

FINANCIAL UPDATE FOR THE NINE MONTHS TO 31 DECEMBER 2017

Cabinet Member Cllr Peter Hare-Scott
Responsible Officer Andrew Jarrett – Director of Finance, Assets & Resources

Reason for Report: To present a financial update in respect of the income and expenditure so far in the year.

RECOMMENDATION(S): 1. The Cabinet note the financial monitoring information for the income and expenditure for the nine months to 31 December 2017.

Relationship to the Corporate Plan: The financial resources of the Council impact directly on its ability to deliver the corporate plan; prioritising the use of available resources brought forward and any future spending will be closely linked to key Council pledges from the updated Corporate Plan.

Financial Implications: Good financial management and administration underpins the entire document.

Legal Implications: None.

Risk Assessment: Regular financial monitoring information mitigates the risk of over or underspends at year end and allows the Council to direct its resources to key corporate priorities.

Equality Impact Assessment: It is considered that the impact of this report on equality related issues will be nil.

1.0 Introduction

- 1.1 The purpose of this report is to highlight to Cabinet our current financial status and the likely reserve balances at 31 March 2018. It embraces both revenue, in respect of the General Fund and the Housing Revenue Account (HRA), and capital and aims to focus attention on those areas which are unlikely to achieve budget. It is particularly important for next year's budget setting and, looking further ahead, with the medium term financial plan.
- 1.2 Favourable variances generating either increased income or cost savings are expressed as credits (negative numbers), whilst unfavourable overspends or incomes below budget are debits (positive numbers). This report only includes budget variances of £10k or more as the purpose of the report is to concentrate on material issues that may require further investigation/action.

2.0 Executive Summary of 2017/18

- 2.1 The table below shows the opening position of key operational balances of the Council, the forecast in year movements and final predicted position at 31 March 2018:

Usable Reserves	31/03/2017	Forecast in year movement	31/03/2018
	£k	£k	£k
Revenue			
General Fund (see paragraph 3.2)	(2,241)	182	(2,059)
Housing Revenue Account (see paragraph 4.2)	(2,000)	0	(2,000)
Capital			
Major Repairs Reserve	0	0	0
Capital Receipts Reserve	(2,438)	(412)	(2,850)
Capital Contingency Reserve	(471)	224	(247)

3.0 The General Fund Reserve

- 3.1 This is the major revenue reserve of the Council. It is increased or decreased by the surplus or deficit generated on the General Fund in the year. This reserve held a balance of £2,241k as at 31/03/17.
- 3.2 The forecast General fund deficit for the current year is £182k (an increase of £1k since the annual variance of £181k was reported for September) as shown at Appendix A. The most significant movements this month comprise:

	£k
Increase in Waste expenditure	39
Revenues & Benefits	(26)
Private Sector Housing – recharge to DFG capital budget	(44)
Property Services	(27)
Planning – creation of EMR for GESP post for 18/19	48
Legal staffing and publications variances	27
Business Rates Benefit	(50)
Market Walk Sinking Fund	(40)

- 3.3 The major variances are highlighted at Appendix B. The current incomes from our major funding streams are shown at Appendix C, whilst current employee costs are shown at Appendix D.

4.0 Housing Revenue Account (HRA)

- 4.1 This is a ring-fenced account in respect of the Council's social housing function. Major variances and proposed corrective action are highlighted at Appendix F.
- 4.2 Appendix E shows that the reserve opening balance is £2m. It is anticipated that the forecast variance of £301k surplus will increase the budgeted transfer to the Housing Maintenance Fund and so the HRA reserve balance should remain at £2m.
- 4.3 Overall, the HRA is forecast to underspend by £301k in 2017/18, made up of several deficits and surpluses, the most significant of which comprise the following:
- £40k rent shortfall is due to dwelling rents being 0.3% behind target
 - £24k relates to major works since £2,251k is planned to be spent against the £2,275k budget
 - £146k of savings across Repairs & Maintenance, made up of the following
 - Planned Works Revenue to underspend by £130k, based on contractors fulfilling predicted work programmes. However, failure of contractors to fully deliver could result in the underspend being far larger
 - £16k of various staffing savings including apprentice vacancies
 - £95k underspend across Housing and Tenancy Services, made up of the following
 - £69k savings from staffing and admin costs in Housing Services Management
 - Several minor savings forecast across budget areas including rent accounting, environmental and tree works give rise to £26k savings
- 4.4 There is a budgeted revenue contribution to capital purchases as follows for 2017/18.

