



Audit & Performance Committee Report

Meeting or Decision Maker:	Audit and Performance Committee
Date:	10 th July 2019
Classification:	General Release
Title:	Period 2 Finance Report
Key Decision:	Review and challenge officers on the contents of the report
Report of:	Gerald Almeroth, Executive Director of Finance and Resources.

1. Executive Summary

- 1.1. The Period 2 monitoring report details results for May 2019 against the 2019/20 approved budget. The report provides explanations and commentary in respect of forecast variances to budget.

2. Recommendations

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

3. Reasons for Decision

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

4. Background, including Policy Context

- 4.1. 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.

5. Key Messages

- 5.1. The period 2 monthly Revenue Monitoring report projects a nil variance compared to budget with net risks of £3.540m. This comprises £4.874m of risks and £1.307m of opportunities.

- 5.2. Majority of the cabinet portfolios are forecasting to budget as at period 2. However, experience suggests this will change as monitoring continues over the coming months. It should be noted that as the previous Deputy Leader was still in post during May 2019 this report includes their portfolio. However, this will be updated for future reports to the committee.
- 5.3. The monthly Capital Monitoring report projects a gross expenditure overspend of £7.895m by year end and income is forecast to over recover by £10.673m resulting in a net underspend of £2.778m.
- 5.4. The HRA revenue forecast as at period 2 is an overall net surplus of £10.159m, a favourable variance of £0.366m compared to budget.
- 5.5. The forecast gross capital expenditure outturn for the HRA is £146.387m resulting in total variance of £3.466m compared to the budget of £149.853m

6. Revenue – Forecast Outturn

- 6.1. The period 2 monthly Revenue monitoring report projects a nil variance compared to budget but with net risks of £3.540m. 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 (£m)	Risks Identified (£m)	Opps Identified (£m)	Projected Variance inc Opps and Risks (£m)
Leader of the Council	9.064	9.064	0.000	0.000	(0.080)	(0.080)
Deputy Leader, Economic Development, Education and Skills	12.898	12.898	0.000	0.900	0.000	0.900
Digital and Customer Services	11.191	11.191	0.000	0.000	0.000	0.000
Environment and City Management	(17.078)	(17.078)	0.000	2.950	(0.400)	2.550
Family Services and Public Health	80.892	80.892	0.000	0.827	(0.827)	0.000
Finance, Property and Regeneration	48.878	48.878	0.000	0.000	0.000	0.000
Housing Services	23.299	23.299	0.000	0.000	0.000	0.000
Place Shaping and Planning	2.251	2.251	0.000	0.000	0.000	0.000
Public Protection and Licensing	8.972	8.972	0.000	0.000	0.000	0.000
Sport, Culture and Community	1.618	1.618	0.000	0.170	0.000	0.170
NET CONTROLLABLE BUDGET	181.985	181.985	0.000	4.847	(1.307)	3.540
Council Tax*	56.675	56.675	-			
Business Rates - Net of Tariff*	125.310	125.310	-			
CORPORATE FINANCING	181.985	181.985	0.000			
NET (SURPLUS) / DEFICIT	-	0.000	0.000			

*Any additional receipts from council tax or business rates are not recognised until next year due to accounting regulations and are therefore forecast on budget.

7. Period 2 Forecast Outturn by Cabinet Portfolio

7.1. Leader of the Council (Councillor Nickie Aiken)

7.1.1. At the end of period 2, the portfolio is forecasting to the full year budget of £9.064m with no reported risks.

7.1.2. An opportunity of £0.080m is being reported relating to vacancies in People's Services.

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

7.2.1. At the end of period 2, the portfolio is forecasting to the full year budget of £12.898m with no reported opportunities.

7.2.2. There is a risk of £0.900m in the Education service owing to demographic pressures in Passenger Transport, activity pressures in short breaks and respite placements and the remainder from legal fees and salary pressures.

7.3. Digital and Customer Service (Councillor Paul Swaddle)

7.3.1. At the end of period 2, the portfolio is forecasting to the full year budget of £11.191m with no reported opportunities or risks.

7.4. Environment and City Management (Councillor Tim Mitchell)

7.4.1. At the end of period 2, the portfolio is forecasting to the full year budget of £17.078m.

7.4.2. There is a reported risk of £2.950m of which £2.200m relates to the Parking service from changes in on-street parking demand; £0.400m in Road Management's declining activity particularly in relation to Temporary Traffic Orders (TTOs) and Code of Construction income; £0.200m increase in utilities costs arising from inflationary increases and changes to Climate Change levies; also an identified risk of £0.150m for a food waste collection pilot starting in October.

