment is primarily due to highway works costing less than expected.

Environment and City Management (Councillor Tim Mitchell) / Place Shaping and Planning (Councillor Richard Beddoe)

Under the revised terms of reference for Cabinet, certain projects related to public realm are jointly considered by the Cabinet Member for Place Shaping and Planning as well as Environment and City Management.

At Period 2, these projects are forecasting to spend to budget resulting in a nil variance.

The majority of the projects are externally funded and include Ceremonial Streetscape, Hanover Square and Public Realm Improvement Schemes.

Public Protection and Licensing (Councillor Ian Adams)

At Period 2, Public Protection and Licensing is forecasting to budget resulting in a nil variance.

The largest programmes within this portfolio are the Disabled Facilities Grant Programme and New Home Bonus Places of Work, which are both fully funded.

A further analysis of the expenditure position splitting projects between Development, Operational and Investment expenditure can be found in **Appendix 1**.

4. HRA

REVENUE EXPENDITURE – 2018/19 Budgets and Projected Expenditure

At the end of Period 2, the HRA revenue forecast is surplus of £6.888m compared to a budget of £6.994m. This represents a forecast overspend of £0.106m. Income is forecast to under recover by £0.465m mainly due to commercial properties. Expenditure is forecast to underspend by £0.359m with an underspend of £0.600m in Estate Services offset by small overspends in other expenditure lines.

CAPITAL EXPENDITURE – 2018/19 Budgets and Projected Expenditure

At the end of Period 2, the forecast gross capital outturn for the HRA is £144.298m resulting in a total variance of £6.047m compared to the budget of £150.345m. This reflects the expenditure forecast for Major Works of £53.658m, Housing Regeneration of £55.094m and Other Projects of £35.303m. This is the first monitor of the year and so there is no movement against last month to report.

HRA Capital Expenditure Forecast – Period 2

Description	Full Year Budget	Forecast	Variance
	£'000	£'000	£'000
Major Works	55,783	53,658	(2,125)
Housing Regeneration	63,009	55,337	(7,673)
Other Projects	31,553	35,303	3,750
Total Capital Expenditure	150,345	144,298	(6,047)

Appendix 1 Capital Budget Analysis

Project Categorisation Cabinet Member		Revised Expenditure Budget	Revised Income Budget	Expenditure Forecast	Income Forecast	Expenditure Variance	Income Variance	Net Variance
		(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)
Development	Finance, Property and Regeneration	48,114	(25,693)	40,496	(28,642)	(7,618)	(2,949)	(10,567)
Development Total		48,114	(25,693)	40,496	(28,642)	(7,618)	(2,949)	(10,567)
Investment	Finance, Property and Regeneration	68,336	-	46,900	-	(21,436)	-	(21,436)
Investment Total		68,336	-	46,900	-	(21,436)	-	(21,436)
Operational	Leader of the Council	50	-	50	-	-	-	-
	Family Services and Public Health	18,355	(17,603)	17,728	(16,976)	(627)	627	-
	Economic Development, Education and Community	18,362	(1,453)	18,123	(1,435)	(239)	18	(221)
	Place Shaping and Planning	23,918	(19,749)	2,972	(854)	(20,946)	18,895	(2,051)
	Finance, Property and Regeneration	85,024	-	77,204	-	(7,819)	-	(7,819)
	Housing and Customer Services	63,367	(45,104)	63,872	(45,109)	505	(5)	500
	Environment and City Management	41,563	(13,542)	38,829	(12,528)	(2,734)	1,014	(1,721)
	Environment and City Management/Place Shaping and Planning	58,540	(55,007)	58,540	(55,008)	-	-	-
	Public Protection and Licensing	2,055	(1,697)	2,055	(1,697)	-	-	-
Operational Total		311,233	(154,154)	279,373	(133,607)	(31,860)	20,548	(11,312)
Efficiency	Funded by Flexible use of Capital Receipts	28,468	-	28,468	-	-	-	-
Efficiency Total		28,468	-	28,468	-	-	-	-
Grand Total		456,152	(179,848)	395,238	(162,249)	(60,914)	17,599	(43,315)