

**CABINET**  
**9 August 2018**

**FINANCIAL UPDATE FOR THE THREE MONTHS TO 30 JUNE 2018**

**Cabinet Member** Cllr Peter Hare-Scott  
**Responsible Officer** Andrew Jarrett – Deputy Chief Executive (S151)

**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 three months to 30 June 2018.

**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 2019. 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).

## 2.0 Executive Summary of 2018/19

- 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 2019:

Usable Reserves	31/03/2018	Forecast in year movement	31/03/2019
	£k	£k	£k
<b>Revenue</b>			
General Fund (see paragraph 3.2)	(2,690)	11	(2,679)
Housing Revenue Account (see paragraph 4.2)	(2,000)	0	(2,000)
<b>Capital</b>			
Capital Receipts Reserve	(3,501)	1,904	(1,597)
Capital Contingency Reserve	(482)	188	(294)

## 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 £2.690m as at 31/03/18.
- 3.2 The forecast General fund deficit for the current year is £11k as shown at Appendix A. The **most significant variances** comprise:

	£k
Legal - agency staff	18
Car parks – reduction in income/offset by 24 hrs opening (Premier Inn)	28
Trade Waste – additional income	(10)
Waste – lower return on recycling materials	15
Leisure – Business Rates Saving – Exe Valley	(14)
Leisure – Staffing underspend and additional income	
IT - GDPR compliance and extended lease fees	31
Business Rates Retention – updated forecast offset by	(27)
transfer to EMR (£806k - £758k)	(48)

- 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 £35k 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 £35k in 2018/19, 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. Universal Credit will add to the uncertainty of collection.
  - £20k relates to major works. £2.081m is planned to be spent against the £2.101m budget. The variance is less than 1% of the budget.
  - £55k of surplus across Repairs & Maintenance, made up of the following
    - Planned Works Revenue to underspend by £55k relating to £50k Gas servicing and £5k Door Entry repairs. Surveyors to work with contractors to monitor delivery against plan.
- 4.4 The following works are expected to be funded from the Housing Maintenance Fund during 2018/19. The forecast outturn will be updated when the latest position has been established.

Description	Budget £'000	Forecast Outturn £'000	Variance £'000
Birchen Lane re-development	318	TBC	(318)
Palmerston Park	878	TBC	(878)
Queensway development	205	TBC	(205)
Burlescombe development	215	TBC	(215)
Land Acquisition for Affordable Housing	1,851	TBC	(1,851)
	<b>3,467</b>	<b>TBC</b>	<b>(3,467)</b>

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

## 5.0 Capital Programme

- 5.1 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.
- 5.2 Committed and Actual expenditure is currently £3.592m against a budgeted Capital Programme of £16.122m. (Note this includes £5.874m of Slippage rolled forward from 17/18 and an additional £0.244m in respect of two additional HRA properties purchased this year, which will be funded by S106 Affordable Housing receipts).
- 5.3 Further work is required on the Capital Programme to establish a realistic 'deliverable' programme for 18/19 and future monitoring reports will be reported against this deliverable budget.
- 5.4 As mentioned in 5.2, slippage from 17/18 to 18/19 has also been reviewed; this amounts to £5.874m. Of this £1.360m relates to the council house build project at Palmerston Park and £2.100m in relation to Affordable Housing land acquisition. Again please refer to Appendix G for a full breakdown.

## 6.0 Capital Contingency Reserve

- 6.1 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 2018	(482)
Funding required to support 2018/19 Capital Programme	188
<b>Forecast Balance at 31 March 2019</b>	<b>(294)</b>

## 7.0 Capital Receipts Reserve (Used to fund future capital programmes)

- 7.1 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 2018	(3,501)
Net Receipts to Q1 (includes 2 "Right to Buy" Council House sales which are subject to completion of the Pooling Return - therefore net receipt estimated)	(50)

<b>Current Balance</b>	<b>(3,551)</b>
Forecast further capital receipts in year	(300)
Forecast capital receipts required to support 2018/19 Capital Programme	2,254
Forecast Unapplied Capital Receipts c/fwd. 31 March 2019	<b>(1,597)</b>

- 7.2 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.

## 8.0 Treasury Management

- 8.1 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	(304)	(304)	0
Interest from HRA funding	(51)	(51)	0
<b>Total Interest Receivable</b>	<b>(355)</b>	<b>(355)</b>	<b>0</b>

## 9.0 Conclusion

- 9.1 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.
- 9.2 The work undertaken to produce this monitoring information to 30 June 2018 has been used to inform the 2019/20 Budget setting process and Medium Term Financial Plan.

### **Contact for more information:**

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### **Circulation of the Report:**

Cllr Peter Hare-Scott, Management Team