7.4.3. There is a £0.400m opportunity reported at period 2, through early implementation of 2020/21 MTP proposed fees & charges increases.

7.5. Family Services and Public Health (Councillor Heather Acton)

7.5.1. At the end of period 2, the portfolio is forecasting to a full year budget of £80.892m.

7.5.2. Adults Social Care's breakeven position is after allocation of one-off funding received such as the Winter Pressures Funding of £1.323m and Improved Better Care Fund (iBCF) of £15.807m for 2019/20.

7.5.3. Public Health is reporting a nil variance. The service is fully-funded by Department of Health (DH) grant, in addition to the budgeted drawdown from the accumulated Public Health reserve. This is to ensure that there is no impact upon the Council's General Fund. The budget for 2019/20 includes in year DH grant of £30.425m plus £1.425m from the PH earmarked reserves. As at period 2, the amount required from the reserve has been forecast to budget.

7.5.4. There are reported risks of £0.827m within Family Services which are subject to review as part of the budget baseline exercise in Children's Services and are being reviewed in line with the medium-term financial plan to determine their longer-term impacts.

7.5.5. There are £0.827m of opportunities reported in Family Services through the one-off grant for 2019/20 for the Social Care Support Grant (SCSG). The grant was originally profiled in 2019/20 to fund demographic growth pressures relating to Unaccompanied Asylum-Seeking Children (UASC). However, following an unexpected rate uplift from the Home Office for UASC costs, £0.827m of the SCSG has been freed up as a fund to mitigate these risks.

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

7.6.1. At the end of period 2 the portfolio is forecasting to a full year budget of £48.878m with no reported risks or opportunities.

7.7. **Housing Services – General Funds** *(Councillor Andrew Smith)*

7.7.1. At the end of period 2 the portfolio is forecasting to a full year budget of £23.299m with no reported risks or opportunities.

7.8. **Housing Services – Housing Revenue Accounts (HRA)** *(Councillor Andrew Smith)*

7.8.1. The HRA revenue forecast as at period 2 is an overall net surplus of £10.159m, a positive variance of £0.366m compared to budget. Forecast salary underspends totalling £0.716m are offset by projected additional costs of £0.350m relating to fire risk assessment work.

7.9. **Place Shaping and Planning** *(Councillor Richard Beddoe)*

7.9.1. At the end of period 2 the portfolio is forecasting to a full year budget of £2.251m with no reported risks or opportunities.

7.10. **Public Protection and Licensing** *(Councillor Ian Adams)*

7.10.1. At the end of period 2, the portfolio is forecasting to a full year budget of £8.972m with no reported risks or opportunities.

7.11. **Sports, Culture and Community** *(Councillor Ian Bott)*

7.11.1. At the end of period 2, the portfolio is forecasting to a full year budget of £1.618m with no reported opportunities.

7.11.2. There are reported risks of £0.170m within the Libraries and Register Services.

8. Capital – Forecast Outturn

- 8.1. The Council's General Fund capital projects are currently reporting a forecast gross expenditure of £322.288m and gross income of £111.115m against a revised gross expenditure budget of £314.393m and gross income budget of £100.442m. This equates to a net underspend of £2.778m comprising an overspend of £7.895m on expenditure and an over recovery of income of £10.673m.
- 8.2. The slippage from 2018/19 outturn has been added to the gross budget and is pending approval from Cabinet.
- 8.3. The table below summarises the capital programme by Cabinet Member.

Cabinet Member

General Fund Summary

	Revised Expenditure Budget	Revised Income	Expenditure Forecast	Income Forecast	Expenditure Variance	Income Variance	Previous Expenditure Forecast	Expenditure to Date
	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)
Deputy Leader, Economic Development, Education and Skills	20,230	(15,957)	19,880	(15,957)	(350)	-	-	1,547
Digital and Customer Services	1,253	-	853	-	(400)	-	-	1,142
Environment and City Management	35,337	(9,419)	34,135	(8,808)	(1,202)	611	-	(131)
Family Services and Public Health	1,183	(1,183)	502	(502)	(681)	681	-	(9)
Finance, Property and Regeneration	120,831	(7,950)	121,726	(8,306)	895	(356)	-	1,820
Housing Services	27,411	(18,849)	39,563	(31,001)	12,152	(12,152)	-	6,037
Place Shaping and Planning	35,388	(1,441)	35,192	(1,388)	(196)	53	-	764
Environment and City Management/Place Shaping and Planning	51,851	(43,610)	51,851	(43,120)	-	490	-	59
Public Protection and Licensing	1,759	(1,162)	1,759	(1,162)	-	-	-	219
Sports, Culture and Community	2,619	(871)	2,619	(871)	-	-	-	(71)
Service Area Total	297,862	(100,442)	308,080	(111,115)	10,218	(10,673)	-	11,377
Projects Funded from Flexible use of Capital Receipts	16,531	-	14,208	-	(2,323)	-	-	3
Grand Total	314,393	(100,442)	322,288	(111,115)	7,895	(10,673)	-	11,380

