

FINANCIAL UPDATE FOR THE SIX MONTHS TO 30 SEPTEMBER 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)	157	(2,223)
Housing Revenue Account	(2,000)	(38)	(2,038)
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 £157k as shown at Appendix A. The most **significant** service movements this month comprise:

	£k
GP surgery non domestic rates (see para 10)	100
More car park income from pay and display and off street fines	(33)
Improved position on Housing Benefit subsidy	(10)
Better recovery on General Fund housing debts	(20)
Increased planning and building control income	(20)
Leisure salaries and Exe Valley memberships	20
Newcombes Meadow urgent health & safety wall repair	20
New AV unit in Council Chamber more than estimate	20

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 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 £3,347k against a budgeted Capital Programme of £13,720k.

4.3 Forecast *net* underspends currently amount to (£89k), 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 de minimis (£88k)
- Forecast additional spend on Council House building project at St Andrews Street £60k

4.4 Forecast slippage into 2016/17 currently amounts to £2,477k, this 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 £313k
- 5 Refuse vehicles £740k
- Council House Build Projects at Burlescombe & Beech Road Tiverton £987k

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 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)
	=====

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 2015	(985)
Earmarked Reserve for Private Sector Housing	<u>194</u>
	(791)
Net Receipts to date (includes 5 RTB's)	(212)*
(* Forecast pending completion of Q2 pooling return)	
Current Balance	(1,003)
Forecast further capital receipts in year	(468)
Forecast capital receipts to be applied in year	957
Forecast Unapplied Capital Receipts c/fwd. 31 March 2016	(514)
	=====

- 6.2 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.

7.0 Treasury Management

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

Interest Received:

	Budget	Forecast	Variance
	£k	£k	£k
Interest from HRA funding	(69)	(69)	0
Investment Income Received	(65)	(75)	(10)
	-----	-----	-----
Total Interest Receivable	(134)	(144)	(10)
	=====	=====	=====

The investment income from the CCLA property investment for 2015/16 has not been included in the figures above. The first dividend from this is due to be received in November, when we will have a better idea of the sum we might expect to receive.

8.0 Non Domestic Rates

In a recent high level appeal tribunal case, which considered the business rate valuation of GP surgeries, the District Valuer lost the case. The impact is that nationally GP surgeries after a revaluation of their business rates, will see their business rates fall and can request a refund of the excess of their business rates paid in earlier years. All Councils with GP surgeries will be affected.

Two refunds have already been arranged by Mid Devon but we have 46 in the District and the impact of this rerating exercise, in terms of refunds, for Mid Devon over the next two years could be in excess of £500k. We have currently estimated an impact this year of £100k. As well as paying out refunds the other impact of course will be reduced income year on year into the future. It is possible that after lobbying by the Local Government Association that central government might consider some form of compensation towards our losses, but this is not guaranteed.

In addition to this current business rate appeal outcome George Osborne has announced that in future Councils will be able to retain non domestic rates. Current indications are that this will be a phased process over the life of the current Parliament that will be matched to the elimination of the formula grant. Due to the complexity of Local Government funding it remains to be seen, whether we will be better or worse off in financial terms. Finance officers will provide Members with updates as this legislation emerges.

9.0 Conclusion

- 9.1 Members are asked to note the revenue and capital forecasts for the financial year. This report covers the first half of the year and begins to show the trends with which to identify end of year positions.
- 9.2 In the General Fund operations are much tighter and managers in some areas are struggling to meet their budgets. Overall the forecast for the year at this point is a deficit of £157k on a net budget of £8.7 million, a 1.8% variance.
- 9.3 Inevitably after achieving savings year on year some service areas have had difficulty in suggesting savings for next years budget, without compromising service delivery. The PDG budget reports showing the shortfall for 2016/17 will be issued shortly and also, looking further ahead, we are also compiling the medium term financial plan.
- 9.4 The situation is similar in the Housing Revenue Account (HRA), where future housing rent decreases, announced in the budget, will define a modified future housing plan. A revised HRA business plan report is also currently being drafted.
- 9.5 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, linked to the new corporate plan.

