

# **EXECUTIVE COMMITTEE**

**26<sup>th</sup> March 2020**

## **Finance Monitoring Quarter 3 2019/20**

<b>Relevant Portfolio Holder</b>	Councillor David Thain, Portfolio Holder for Corporate Management
<b>Relevant Head of Service</b>	Jayne Pickering, Executive Director Finance and Corporate Resources
<b>Non Key Decision</b>	

### **1. Purpose and summary**

To report to Executive on the Council's financial position for Revenue and Capital for the financial period April 2019 – December 2019.

### **2. Recommendations**

#### **The Executive Committee is asked to resolve**

- 2.1 The current financial position in relation to revenue and capital budgets for the period April 2019 – December 2019 as detailed in the report.

#### **That Executive recommend to Council**

- 2.2 Approval of the inclusion of the Town Deals fund revenue grant of £173k in 2019/20 together with all associated costs (see 3.6).
- 2.3 Approval of a capital grant to Worcestershire County Council for improvement works at Holly Trees Children's Centre leased by Redditch Borough Council (Parenting Support) of £15k in 2019/20. (See 6.1)
- 2.4 Approval of an increase in the 2020/21 Capital Programme of £839k for Disabled Facilities Grants. This is due to the budget allocations having now been announced by the Ministry of Housing, Communities and Local Government (MHCLG). (see 6.2)
- 2.5 Approval of the following additional new fees for Dial A Ride be introduced for 2020/21:
- Dial A Ride Medical journey £4 with concessionary bus pass
  - Dial A Ride Medical journey £5 without concessionary bus pass (see 3.7)

- 2.6 Approval to increase the management fee to Rubicon Leisure by £220k from other service savings in 2019/20. As detailed in 3.5 this is to provide an adequate level of funding for Rubicon to have delivered its services to the Council in 2019/20.
- 2.7 Approval to establish a reserve associated with enabling Rubicon Leisure to deliver their business plan to the community (see 8 and Appendix 2)

**3. Revenue budgets**

- 3.1 This report provides details of the financial performance of the Council. The purpose of this report is to ensure officers and members have relevant information to consider the overall financial position of the Council. The report reflects the finances across all of the Strategic Purposes to enable Members to be aware of the level of funding attributed to each area and how this compares to budget. The summary at 3.4 shows the financial position for revenue funding for the period April 2019 – December 2019.
- 3.2 Financial reports are sent to budget holders on a monthly basis. As part of this process a detailed review is undertaken with support from the finance team to ensure that all issues are considered and significant savings or cost pressures are addressed. This report explains the key variances to budget for 2019/20.
- 3.3 The £9.804m original budget as included in the table below is made up of the budget approved in February 2019 of £9.543m, which is then adjusted to reflect the approved transfers from reserves of £262k held in Corporate Financing.

In addition the Latest Budget 2019/20 of £9.865m includes transfers from reserves of £88k which is shown in appendix 2 along with savings virements of £150k which is included within the corporate financing funding.

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3.4

## **Revenue Budget Summary – Overall Council Financial Year 2019/20**

Please note figures have been rounded

Strategic Purpose	Original Budget 2019/20 £'000	Revised budget 2019/20 £'000	Budget to date 2019/20 £'000	Actuals to date 2019/20 £'000	Variance to date 2019/20 £'000	Projected Outturn 2019/20 £'000	Projected Variance 2019/20 £'000
Keep my place safe and looking good	4,044	4,214	3,530	3,459	-72	4,091	-123
Help me run a successful business	560	253	106	390	284	594	341
Help me be financially independent	406	439	371	489	118	631	193
Help me to live my life independently	134	133	-20	-29	-9	119	-14
Help me find somewhere to live in my locality	859	853	633	634	1	791	-62
Provide Good things for me to see, do and visit	576	717	570	486	-84	644	-73
Enable others to work/do what they need to do (to meet their purpose)	3,224	3,256	3,067	2,801	-266	2,950	-305
<b>Totals</b>	<b>9,804</b>	<b>9,865</b>	<b>8,258</b>	<b>8,230</b>	<b>-28</b>	<b>9,821</b>	<b>-44</b>
<b>Corporate Financing</b>	<b>-9,804</b>	<b>-9,865</b>	<b>-9,108</b>	<b>-9,492</b>	<b>-383</b>	<b>-10,281</b>	<b>-416</b>
<b>Grand Total</b>	<b>0</b>	<b>0</b>	<b>-850</b>	<b>-1,262</b>	<b>-411</b>	<b>-460</b>	<b>-460</b>

### **Financial Commentary:**

There are a number of variances across the strategic purposes. The summary above shows the overall 2019/20 revenue position for the Council and the main variations are as a result of:

### **Keep my place safe and looking good (£123k saving)**

These budgets include those relating mainly to Environmental Services, Planning, CCTV and other activities to deliver against the purpose to ensuring an area is a safe and attractive place for the community.