Funding

	Revised Funding Budget	Funding Forecast	Variance
	(£,000's)		
Grants	(100,442)	(111,115)	(10,673)
Contributions			-
Revenue Account			-
External Funding Total	(100,442)	(111,115)	(10,673)
Internal Funding*	(213,951)	(211,173)	2,778
Grand Total	(314,393)	(322,288)	(7,895)

* This is by capital receipts or borrowing

Generation of Capital Receipts

	Revised Budget	Full Year Forecast	Actual to Date
	(£,000's)		
Queensway Car Park	-	-	-
Moxon Street	-	-	-
Sir Simon Milton UTC	-	-	-
Capital Receipts Total	-	-	-

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

8.4.1. At period 2 the portfolio is forecasting £0.350m underspend of expenditure to budget.

8.4.2. Libraries 6 Year Decoration Programme is reprofiling £0.350m to next year due to a long lead time.

8.5. **Digital and Customer Service** (*Councillor Paul Swaddle*)

8.5.1. At period 2 the projected outturn is an underspend of £0.400m against the gross budget of £1.253m. This underspend relates to the End User Computing Refresh project, as devices were purchased in 2018/19 (£0.638m). But the project has now been extended by four months from the original timescales, the anticipated costs of this extension is £0.238m. This is due to its deployment to Housing staff. The project is now expected to be completed by November 2019.

8.6. **Environment and City Management** (*Councillor Tim Mitchell*)

8.6.1. At period 2 the portfolio is forecasting £1.202m underspend to budget.

8.6.2. The variance movement is outlined below.

8.6.3. Local Safety and Traffic Management Schemes are reporting reprofiling of £0.800m to next year. It is not envisaged that works which have been recently received from the contractor are going to start until spring 2020.

8.6.4. Cycle Schemes are declaring £0.535m underspend due to TfL's allocation of funding being lower than expected and this is offset with a £0.535m reduction in income as this scheme was fully funded by TfL grant.

8.6.5. Moberly Sports Centre is forecasting an overspend of £0.133m due to a delay in previous phase.

8.7. **Family Services and Public Health** (*Councillor Heather Acton*)

8.7.1. At period 2 the Family Services and Public Health portfolio is forecasting a £0.681m underspend to budget.

8.7.2. The main variance contributor is Lupus Street. As part of a strategic review, the housing and health partners will inform decisions on the use of the property. The review is being led through Central and North West London NHS (CNWL) and the intention is to have a new service in place within 18 months. It is likely that the majority of the spend (£0.247m) will slip into 2020/21.

8.7.3. In addition, the remaining variances (£0.434m) are linked to the IT system projects, including upgrades to the People First Website (£0.100m), Health Integration (£0.200m) and Customer Self Service Digital projects (£0.061m). These projects require further review therefore the profile of expenditure is currently uncertain.

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

8.8.1. At period 2 Finance, Property and Regeneration is forecasting an overspend of £0.895m against the annual budget of £121.726m. The main variance movement is outlined below.

8.8.2. The Westmead development is forecasting an overspend of £1.824m, owing to the re-profiling of consultant costs and educational charges to Wilberforce school.

8.8.3. Dudley House is forecasting an overspend of £1.637m. This is due to the re-profiling of construction costs leading to the overspend.

8.8.4. Beachcroft is expecting an underspend of £1.263m, resulting from an extension of time agreement with the contractor, which has delayed completion and slipped costs into 2020/21.

8.8.5. The Coroners Court Improvement is currently under review and contracts for works need to be procured, therefore £1.040m is re-profiled to next year.

8.8.6. Smaller movements from other schemes account for the remaining underspend of £0.263m.

8.9. **Housing Services** *(Councillor Andrew Smith)*

8.9.1. At period 2, Housing and Customer Services is forecasting an expenditure overspend of £12.152m. This variance relates to the Affordable Housing Fund Budget project (£12.152m), where the expenditure overspend reflects the recent approval of an additional £15.000m to Westminster Community Homes to acquire studio and 1 bed properties. This expenditure is fully funded through Affordable Housing Fund grant.

