

**CABINET**  
**22 August 2019**

**FINANCIAL UPDATE FOR THE THREE MONTHS TO 30 JUNE 2019**

**Cabinet Member** Cllr Alex White  
**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 2019.**

**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.

**Impact on Climate Change:** There are no direct impacts from the content of this report.

**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 2020. It embraces both revenue, in respect of the General Fund; 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 2019/20

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 2020:

<b>Usable Reserves</b>	<b>31/03/2019</b>	<b>Forecast in year movement</b>	<b>31/03/2020</b>
	<b>£k</b>	<b>£k</b>	<b>£k</b>
<b>Revenue</b>			
General Fund (see paragraph 3.2)	<b>(2,501)</b>	<b>427</b>	<b>(2,074)</b>
Housing Revenue Account (see paragraph 4.2)	<b>(2,000)</b>	<b>0</b>	<b>(2,000)</b>
<b>Capital</b>			
Capital Receipts Reserve	<b>(3,620)</b>	<b>685</b>	<b>(2,935)</b>
Revenue Contribution to Capital Earmarked Reserve	<b>(415)</b>	<b>245</b>	<b>(170)</b>

## 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 £2.501m as at 31/03/19.

3.2 The forecast General fund deficit for the current year is £427k after transfers to and from Earmarked Reserves as shown at Appendix A. Members should note that this would take us below the approved minimum General Reserves level of £2.5m so remedial action is required.

The **most significant variances** comprise:

	<b>£k</b>
Multi-Storey income shortfall due to works – partly offset	16
IT – Mainly increased IDOX support fees	9
Housing – Vacant posts	(20)
Planning income – Downturn in fee income	335
Customer Services – vacant posts	(12)
Environmental Services – salary overspends	13
Trade waste income increase	(40)
Garden Waste income increase	(5)
Recycling – paper tonnage and prices down	26

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 £166k 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 £166k in 2019/20, made up of several deficits and surpluses, the most significant of which comprise the following:
- £50k underspend relating to planned revenue works
  - £40k underspend in relation to vacant posts within repairs team
  - £76k underspend relating to vacant posts within Housing
- 4.4 The following works are expected to be funded from the Housing Maintenance Fund during 2019/20. **The forecast outturn will be updated when the latest position has been established.**

Description	Budget £'000	Forecast Outturn £'000	Variance £'000
Queensway development	201	0	(201)
Land Acquisition for Affordable Housing	1,851	0	(1,851)
Replacement end of Life HRA assets	548	0	(548)
Council Housing Building schemes to be identified	1,163	0	(1,163)
	<b>3,763</b>	<b>0</b>	<b>(3,763)</b>

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 Q3 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 £26.674m (this includes the approved 2019/20 Budget £14.597m and slippage rolled forward from 2018/19 of £12.077m). 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 19/20; this amounts to £7.277m. Therefore

committed and actual expenditure will be monitored against this revised 'deliverable' budget for the remainder of the year.

- 5.3 The deliverable budget has been determined following meetings with managers to determine a realistic forecast of spend based on known information at this point in the year. This will be revisited for material changes if circumstances allow certain projects to be progressed more quickly than anticipated.
- 5.3 Committed and Actual expenditure is currently £3.639m against a 'deliverable' Capital Programme of £7.277m leaving a variance of £3.638m uncommitted at this point in time.
- 5.4 At this early stage in the year there is a forecast underspend of £240k against the approved Capital Programme, this is also detailed on Appendix G.

## 6.0 Revenue Contribution to Capital EMR

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

	<u>£k</u>
Capital Earmarked Reserve at 1 April 2019	(415)
Funding required to support 2019/20 Capital Programme	245
<b>Forecast uncommitted Balance at 31 March 2020</b>	<b><u>(170)</u></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:

	<u>£k</u>
Unapplied Useable Capital Receipts at 1 April 2019	(3,620)
Net Receipts to Q1 (includes 8 "Right to Buy" Council House sales)	<u>(615)</u>
<b>Current Balance</b>	<b>(4,235)</b>
Forecast further capital receipts in year	(600)
Forecast capital receipts required to support 2019/20 Capital Programme	1,900
<b>Forecast Unapplied Capital Receipts c/fwd. 31 March 2020</b>	<b><u>(2,935)</u></b>

- 7.2 The forecast reserve balance for the Revenue Contribution to Capital Reserve and the Capital Receipts Reserve includes the total approved funding to fund the total 19/20 Capital Programme as these monies are committed; however in reality much of this will slip to 20/21. 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	(443)	(443)	(0)
Interest from HRA funding	(49)	(49)	0
<b>Total Interest Receivable</b>	<b>(492)</b>	<b>(492)</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 2019 will be used to inform the 2020/21 Budget setting process where required.

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

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

Cllr Alex White, Leadership Team