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The variances to report are :

- It is projected that Bereavement services will receive less income than expected from burial fees in 2019/20, therefore showing a year end variance for the service of **£103k**.
- There is a saving within Community safety budgets due to salary vacancies which are being addressed in a service review. The saving, however, will be offset against the overhead recharge to the HRA (shown in enabling services) due to the service being 100% attributable to the HRA of **£108k**.
- Development Management has received some large applications in the first half the financial year. However, the income trend is not expected to continue at the same rate for the second half of the year and therefore forecast against budget is **£50k** shortfall.
- There is variance within Environmental Health due to Pest control for residents on benefits increasing and therefore projected overspend for the year of **£18k**.
- There are some salary savings due to vacancies projected of **£186k** within Core Waste, Environmental Management, Place teams and Trees & woodland management mainly due to a pending services delivery review.

### **Help me run a successful business (£341k overspend)**

The budgets within the strategic purpose include management fee to Rubicon Leisure, economic development, all licenses and costs associated with the town and other Properties within the Borough.

- Please see below explanation of overspend **(3.5)**

### **Help me be financially independent (£193k overspend)**

The strategic purpose includes all costs relating to the support of benefits and the administration and delivery of Council Tax services in the Borough.

- Housing benefits includes £139k provision for bad debts on housing benefits overpayments. There was no budget for this in 2019/20 but we have now reflected £120k in the base budgets for 2020.

### **Help me to live my life independently (£14k saving)**

There are a number of budgets relating to the delivery of the strategic purpose including; Lifeline and Community Transport.

- There are no significant individual variances in quarter 3 to report.

### **Help me find somewhere to live in my locality (£62k saving)**

The costs associated with homeless prevention, housing strategy and land charges are all included in this strategic purpose. It is worth noting that these costs solely relate to those charged to the General Fund not the Housing Revenue Account

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- The variance shown in this strategic purpose is due to some salary savings from reduced hours and temporary vacancies along with increased income from Houses in Multiple occupation following changes in regulations **£62k**.

**Provide Good things for me to see, do and visit (£73k saving)**

The majority of budgets within this purpose relate to Leisure and Culture services.

- There is a variance within Business development – Cultural services due to a saving on the Christmas lights budget, some additional income on the civic suite and staff vacancies **£4k**.
- There are further savings within Park & Events to do with temporary salary savings due to the change of service delivery and new staff structure implementation - these posts have now been filled going into the last quarter of 2019/20 **£65k**.

**Enable others to work/do what they need to do (to meet their purpose) (£305k saving)**

All support services and corporate overheads are held within the enabling purpose. These include; IT, HR, Finance, Management team and other support costs.

- There is a small overspend within central post opening due to increased postage costs which is currently being addressed **£20k**.
- Corporate Services are projected an overspend for the year due to setting aside a reserve to fund potential service review costs **£139k**.
- Equalities and Policy have some savings on salaries and other general supplies and services **£22k**.
- Facilities Management have salary savings due to vacancies but will be addressed as part of a wider service review **£21k**.
- Human Resources are showing an saving due to salary vacancies to date of which some have now been recruited to. There is also a small saving on the corporate occupational health budget **£66k**.
- There are further salary savings in Business Development, Corporate Management Team (CMT), Customer service support, Legal and Democratic services due to vacant posts. Some of these are expected to be filled going into the last quarter of 2019/20 **£214k**.
- ICT also have projected savings due to less than expected costs on Microsoft licences. There have also been some vacancies within ICT but are hoped to be recruited to by the year end **£127k**.

**Corporate Financing (£416k saving)**

- There is a variance in corporate financing due to borrowing costs not being as much as expected due to the spending re profile of the capital programme undertaken in the first quarter of the year. There is also an expected surplus received on business rates due to a revised assumption in the liability level of appeals which has reduced from 4.7% to 3% **£416k**.

### **3.5 Rubicon Leisure**

When Rubicon Leisure was established it was anticipated that the costs associated with the delivery of associated services would reduce by £480k, which was approximately 40% less than the previous subsidy for Leisure services. Whilst significant savings (£260k) have been made by the new company there is a projected shortfall in income of around £220k. This is mainly due to the projected income from Pitcheroak and Arrow Valley. As members are aware the Pitcheroak catering facility was transferred from the Council late in 2019 and it was anticipated to be open by the end of the year. Unfortunately due to a number of operational issues the facility is not yet fully open and therefore a significant shortfall in income is projected from that originally planned. In addition the transfer of Arrow Valley visitors centre has not delivered the additional anticipated income in the period since the service was transferred. The Business Plan for the company is currently under review by the Board and Council Shareholder Committee and it is anticipated that the company will deliver improvements to income over the next 3 years. It is further recommended therefore that a reserve is established of £100k to provide sufficient funding to enable Rubicon Leisure to deliver their future service plan in a phased approach. Shareholders and Board members will continue to receive financial reporting during 2020/21 to ensure the financial position of the company is clear.

