COMMUNITY WELL BEING **AGENDA ITEM**
24 MARCH 2014

FINANCIAL UPDATE FOR THE TEN MONTHS TO 31 JANUARY 2015

Cabinet Member	Cllr Peter Hare-Scott
Responsible Officer	Head of Finance

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

RECOMMENDATION(S): 1: The PDG notes the financial monitoring information for the income and expenditure for the ten months to 31 January 2015.

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.

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 2015. It embraces both revenue, in respect of the General Fund and Housing Revenue Account, 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 in excess of £10k as the purpose of the report is to concentrate on material issues that may require further investigation/action. Budget variances are expressed net of budgeted transfers to or from earmarked reserves, which were previously approved by Cabinet. A more detailed analysis will be provided with the final outturn report for the year.

2.0 Executive Summary of 2014/15

2.1 The table below shows the opening position of key operational balances of the Council, the forecasted in year movements and final predicted position at 31 March 2015:

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Usable Reserves	31/03/2014	Forecasted in year movement	31/03/2015
	£k	£k	£k
Revenue			
General Fund	**(2,460)**	**203**	**(2,257)**
Housing Revenue Account	**(2,004)**	**(344)**	**(2,348)**
Capital			
Major Repairs Reserve	**-**	**(559)**	**(559)**
Capital Receipts Reserve	**(835)**	**600**	**(235)**
Capital Contingency Reserve	**(963)**	**599**	**(364)**

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 £2,460k as at 31/03/14.

3.2 The forecast General fund *deficit* for the current year is £233k as shown at Appendix A. The most significant movements this month comprise:

	£
Deterioration of recycling income	30k
Leisure centres income down	24k
Housing Benefit subsidy	(20)k
Reduction of sundry waste overspend	(17)k
Rebate of fees received from Audit Commission	(15)k
Leisure pension costs	26k

3.3 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 Capital Programme

4.1 The status of this year's capital programme is shown at Appendix G.

4.2 Committed and Actual expenditure is currently £8,801k against a budgeted Capital Programme of £11,526k.

4.3 Forecast underspends currently amount to £856k, which are mainly composed of the following (please see notes on appendix G):

- Works in relation to major repairs of our council houses £559k
- Spend in relation to renewable energy projects £120k
- Spend on affordable housing projects £177k
- Work associated with new recycling premises, charged to revenue £50k

Please note sums in relation to the first three items will remain in earmarked reserves to fund future spending requirements in these areas.

4.4 Forecast slippage into 2015/16 amounts to £1,338k; this mainly comprises the following projects:

- Vehicles associated with new waste & recycling scheme due to commence in October 2015 £225k
- The project to deliver the Tiverton Pannier Market Roof £110k
- Birchen Lane redevelopment project £173k
- Economic Development schemes £160k
- Projects related to ICT/ Digital Transformation delivery £460k

5.0 Capital Contingency Reserve

5.1 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 2014	(963)
Funding required to support 2014/15 Capital Programme	599
Forecast Balance at 31 March 2015	**(364)**

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

6.1 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 2014	(835)
Net Receipts to date (includes 8 RTB's)	(169)
Current Balance	**(1,004)**
Forecast further capital receipts in year	(22)
Forecast Capital Receipts to be applied in year	791
Forecast Unapplied capital receipts c/fwd. 31 March 2015	**(235)**

7.0 Treasury Management

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

Interest Received:

	Budget £k	Forecast £k	Variance £k
Interest from HRA funding	(110)	(60)	50
Investment Income Received	(65)	(65)	0
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Net Interest	**(175)**	**(125)**	**50**
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8.0 Conclusion

8.1 Members are asked to note the revenue and capital forecasts for the financial year. It is quite clear that a number of our service areas are experiencing difficulty in achieving their budgeted income and costs in the current year. Indeed as this report now covers the first ten months of the financial year it is almost certain that we will have overspent by March 2015. This is of concern for the future in the context of budget setting and the ability to support the capital programme.

8.2 Some services are clearly struggling to manage within their current budgets, as depicted by this latest monitoring report. This demonstrates that service budgets are now extremely "lean" and the last three to four years of salami slicing x% from all service budgets will not be possible from 2016/17 onwards.

Members will be aware that further funding cuts next year and beyond are almost certain and therefore the service provision status quo cannot remain. Consideration of various scenarios to enable a balanced budget, of *prioritised services,* will need to be made in advance of a new corporate plan being produced by the new membership after the May 2015 elections.

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Circulation of the Report: Cllr Peter Hare-Scott, Management Team