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Circulation of the Report:

Cllr Peter Hare-Scott, Management Team

**GENERAL FUND FINANCIAL MONITORING INFORMATION
FOR THE PERIOD 01 APRIL TO 30 SEPTEMBER 2015**

Com	General Fund Summary	Note	2015/16 Annual Budget £	Full Year Forecast (Net of Trf to Earmarked Reserves (EMR) (0 = On budget) £	Variance %
	Cllr C J Eginton				
CM	Corporate Management	A	1,197,130	(24,000)	-2.0%
LD	Legal & Democratic Services: Member/Election Services	B	1,027,290	63,000	6.1%
	Cllr N V Davey				
CP	Car Parks	C	(23,680)	(39,000)	-164.7%
ES	Cemeteries & Public Health	D	156,640	(15,000)	-9.6%
ES	Open Spaces	F	593,300	20,000	3.4%
GM	Grounds Maintenance	E	(16,870)	25,000	-148.2%
WS	Waste Services	H	2,287,120	50,000	2.2%
	Cllr C R Slade				
CD	Community Development	I	328,270	5,800	1.8%
ES	Environmental Services incl. Licensing	D	157,180	19,000	12.1%
IT	IT Services	Q	(12,040)	(45,900)	381.2%
PR	Planning - Land charges	N	(600)	(13,000)	2166.7%
RS	Recreation And Sport	J	662,400	120,000	18.1%
	Cllr P H D Hare-Scott				
FP	Finance And Performance	K	(180)	0	0.0%
RB	Revenues And Benefits	L	782,650	(134,000)	-17.1%
	Cllr R L Stanley				
ES	ES: Private Sector Housing Grants	D	112,120	10,000	8.9%
HG	General Fund Housing	M	317,150	(20,000)	-6.3%
PS	Property Services	G	253,800	(336,000)	-132.4%
	Cllr R J Chesterton				
CD	Community Development: Markets	I	60,550	10,000	-16.5%
PR	Planning And Regeneration	N	960,400	161,600	16.8%
	Cllr M Squires				
CS	Customer Services	O	15,730	60,000	381.4%
ES	Environment Services - Public Health	D	356,920	0	0.0%
HR	Human Resources	P	98,470	0	0.0%
LD	Legal & Democratic Services: Legal Services	B	(10)	21,500	
	All General Fund Services		9,313,740	(61,000)	-0.7%
IE260	Interest Payable		68,390	79,064	
IE290	Interest Receivable on Investments		(65,000)	(10,000)	
	Additional dividend re Heritable Investment			(43,958)	
	Interest from Funding provided for HRA		(69,090)	0	
	New Homes Bonus Grant		0	(1,612,725)	
	Sundry Grants		0	0	
ABFGF	Statutory Adjustments (Capital charges)		(905,860)	83,453	
TREMR	Net Transfer to/(from) Earmarked Reserves	APP B	424,170	1,622,125	
	TOTAL BUDGETED EXPENDITURE		8,766,350	56,959	0.6%
	Formula Grant (includes Non Domestic rates)		(3,767,480)	100,000	
	Council Tax		(4,955,540)	0	
	Collection Fund Surplus		(43,330)	0	
	TOTAL BUDGETED FUNDING		(8,766,350)	100,000	-1%
	Forecast in year (Surplus) / Deficit		0	156,959	
	General Fund Reserve 01/04/15			(2,380,180)	
	Forecast General Fund Balance 31/03/16			(2,223,221)	

