

Policy & Resources Committee 21 November 2018

2nd Quarter Budget Monitoring 2018/19

Final Decision-Maker	Policy & Resources Committee
Lead Head of Service/Lead Director	Mark Green, Director of Finance & Business Improvement
Lead Officer and Report Author	Ellie Dunnet, Head of Finance
Classification	Public
Wards affected	All

Executive Summary

This report sets out the financial position for the Council at the end of Quarter 2 2018/19 against the revenue and capital budgets, and provides updates on the position with Reserves and Balances, Council Tax and Business Rates, Treasury Management and Maidstone Property Holdings Ltd.

We are expecting to remain within the agreed overall budget for this financial year. The position for the Council as a whole at the end of the second quarter is an underspend against the revenue budgets of £1.6m. However this figure includes a number of large grants received that will be carried forward into 2019/20.

Capital expenditure totalling £5.914m had been incurred between 1 April and 30 September.

The balance on the general fund is forecast to decrease to £8.7m by 31 March 2019 as earmarked reserves are used as planned for capital investment.

Collection Rates were narrowly missed for both Council Tax and Business Rates.

Growth in business rates measured against the Council's baseline is £1.8m against a forecast of £2.2m.

The Council held investments totalling £27.4m at 30 September 2018.

The report also updates the Committee on Maidstone Property Holdings Limited.

This report makes the following recommendations to this Committee:

1. That the second quarter budget monitoring report attached at Appendix 1 be noted.
2. That the threshold for reporting detailed information on variances against the revenue budget be set at £30,000.

Timetable	
<i>Meeting</i>	<i>Date</i>
Policy & Resources Committee	21 November 2018

2nd Quarter Budget Monitoring 2018/19

1. INTRODUCTION AND BACKGROUND

- 1.1 The Medium Term Financial Strategy for 2018/19 onwards was agreed by full Council on 7 March 2018. This report provides the Committee with an overview of the capital and revenue budget and outturn for the second quarter of 2018/19, and highlights other financial matters that may have a material impact on the Medium term Financial Strategy or the balance sheet.
- 1.2 The Director of Finance & Business Improvement is the Responsible Financial Officer, and has overall responsibility for budgetary control and financial management. However in practice, day to day budgetary control is delegated to service managers, with assistance and advice from their director and the finance section.
- 1.3 Attached at **Appendix 1** is a report detailing the position for the revenue and capital budgets at the end of the September 2018, along with updates on a number of the relevant areas. This is a new format from that used in previous years, designed to bring together all the relevant information in a single report that can also be used as a stand-alone document. It includes all the information that Members have previously seen in budget monitoring reports.

2. INTERNAL AUDIT RECOMMENDATION - £30,000 REPORTING THRESHOLD

- 2.1 Currently the quarterly budget monitoring reports detail variances which exceed, or are expected to exceed £30,000, in order to enable committee members to consider the risks, opportunities and officers' response to the variances identified.
- 2.2 The £30,000 threshold was set some time ago by Cabinet and continues to be adhered to. Following a recent internal audit review of budgetary control, it was suggested that this threshold should be reviewed to ensure that it remains relevant and appropriate.
- 2.3 Officers have considered this and concluded that the current threshold continues to be appropriate, concluding that variances of this level or higher are likely to present a risk to the achievement of one or more objectives and therefore require closer investigation and monitoring.
- 2.4 The threshold could be increased, which would mean that fewer items would be brought to the attention of committees through the quarterly reporting process. This could be beneficial, in that it would enable the reports to incorporate a greater focus on larger variances. However, it would mean that potential issues within the budget would not be highlighted until the situation had escalated, which could result in opportunities to address problems at an early stage could be missed.

- 2.5 Alternatively, the threshold could be reduced from £30,000, which would mean that variances would be highlighted to committee at an earlier stage. The disadvantage of this approach is that it would increase the number of items being reported in detail to committees, which could draw focus away from the most significant variances.
- 2.6 Committee members are asked to consider whether they would like service committees to continue to receive detailed information on variances over £30,000, or to recommend a change to this threshold.
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3. AVAILABLE OPTIONS

- 3.1 There are no matters for decision in this report. The Committee is asked to note the contents but may choose to take further action depending on the matters reported here.
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4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 In considering the strategic position on the revenue budget and the capital programme at the end of September 2018 the committee can choose to note this information or it could choose to take further action.
- 4.2 The committee is requested to note the content of the report and agree on any necessary action to be taken in relation to the budget position.
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5. RISK

- 5.1 This report is presented for information only and has no risk management implications.
- 5.2 The Council has produced a balanced budget for both capital and revenue expenditure and income for 2018/19. This budget is set against a backdrop of limited resources and a difficult economic climate. Regular and comprehensive monitoring of the type included in this report ensures early warning of significant issues that may place the Council at financial risk. This gives this committee the best opportunity to take actions to mitigate such risks.
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6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 No consultation has been undertaken in relation to this report.
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7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 The second quarter budget monitoring reports are being considered by the relevant Service Committees in October and November, including this full report to Policy & Resources Committee on 21 November 2018.
- 7.2 Details of the discussions which take place at service committees regarding budget management will be reported to Policy and Resources Committee where appropriate.

8. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	This report monitors actual activity against the revenue budget and other financial matters set by Council for the financial year. The budget is set in accordance with the Council's Medium Term Financial Strategy which is linked to the strategic plan and corporate priorities.	Head of Finance
Risk Management	This has been addressed in section 4 of the report.	Head of Finance
Financial	Financial implications are the focus of this report through high level budget monitoring. The process of budget monitoring ensures that services can react quickly to potential resource problems. The process ensures that the Council is not faced by corporate financial problems that may prejudice the delivery of strategic priorities.	Head of Finance
Staffing	The budget for staffing represents a significant proportion of the direct spend of the council and is carefully monitored. Any issues in relation to employee costs will be raised in this and future monitoring reports.	Head of Finance
Legal	The Council has a statutory obligation to maintain a balanced budget and this monitoring process enables the committee to remain aware of issues and the process to be taken to maintain a balanced budget for the year.	Mid Kent Legal

Privacy and Data Protection	No specific issues arise.	Head of Finance
Equalities	The budget ensures the focus of resources into areas of need as identified in the Council's strategic priorities. This monitoring report ensures that the budget is delivering services to meet those needs.	Head of Finance
Crime and Disorder	No specific issues arise.	Head of Finance
Procurement	No specific issues arise.	Head of Finance

9. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- Appendix 1: Second Quarter 2018/19 Revenue and Capital Monitoring – Policy & Resources

10. BACKGROUND PAPERS

None