

FINANCIAL UPDATE FOR THE NINE MONTHS TO 31 DEC 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 nine months to 31 Dec 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 unforeseen 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)	(2,241)	65	(2,176)
Housing Revenue Account (see paragraph 4.2)	(2,000)	0	(2,000)
Capital			
Capital Receipts Reserve	(3,501)	(420)	(3,921)
Capital Contingency Reserve	(482)	74	(408)

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 £2.241m as at 31/03/18.
- 3.2 The forecast General fund deficit for the current year is £65k as shown at Appendix A. The **most significant variances** comprise:

	£k
Legal - agency staff	28
Legal – Reduction in income and S106 work	17
Bank charges & audit fees e.g. HB certification higher than budget	16
Member Services – reduction in election grant income	17
Car parks – reduction in income/offset by 24 hrs opening (Premier Inn)	46
Asset Management projects – asset rationalisation; maint. etc.	95
Revenues & Benefits – Various see Appendix for details	(140)
Leisure – Various	92
Planning – Under-recovery of income	280
Customer services – salary saving	(34)
Reduction in contributions for Public Conveniences	17
Property – Loss of rental income	39
Trade Waste – net additional income	(15)
Waste – lower return on recycling materials	20
Waste – Refurb bottle banks	10
Business Rates Retention – updated forecast offset by transfer to EMR (£609k - £250k)	(359)

- 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 £58k 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 £58k in 2018/19, made up of several deficits and surpluses, the most significant of which comprise the following:
- £36k overspend relates mainly to a number of decommission/terminations (solar panels).
 - £54k of surplus in gas servicing (timing delay).
 - £20k Interest received higher than anticipated
 - Reduced MRA spend of £20k in relation to Fire Risk Assessments
- 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	131	(187)
Palmerston Park	878	556	(322)
Queensway development	205	9	(196)
Burlescombe development	336	336	0
Land Acquisition for Affordable Housing	1,851	0	(1,851)
	3,588	1,032	(2,556)

In addition, £25k is planned to be spent on sewage treatment works and funded by an earmarked reserve. It is now anticipated that this project will be completed during Q1 2019/20.

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 £21.372m. 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 £8.900m (adjusted for the £0.136m detailed above). 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 £5.752m against a 'deliverable' Capital Programme of £8.900m leaving a variance of £3.148m 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 £12.977m, which mainly relates to: the General Fund 'district wide redevelopment project' £3.940m; the HRA 'land acquisition for affordable housing' project £2.100m and; £5.114m in relation to the Town hall Development. For further detail please refer to Appendix G.
- 5.6 The forecast net underspend amounts to £0.822m, which in the main includes: £0.160m in relation to Economic Development Schemes (the Mills Project has been included in its entirety in 19/20 to 22/23 MTFP), ICT related projects £0.231m, and Private Sector Housing grants amounting to £0.297m. The available funding will therefore be adjusted in light of this underspend.

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	74
Forecast Balance at 31 March 2019	(408)

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 Q3 (includes 12 "Right to Buy" Council House sales)	(1,476)
Current Balance	(4,977)

Forecast further capital receipts in year	(400)
Forecast capital receipts required to support 2018/19 Capital Programme	1,456
Forecast Unapplied Capital Receipts c/fwd. 31 March 2019	<u>(3,921)</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.

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	(306)	(354)	(48)
Interest from HRA funding	(49)	(49)	0
Total Interest Receivable	(355)	(403)	(48)

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 31 Dec 2018 has been used to inform the 2019/20 Budget setting process where required.

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