GENERAL FUND FINANCIAL MONITORING INFORMATION FOR THE PERIOD 01 APRIL TO 30 SEPTEMBER 2015

Note	Description of Major Movements	Full Year Forecast Variation (Net of Trf to EMR)	PDG
A	Corporate Management		
	External audit fees have seen a significant reduction	(24,000)	Cabinet
		(24,000)	
B	Legal & Democratic Services		
	Salaries - uncovered maternity & restructure of Legal Services	8,500	Cabinet
	Income - Legal Section 106 work less than in previous years and fees & charges down	13,000	Cabinet
	Members' tablets, cost was budgeted as Capital Expenditure but as less than £20k falls as Revenue Expenditure (see appendix G)	12,000	Cabinet
	Cost of District Council Elections (covered by earmarked reserve)	60,000	Cabinet
	Various other minor variances	(9,000)	Cabinet
		84,500	
C	Car Parks		
	P&D income £19k up against budget at half year. Yearend forecast can be changeable month by month	(23,000)	MTE
	Increased income from off-street fines	(10,000)	MTE
	Other minor variances	(6,000)	MTE
		(39,000)	
D	Environmental Services combined		
	Salary underspends in Environmental Enforcement due to vacant post and overtime budget	(6,000)	CWB
	Licensing Unit salaries - Increase in hours and JE impact	15,000	CWB
	Cemetery income above profile on internments & exclusive burial rights	(15,000)	MTE
	Environmental Health salary overspend due to a service restructure and JE	10,000	CWB
	Private Sector Housing salary overspend due to restructure, increased hours and JE	10,000	DAAH
		14,000	
E	Grounds Maintenance		
	£25k cut in grass cutting budget from Devon County Council	25,000	MTE
		25,000	
F	Open Spaces		
	Urgent repairs works to play area wall at Newcombes Meadow	20,000	MTE
		20,000	
G	Property Services		
	Market Walk income not budgeted -Predicting £363k of net income at year end to be off-set by costs of PWLB loan and capital financing. The projected surplus £172k will be transferred into reserves for future economic development.	(363,000)	MTE
	The new AV unit in the Council Chambers has come in more then estimated	20,000	MTE
	Decrease in income received from Prospects leaving the rental space at Phoenix House	7,000	MTE
		(336,000)	

GENERAL FUND FINANCIAL MONITORING INFORMATION FOR THE PERIOD 01 APRIL TO 30 SEPTEMBER 2015

Note	Description of Major Movements	Full Year Forecast Variation (Net of Trf to EMR)	PDG
H	Waste Services		
	Refuse - vehicle repairs, running aged fleet until replacement need is known.	50,000	MTE
		50,000	
I	Community Development		
	Salaries - variance in hours	(6,200)	CWB
	Market Income - proactive work is being carried out to try and meet this gap	10,000	CWB
	Grant spend covered by seed fund ear marked reserve.	12,000	CWB
		15,800	
J	Recreation And Sport		
	Exe Valley Leisure Centre (EVLC) salaries	15,000	CWB
	EVLC Income-Adult/Junior membership volumes down-new manager looking in to	70,000	CWB
	Culm Valley Sports centre (CVSC) salaries	5,000	CWB
	Lords Meadow Leisure Centre (LMLC) salaries	5,000	CWB
	Maintenance overspend -squash court roofs/ATP repairs at EVLC	25,000	CWB
		120,000	
K	Finance And Performance		
		0	
L	Revenues And Benefits		
	HB Fraud section transferred to DWP from 01/05/15	(62,000)	CWB
	Additional agency staff required in Housing Benefit net of salary savings (maternity leave, post changes & vacant hours)	18,000	CWB
	Housing Benefit Subsidy	(90,000)	CWB
		(134,000)	
M	General Fund Housing		
	Better recovery on DARs	(20,000)	DAAH
		(20,000)	
N	Planning And Regeneration		
	Enforcement-Direct Action costs (predominantly Harlequin Valet)	80,000	CWB
	Enforcement salary savings	(10,000)	CWB
	Development Control salaries (incl recruitment costs)	11,000	CWB
	Development Control income	(10,000)	CWB
	Local Plan consultancy costs	36,000	CWB
	Land charges fee income	(13,000)	CWB
	Building Control shared arrangement with NDDC/Consultancy costs	30,000	CWB
	Forward Planning salaries (incl recruitment costs)	5,000	CWB
	Business advice service for whole of Mid Devon (covered by earmarked reserve)	19,600	CWB
		148,600	
O	Customer Services		
	Staffing for Digital Strategy Projects funded by Ear Marked Reserve (see below)	66,000	CWB
	Franked Mail	(6,000)	CWB
		60,000	