### **3.6 Town Deals Fund £173k**

The approval of the inclusion of the Town deals fund grant at **2.2** is due to Redditch being selected as one of the 101 towns to benefit from the government's £3.6bn Towns Fund. The funding has to be secured through a Town Deal, which if approved, will bring up to £25m of investment to Redditch.

The purpose of the Town Fund is to drive the economic regeneration of towns to deliver long term economic and productivity growth through;

- Urban regeneration, planning and land use interventions
- Skills and enterprise infrastructure
- Connectivity

The Town Deal Board will be the vehicle through which the vision and the strategy for the town are defined. It will produce a Town Investment Plan and inform the Town Deal, including the amount of investment secured through the Towns Fund.

The role of the board is to:

- Develop and agree an evidenced base Town Investment Plan
- Develop a clear programme of interventions
- Coordinate resources and influence stakeholders

Councils have received capacity funding from government via a s31 grant to support the development of a Town Deal Board and Investment Plan, this funding was based on population size and Redditch has received £173k. We would anticipate the funding being used for;

- Convening a Town Deal Board

- Running Business and wider community engagement events
- Developing Town Investment Plans
- Providing technical expertise for business case development

### **3.7 Dial A Ride – Additional New Fees and Charges**

A request has been made by the Dial A Ride service to introduce an additional new fee for its services. This was not anticipated when the 20/21 fees and charges report was presented.

The request is to enable the service to introduce a separate charge for medical trips. There trips are more costly to provide as they involve the minibus undertaking a bespoke journey for one individual. This is as opposed to group booking where residents are picked up to attend a venue all at the same time eg a shopping trip, or trip to a group activity.

The fee was not originally included as it was anticipated that a voluntary sector community car scheme (Bluwave) would have the capacity to deliver these journey, However, from a trial since January the demand cannot currently being met. It has therefore been agreed that Dial A Ride will transport medical customers who are in wheelchairs, have four wheel walkers or carry oxygen as Bluwave do not have the facilities to carry these passengers. Dial A Ride will continue to signpost other medical customers to Bluwave, however if Bluwave are not able to meet the journey need they will inform Dial A Ride fulfil the journey. In the meantime, Bluwave will be promoting their service to try and recruit more Redditch volunteer drivers. To achieve this Dial A Ride are also proposing to trial a 'medical bus' for which an increased fee would be charged.

The proposed charges would be £4 per medical journey with a concessionary bus pass and £5 without a concessionary bus pass.

## **4. Savings Monitoring**

- 4.1 The medium term financial plan included £1,127k of savings identified to be delivered during 2019/20 the breakdown of these savings is attached at appendix 3. £206k of these identified savings is in relation to a vacancy factor and £181k saving is in relation to transformational redesign.

To quarter 3 £816k of the £1,127k identified savings have been realised against the budgeted April to December savings of £845k

In addition to the above officers have been required to find further savings throughout the Financial year 2019/20. At quarter 1 and 2 savings were found of £536k, these have been allocated to the vacancy factor target and the saving in relation to transformational redesign. The remainder may then be returned to balances. At quarter 3 officers have found another £12k these will be also be vired off the relevant services to be returned to working balances by the end of the financial year.

## **5. Cash Management**

- 5.1 The cash position of this Council at the start of the financial year and the expected end of year cash positions for the coming financial years is shown in the table below

<b>Date</b>	<b>£m</b>	<b>Position</b>
As at 31 <sup>st</sup> March 2019 (Actual)	6.0	Borrowing
As at 30 <sup>th</sup> Sept 2019	nil	Borrowing

### **5.2 Borrowing**

As at the 30<sup>th</sup> Sept 2019 there are no short term borrowings and £103.929m in long term borrowing with associated costs in the quarter of £888k. All long term borrowing costs relate to the HRA.

An interest payable budget has been set of £158k for 2019/20 due to expenditure relating to current capital projects.

### **5.3 Investments**

At 30<sup>th</sup> Sept 2019 there were £8m investments held.