Description	Budget £'000	Forecast Outturn £'000	Variance £'000
1 x Tipper Vehicle	32	21	(11)

- 4.5 The following works are expected to be funded from the Housing Maintenance Fund during 2017/18.

Description	Budget £'000	Forecast Outturn £'000	Variance £'000
Birchen Lane re-development	147	147	0
Palmerston Park	1,205		(1205)
Queensway development	209	0	(209)
Burlescombe development	214	0	(214)
Stoodleigh development	223	0	(223)
Land Acquisition for Affordable Housing	1,851	0	(1,851)
	3,849	147	(3,702)

In addition, £25k is planned to be spent on sewage treatment works and funded by an earmarked reserve.

5.0 Major Repairs Reserve

- 5.1 The Major Repairs Reserve had a nil balance at 31 March 2017. After this year's capital expenditure and funding of the Major Repairs Reserve the closing balance is forecast to be £0k.

6.0 Capital Programme

- 6.1 Capital projects by their very nature often overlap financial years. In some cases it is known from the outset that the construction of buildings may fall into 3 separate accounting years. The status of this year's capital programme is shown at Appendix G.
- 6.2 Committed and Actual expenditure is currently £9,045k against a budgeted Capital Programme of £24,315k. Note this has been adjusted from £22,620 reported in September which in the main reflects additional acquisitions including Coggans Well, 30, 36 & 38 Fore Street which will be funded by Useable Capital Receipts. As projects often overlap financial years officers have given their best estimate of what is 'deliverable' in 17/18; this amounts to £10,692k (both budgeted & deliverable programmes have been adjusted by £162k in relation to the EVLC fitness extension project following approval of £117k at 02/03/17 Cabinet & £45k at 26/10/17 Cabinet). Committed and Actual expenditure will therefore be monitored against this & currently shows an uncommitted amount of £1,647k (£10,692k - £9,045k).
- 6.3 The reduction in the approved Capital Programme to the 'deliverable' programme includes £5,114k in relation to the development project at the

rear of the Town Hall which will now be delivered by the Special Purpose Vehicle Company (SPV).

- 6.4 Now we are 9 months into the financial year, forecast (Underspends) and Overspends amount to a net forecast underspend of (£9,263k), this mainly relates to the project at the rear of the Town Hall referred to in para 6.3 above and various Council Housing delivery projects that will now also be delivered by the SPV. Please refer to appendix G for a full breakdown.
- 6.5 Forecast slippage into 18/19 financial year has also been reviewed; this amounts to £4,258k. Of this £1,500k relates to the council house build project at Palmerston Park that will cross the financial year & £2,100k that in relation to Affordable Housing Land acquisition. Again please refer to appendix G for a full breakdown.

7.0 Capital Contingency Reserve

- 7.1 The Capital Earmarked Reserve has been set aside from Revenue to fund Capital Projects; the movement on this reserve is projected below:

	£k
Capital Earmarked Reserve at 1 April 2017	(471)
Funding required to support 2017/18 Capital Programme	224
Forecast Balance at 31 March 2018	(247)

8.0 Capital Receipts Reserve (Used to fund future capital programmes)

- 8.1 Unapplied useable capital receipts are used to part fund the capital programme, the movement on this account for the year to date is given below:

	£k
Unapplied Useable Capital Receipts at 1 April 2017	(2,438)
Net Receipts to Q3 (includes 16 "Right to Buy" Council House sales & sale of land at Station Yard, MSCP & Lords Meadow Depot)	(2,518)
Current Balance	(4,956)
Forecast further capital receipts in year	(400)
Forecast capital receipts to be applied in year	2,506
Forecast Unapplied Capital Receipts c/fwd. 31 March 2018	(2,850)

- 8.2 Please note the majority of these balances on the Capital Contingency Reserve and the Capital Receipts Reserve are required to balance the Medium Term Financial Strategy.

9.0 Treasury Management

- 9.1 The interest position so far this financial year can be summarised as follows:

Interest Receivable:

	Budget £k	Forecast outturn £k	Forecast variance £k
Investment Income Received	(254)	(254)	0
Interest from HRA funding	(54)	(54)	0
Total Interest Receivable	(308)	(308)	0

10.0 Conclusion

- 10.1 Members are asked to note the revenue and capital forecasts for the financial year. Managers are working hard to offset overspends, many unavoidable or unforeseen, with budget savings to deliver an outturn close to the budget.
- 10.2 The work undertaken to produce this monitoring information to 31st December 2017 has been used to inform the 2018/19 Budget setting process and Medium Term Financial Plan.

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Circulation of the Report:

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