8.10. **Place Shaping and Planning** *(Councillor Richard Beddoe)*

8.10.1. At period 2, Place Shaping and Planning is forecasting an underspend of £0.196m.

8.10.2. The underspend is related to Street Trees - New Planting (£0.094m) and Marylebone Flyover (£0.102m) owing to projects expenditure being currently uncertain.

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

8.11.1. At period 2, Environment and City Management/Place Shaping and Planning jointly monitored projects, are forecasting to budget.

8.12. **Public Protection and Licensing** *(Councillor Ian Adams)*

8.12.1. At period 2, Public Protection and Licensing is forecasting to budget.

8.13. **Sports, Culture and Community** *(Councillor Ian Bott)*

8.13.1. At period 2, Sports, Culture and Community is forecasting to budget.

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

9. HRA

9.1. REVENUE EXPENDITURE – 2019/20 Budgets and Projected Expenditure

9.1.1. The HRA revenue forecast as at period 2 is an overall net surplus of £10.159m, a favourable variance of £0.366m compared to budget. This is due to forecasted salary underspends totalling £0.716m which are offset by projected additional costs of £0.350m relating to fire risk assessment work.

9.2. CAPITAL EXPENDITURE – 2019/20 Budgets and Projected Expenditure

9.2.1 At the end of period 2, the forecast gross capital expenditure outturn for the HRA is £146.387m resulting in a total variance of £3.466m compared to the budget of £149.853m. This reflects the expenditure forecast for Major Works of £49.353m, Housing Regeneration of £62.116m and Other Projects of £34.918m.

9.2.2 A forecast underspend for Housing Regeneration of £4.070m, primarily related to Parsons North.

9.2.3 Major Works is forecasting on budget.

9.2.4 A projected overspend of £0.604m in Other Projects

Housing Revenue Account – Capital Monitoring Period 2

Description	Full Year Budget	Forecast P2	Variance
	(£'000's)	(£'000's)	(£'000's)
Major Works	49,353	49,353	-
Housing Regeneration	66,186	62,116	(4,070)
Other Projects	34,314	34,918	604
Total Capital Expenditure	149,853	146,387	(3,466)

Appendix 1

Project Categorisation Cabinet Member

	Revised Expenditure Budget	Revised Funding Budget	Expenditure Forecast	Funding Forecast	Expenditure Variance	Funding Variance	Net Variance
	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)
Operational							
Deputy Leader, Economic Development, Education and Skills	20,230	(15,957)	19,880	(15,957)	(350)	-	(350)
Digital and Customer Services	1,253	-	853	-	(400)	-	(400)
Environment and City Management	32,793	(8,096)	31,458	(7,485)	(1,335)	611	(724)
Environment and City Management/Place Shaping and Planning	28,597	(24,074)	28,597	(23,584)	-	490	490
Family Services and Public Health	1,183	(1,183)	502	(502)	(681)	681	-
Finance, Property and Regeneration	66,994	(2,925)	65,145	(2,925)	(1,849)	-	(1,849)
Housing Services	20,421	(11,859)	20,421	(11,859)	-	-	-
Place Shaping and Planning	3,975	(1,250)	3,779	(1,197)	(196)	53	(143)
Public Protection and Licensing	1,759	(1,162)	1,759	(1,162)	-	-	-
Sports, Culture and Community	2,619	(871)	2,619	(871)	-	-	-
Operational Total	179,824	(67,377)	175,013	(65,542)	(4,811)	1,835	(2,976)
Development							
Environment and City Management	2,544	(1,323)	2,677	(1,323)	133	-	133
Environment and City Management/Place Shaping and Planning	23,254	(19,536)	23,254	(19,536)	-	-	-
Finance, Property and Regeneration	33,837	(5,025)	36,581	(5,381)	2,744	(356)	2,388
Housing Services	6,990	(6,990)	19,142	(19,142)	12,152	(12,152)	-
Place Shaping and Planning	31,413	(191)	31,413	(191)	-	-	-
Development Total	98,038	(33,065)	113,067	(45,573)	15,029	(12,508)	2,521
Investment							
Finance, Property and Regeneration	20,000	-	20,000	-	-	-	-
Investment Total	20,000	-	20,000	-	-	-	-
Efficiency							
FCR	16,531	-	14,208	-	(2,323)	-	(2,323)
Efficiency Total	16,531	-	14,208	-	(2,323)	-	(2,323)
Grand Total	314,393	(100,442)	322,288	(111,115)	7,895	(10,673)	(2,778)