

**CABINET
24 SEPTEMBER 2015**

FINANCIAL UPDATE FOR THE FIVE MONTHS TO 31 AUGUST 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): The Cabinet note the financial monitoring information for the income and expenditure so far for the 2015/16 financial year.

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 2016. 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 2015/16

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 2016:

| Usable Reserves | 31/03/2015 | Forecasted in year movement | 31/03/2016 |
|-----------------------------|------------|-----------------------------|------------|
| | £k | £k | £k |
| Revenue | | | |
| General Fund – see note | (2,380) | 68 | (2,312) |
| Housing Revenue Account | (2,000) | (29) | (2,029) |
| Capital | | | |
| Major Repairs Reserve | 0 | (165) | (165) |
| Capital Receipts Reserve | (985) | 471 | (514) |
| Capital Contingency Reserve | (1,123) | 580 | (543) |

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 £2,380k as at 31/03/15.

3.2 The forecast General fund *deficit* for the current year is £68k as shown at Appendix A. The most **significant** service movements this month comprise:

| | £k |
|---|------|
| Digital strategy projects (funded by earmarked reserves) | 66 |
| Exe Valley leisure Income | 40 |
| Housing Benefit subsidy improvement | (52) |
| Additional dividend received re Heritable investment | (44) |
| Additional amounts released from earmarked reserves (including The £66k detailed above) | (83) |

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 £2,000k. A forecast underspend of £29k would increase the available balance to £2,029k.

- 4.3 The most significant items of this underspend comprise a surplus in income generated from community alarms and unbudgeted structural repair works that are required for health and safety purposes.
- 4.4 There are budgeted revenue contributions to capital projects as follows for 2015/16.

| Description | Budget £'000 | Forecast Outturn £'000 | Variance £'000 |
|----------------------------|-------------------------|---------------------------------------|---------------------------|
| Sewage pumping stations | 50 | 50 | 0 |
| HRA digital transformation | 30 | 30 | 0 |
| Replacement vehicles | 59 | 59 | 0 |

In addition to the above, the works required at Birchen Lane, which were slipped from the 2014/15 capital programme will still require funding. Part of these costs may need to be covered by a revenue contribution from the HRA.

5.0 Major Repairs Reserve

- 5.1 The Major Repairs Reserve had a nil balance at 31 March 2015. After this year's capital expenditure and funding of the Major Repairs Reserve the closing balance is forecast to be £165k.

6.0 Capital Programme

- 6.1 The status of this year's capital programme is shown at Appendix G.
- 6.2 Committed and Actual expenditure is currently £3,175k against a budgeted Capital Programme of £13,720k.
- 6.3 Forecast underspends currently amount to £154k, which are mainly comprised of the following (please see notes on appendix G):
- ICT software for 'Incab' re Waste & recycling vehicles £60k
 - Various projects charged to revenue as under £20k Capital Diminimis £88k
- 6.4 Forecast slippage into 2016/17 currently amounts to £2,481k, this mainly comprises the following projects (please see notes on appendix G):
- Land Drainage scheme – Ashleigh Park Bampton £67k
 - Sewerage treatment works – Washfield £25k
 - Works in relation to major repairs of our council houses £165k
 - Renewable Energy fund - renewable wall insulation £70k
 - Tiverton Pannier Market Roof £110k
 - Various ICT projects £317k
 - 5 Refuse vehicles £740k
 - Council House Build Projects at Burlescombe & Beech Road Tiverton £987k

7.0 Capital Contingency Reserve

7.1 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 2015 | (1,123) |
| Funding required to support 2015/16 Capital Programme | 298 |
| Earmarked Reserve for Private Sector Housing | 282 |
| Forecast Balance at 31 March 2016 | (543) |
| | ===== |

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

8.1 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 2015 | (985) |
| Earmarked Reserve for Private Sector Housing | 194 |
| | (791) |
| Net Receipts to date (includes 2 RTB's) | (90) |
| Current Balance | (881) |
| Forecast further capital receipts in year | (590) |
| Forecast capital receipts to be applied in year | 957 |
| Forecast Unapplied Capital Receipts c/fwd. 31 March 2016 | (514) |
| | ===== |

8.2 Please note the majority of these balances on the capital Contingency Reserve and the Capital Receipts reserve will be required to enable a balanced Capital MTFP that will be brought to the October Cabinet.

9.0 Treasury Management

9.1 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 | (69) | (69) | 0 |
| Investment Income Received | (65) | (70) | (5) |
| | ----- | ----- | ----- |
| Total Interest Receivable | (134) | (139) | (5) |
| | ===== | ===== | ===== |

Note - £2.5m has been invested with the Churches, Charities and Local Authorities Fund (CCLA) on the 27/08/15; the first dividend will be paid on

31/01/16 in respect of quarter ending 31/12/15 and the forecast interest receivable will be updated in the next monitoring report.

- 9.2 Ernst Young LLP, the administrators of **Heritable Bank plc**, have now advised us of a further dividend of **£43,958.39** will be paid to us in respect of the monies owed to the Authority. Overall the return to the Council now totals 98 pence in the pound which means our loss on the principal invested (£1,103,746) now stands at £22k, which is significantly better than first anticipated. An update on the potential for any further dividend payments will be provided to all creditors during September 2015.

10.0 Conclusion

- 10.1 Members are asked to note the revenue and capital forecasts for the financial year. This report only covers the first third of the year, which is early to identify end of year positions. Cost pressures and income trends will become more apparent as we progress through the year.
- 10.2 With the announcement in the budget of further cuts to public spending at a similar rate to earlier years we will face further funding cuts next year and beyond. Budget meetings are still ongoing with senior managers, the Chief Executive and myself. Once again these are being held against a backdrop of uncertainty over the magnitude of ongoing Formula Grant cuts and starting from a position where services have already reduced costs by circa £2.5m since 2010/11. We are currently estimating that an aggregate saving of £500k to £750k will be required to balance the 2016/17 budget. Further updates will be provided to Members over the following months and will be useful in arriving at an affordable Corporate Plan for the next four to 5 years.

In due course Members will be required to consider various potential future scenarios and their potential impact on service delivery that will facilitate a balanced budget, of *prioritised services*.

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Circulation of the Report:

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