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## **6. Capital Budgets**

### **Capital Budget Summary – Overall Council Financial Year 2019/20**

Please note figures have been rounded

Strategic Purpose	Original Budget 2019/20 £'000	Revised budget 2019/20 £'000	Budget to date 2019/20 £'000	Actuals to date 2019/20 £'000	Variance to date 2019/20 £'000	Projected Outturn 2019/20 £'000	Projected Variance 2019/20 £'000
<b>Keep my place safe and looking good</b>	1,962	6,383	4,592	1,699	<b>-2,894</b>	2,331	<b>-4,052</b>
<b>Help me run a successful business</b>	0	80	60	0	<b>-60</b>	40	<b>-40</b>
<b>Help me to live my life independently</b>	860	1,623	1,217	538	<b>-679</b>	846	<b>-777</b>
<b>Provide Good things for me to see, do and visit</b>	1,057	1,146	857	33	<b>-824</b>	33	<b>1,113</b>
<b>Enable others to work/do what they need to do (to meet their purpose)</b>	0	455	341	217	<b>-124</b>	250	<b>-205</b>
<b>Totals</b>	<b>3,879</b>	<b>9,687</b>	<b>7,068</b>	<b>2,487</b>	<b>-4,581</b>	<b>3,500</b>	<b>-6,187</b>

#### **Financial Commentary:**

##### **Keep my place safe and looking good**

The main variances for this strategic purpose relate to the following projects;

- One of the main projects within this strategic purpose is the capital budget for the Regeneration Project. Whilst the project has commenced towards the later end of the financial year it is not expected to spend any further funds until the beginning of the new financial year and therefore it will be requested to reprofile the remaining budget into 2020/21.
- The capital budget for the removal of 5 weirs through Arrow Valley Park has been delayed and it is therefore expected this will not commence until the early part of 2020/21.
- There are number of small S106 schemes that are also unspent due to the delay in being able to appoint contractors therefore the schemes will now commence in 2020/21 and a request will be made to carry the budgets forward.

##### **Help me run a successful business**

- The project is currently under review and it is expected not to be spent within 2019/20. It will therefore be requested to move the budget into 2020/22.

**Help me to live my life independently**

- The disabled facilities grant scheme has a saving showing by the third quarter. It is expected that this will not be fully spent by the end of the financial year due to the uptake not being as much as liked. A new advertising campaign is taking place to promote this service and the saving will therefore be requested to be carried into the new financial year 2020/21.
- There is also a saving on the Energy & Efficiency Installation project and is projected this will be an ongoing project over the next three years.

**Provide Good things for me to see, do and visit**

- Majority of the projects , which are S106, have all been have been reviewed into the third quarter and it is expected due to seasonal factors and consultations with stakeholders/contractors that the schemes are now likely to commence in early 2020.

**Enable others to work/do what they need to do (to meet their purpose)**

- The variance for this strategic purpose relates to the New Finance Enterprise System in Financial services which has now commenced. The project is expected to be completed by December 2020 and a request will be made to re-profile some of the budget into the first quarter of 2020/21.

**6.1 Capital Grant – Holly Trees Children’s Centre**

The request for the approval of the capital grant payable to Worcestershire County Council at **2.3** is for Improvement works to the outside area of Holly Trees Children’s Centre to include removing and replacing damaged structures in order to improve the learning experience and make the area more accessible and usable for children at the Centre.

**6.2 Disabled Facilities Grants**

The request for approval of an increased budget £839k at **2.4** is due to confirmation of the Disabled Facilities Grant being not being distributed to all relevant authorities by the ministry of Housing, Communities and Local Government until 28<sup>th</sup> February 2020. At budget setting an amount was not factored in until confirmation of the grant was allocated and therefore the £839k is now required to match the grant determination £839k for Redditch Borough Council 2020/21.

**7. Housing Revenue Account**

Appendix 1 details the financial position for the Housing Revenue Account (HRA) for the period April 2019 – December 2019.

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### **8. Earmarked Reserves**

The position as at 30th December 2019/20 is shown in Appendix 2. This now includes projected reserves associated with potential service review costs together with providing funding to enable Rubicon Leisure to deliver its business plan.

### **9. General Fund Balances**

The General Fund Balance as at the 31st March 2019 is £1.223m. A balanced budget was approved in February 2019 to include identified savings which have been built into individual budget allocations. This also included a planned use of balances for 2019/20 of £266k. (The current level of balances will therefore reduce to £957k with recommended level of balances of £750k.)

### **10. Legal Implications**

No Legal implications have been identified.

### **11. Service/Operational Implications**

Managers meet with finance officers on a monthly basis to consider the current financial position and to ensure actions are in place to mitigate any overspends.

### **12. Customer / Equalities and Diversity Implications**

No direct implications as a result of this report.

### **13. Risk Management**

The financial monitoring is included in the corporate risk register for the authority.

## **APPENDICES**

Appendix 1 – HRA Monitoring April – December 2019/20

Appendix 2 – Earmarked Reserves 2019/20

Appendix 3 – Savings Monitoring 2019/20

## **AUTHOR OF REPORT**

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