

CABINET
25 Oct 2018

FINANCIAL UPDATE FOR THE SIX MONTHS TO 30 SEPT 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 six months to 30 Sept 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
Revenue			
General Fund (see paragraph 3.2)	(2,690)	305	(2,385)
Housing Revenue Account (see paragraph 4.2)	(2,000)	0	(2,000)
Capital			
Capital Receipts Reserve	(3,501)	299	(3,202)
Capital Contingency Reserve	(482)	123	(359)

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 £305k as shown at Appendix A. The **most significant variances** comprise:

	£k
Legal - agency staff	28
Car parks – reduction in income/offset by 24 hrs opening (Premier Inn)	33
Asset Management projects	20
Vehicle hire costs £43k partly offset by £22 EMR)	21
Leisure – Water leak (in dispute)	52
Leisure – Artificial pitch maintenance	10
Leisure – Closure of learner pool	12
Leisure – Various courses under-recovery of income	19
Planning – Under-recovery of income	340
Customer services – salary saving	(26)
Reduction in contributions for Public Conveniences	17
Property – Loss of rental income	20
Trade Waste – additional income	(16)
Waste – lower return on recycling materials	15
Waste – Refurb bottle banks	10
Waste – Additional fuel costs	19
Business Rates Retention – updated forecast offset by transfer to EMR (£543k - £259k)	(284)

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 £10k deficit will decrease 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 overspend by £10k 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 0.2% behind target. Universal Credit will add to the uncertainty of collection.
- £56k overspend relates mainly to a number of decommission/terminations (solar panels).
- £36k underspend, relates to major works. £2.065m is planned to be spent against the £2.101m budget. The variance is less than 1% of the budget.
- £50k of surplus in gas servicing.

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	318	0
Palmerston Park	878	793	(85)
Queensway development	205	62	(143)
Burlescombe development	215	215	0
Land Acquisition for Affordable Housing	1,851	0	(1,851)
	3,467	1,388	(2,079)

In addition, £25k is planned to be spent on sewage treatment works (aim for completion by Q3 2018-19) 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 The approved Capital Programme amounts to £16.122m (which includes £5.874m of Slippage rolled forward from 17/18). As stated in 5.1, some of these projects will overlap financial years, managers have therefore given their best estimate of what is 'deliverable' for 18/19; this amounts to £8.764m. Committed and actual expenditure will therefore be monitored against this revised 'deliverable' budget for the remainder of the year.
- 5.3 Committed and Actual expenditure is currently £4.118m against a 'deliverable' Capital Programme of £8.764m leaving a variance of £4.646m uncommitted at this point in time.
- 5.4 Additional work has been undertaken to establish forecast slippage and potential underspends against the approved Capital Programme and are also detailed on Appendix G.
- 5.5 Forecast slippage amounts to £6.477m, which mainly relates to: the General Fund 'district wide redevelopment project' £3.500m and the HRA 'land acquisition for affordable housing' project £2.100m.
- 5.6 The forecast net underspend amounts to £0.824m, which in the main includes: £0.160m in relation to Economic Development Schemes (the Mills Project has been included in its entirety on 19/20 to 22/23 MTFP for consideration), ICT related projects £0.401m, and Private Sector Housing grants amounting to £0.209m.

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	123
Forecast Balance at 31 March 2019	(359)

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:

	<u>£k</u>
Unapplied Useable Capital Receipts at 1 April 2018	(3,501)
Net Receipts to Q2 (includes 14 "Right to Buy" Council House sales which are subject to completion of the Q2 Pooling Return - therefore net receipt estimated)	(978)
Current Balance	(4,479)
Forecast further capital receipts in year	(500)
Forecast capital receipts required to support 2018/19 Capital Programme	1,777
Forecast Unapplied Capital Receipts c/fwd. 31 March 2019	<u>(3,202)</u>

- 7.2 The forecast reserve balance for the Capital Contingency Reserve and the Capital Receipts Reserve excludes slippage that is anticipated to roll forward into 2019/20; also these reserves will have the majority of their balance fully utilised in order to balance the Capital Medium Term Financial Strategy, also on the 25th October Cabinet Agenda.

8.0 Treasury Management (To be updated)

- 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
Total Interest Receivable	(355)	(355)	0

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 Sept 2018 has been used to inform the 2019/20 Budget setting process and Medium Term Financial Plan.

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Circulation of the Report:

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