

## POLICY AND RESOURCES COMMITTEE – 4 SEPTEMBER 2018

### PART I - NOT DELEGATED

#### 12. BUDGET MONITORING – MONTH 4 (JULY) (DoF)

##### 1. Summary

1.1 Budget monitoring report is a key tool in scrutinising the Council's financial performance. It is designed to provide an overview to all relevant stakeholders. It is essential that the Council monitors its budgets throughout the year to ensure that it is meeting its strategic objectives and that corrective action is taken where necessary.

1.2 This report seeks approval to a change in the Committee's 2018 - 2021 medium-term revenue financial plan. The report shows the Council's overall consolidated medium term financial plan for both revenue and capital.

##### 2 Details

2.1 An overall increase in the Council's budgets requiring the use of balances must be approved by Council. Virements between cost centres within each service are approved by each committee.

##### **Revenue**

2.2 The original net revenue budget for 2018/19 (as approved by Council on 20 February 2018) was **£11.540 million**. The latest budget which includes the approved carry forwards from 2017/18 is **£12.001 million**. The forecast outturn at period 4 (July) is estimated to be **£12.218 million** which gives a variance compared to the latest budget of **£0.217 million**. The table below shows how the forecast outturn has been constructed.

Net Revenue Budget 2018/19	£ million
<b>Original Net Revenue Budget</b>	<b>11.540</b>
Carry Forward from 2017/18	0.461
<b>Latest Approved Budget</b>	<b>12.001</b>
Variances Reported This Period – Period 4 (July) <i>to be approved</i>	0.217
<b>Forecast Outturn</b>	<b>12.218</b>

##### **Service Budgets**

2.3 After removing non-service costs (parish precepts, interest earned on investments and Reserve transfers) the net original direct revenue budget was set at **£9.749 million** and the latest budget (including carry forwards from 2017/18) is **£10.210 million**. The forecast outturn is now estimated to be **£10.427 million** which results in an unfavourable variance of **£0.217 million**.

- 2.4 The document attached (Budget Management 2018/19 - Annex 1) contains detailed information on the variance and the impact on the Council's medium term financial plan.

### **Capital**

- 2.5 The original budget for 2018/19 (as approved by Council on 20 February 2018) was **£39.144 million**. The latest budget including rephasings from 2017/18 is **£41.004 million**. Services have identified a variance of **£0.216 million** which has increased the 2018/19 budget to **£41.220 million**. The table below shows how the forecast outturn has been constructed.

<b>Capital Investment Programme 2017/18</b>	<b>£ million</b>
<b>Original Budget</b>	<b>39.144</b>
Rephasing from 2017/18	1.860
<b>Latest Approved Budget</b>	<b>41.004</b>
Variences Reported This Period – Period 4(July) <i>to be approved</i>	0.216
<b>Forecast Outturn</b>	<b>41.220</b>

- 2.6 The document attached (Budget Management 2018/19 - Annex 1) contains detailed information on the variance and the impact on the Council's medium term financial plan.

## **3 Appointment of Financial Advisors**

- 3.1 Both Three Rivers and Watford Councils are undertaking more complex projects i.e. the joint venture with Housing Associations that require more specialist financial advice. As a result a joint procurement between both authorities has been undertaken for a call – off contract for up to five years. The contract does not commit the Council to spending any money at this stage, but will provide access to a range of specific skills e.g. Taxation advice, complex transaction reviews and provides experienced resources. As each project is identified a budget will be required and this will be done as part of the project approval process. Following the procurement process, Grant Thornton is the preferred contractor. Due to the overall value of the contract not being known at this stage, Policy & Resources Committee are being asked to approve the award of the contract.

## **4 Options/Reasons for Recommendation**

- 4.1 The recommendations below enable the Committee to make recommendations to Council concerning their budget.

## **5 Policy / Budget Reference and Implications**

- 5.1 In accordance with the Council's financial procedure rules, if the recommendations are accepted, this will amend the Council's budgets.
- 5.2 There are no substantial changes to Council policy resulting from this report.

**6 Legal, Equal Opportunities, Staffing, Environmental, Community Safety, Public Health, Customer Services Centre, Communications & Website, and Health & Safety Implications**

6.1 None specific.

**7 Financial Implications**

7.1 The following revenue and capital variations have been identified for all service committees for Period 4 (end of July).

Variance	2018/19 £	2019/20 £	2020/21 £
Revenue - (Favourable)/ Unfavourable	216,950	286,990	46,050
Capital - Increase / (Decrease)	216,570	1,281,340	805,000

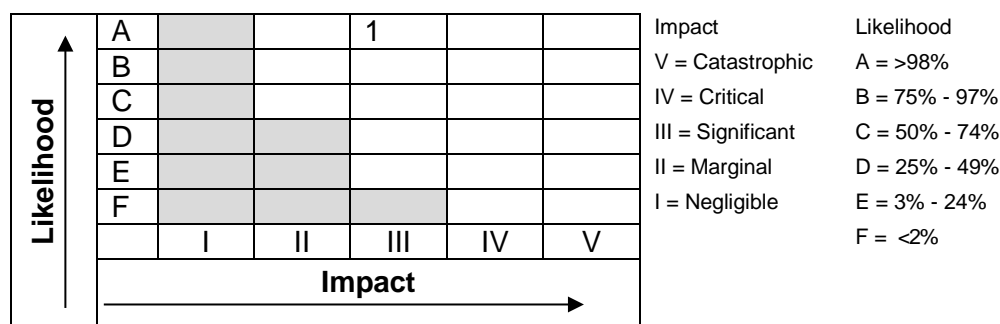
**8 Risk Management Implications**

8.1 There are no risks to the Council in agreeing the recommendations.

8.2 The following table gives the risks if the recommendations are rejected, together with a scored assessment of their impact and likelihood:

Description of Risk		Impact	Likelihood
1	The Council's Medium-Term Financial Plan would be out of date and officers would not have accurate budgets to work to.	III	A

8.3 The Council has determined its aversion to risk and is prepared to tolerate risks where the combination of impact and likelihood are plotted in the shaded area of the matrix. The remaining risks require a treatment plan. The risk is managed within the Finance services service plan.



**9 Recommendation**

To Council:

9.1 That the following revenue and capital budget variations be approved and incorporated into the three-year medium-term financial plan:-

Variance	2018/19 £	2019/20 £	2020/21 £
Revenue - (Favourable)/ Unfavourable	216,950	286,990	46,050

<b>Capital - Increase / (Decrease)</b>	216,570	1,281,340	805,000
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9.2 To award the financial advice call-off contract to Grant Thornton for up to five years.

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Checked by: Alison Scott – Head of Finance

**Background Papers**

Budget setting recommendations - Council 20 February 2018.

Outturn 2017/18 - Policy and Resources Committee 18 June 2018.

**ATTACHMENTS**

Annex 1 – Budget Management 2018/19 Period 4 (end of July 2018)