**GENERAL FUND FINANCIAL MONITORING INFORMATION FOR THE PERIOD 01 APRIL TO 30
SEPTEMBER 2015**

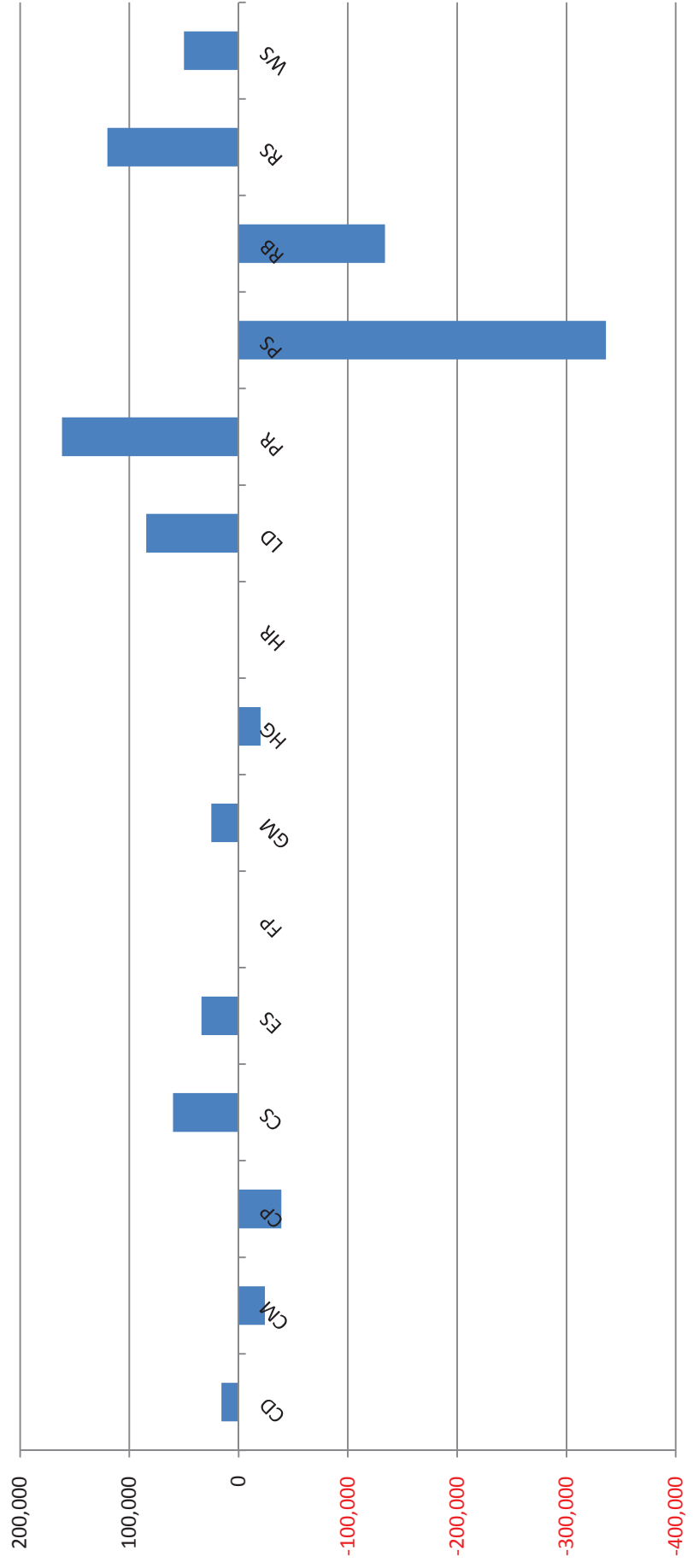
Note	Description of Major Movements	Full Year Forecast Variation (Net of Trf to EMR)	PDG
P	Human Resources		
Q	I.T. Services		
	Other sundries	(5,900)	Cabinet
	Salary underspend due to employing apprentice	(10,000)	Cabinet
	Head of BIS recharge to NDDC, any savings however will be earmarked for digital transformation expenditure	(30,000)	Cabinet
		(45,900)	
	FORECAST (SURPLUS)/DEFICIT AS AT 31/03/16	(61,000)	

Cabinet	14,600
CWB	229,400
DAAH	(10,000)
MTE	(295,000)
	(61,000)

Net Transfers to / from Earmarked Reserves

New Homes Bonus monies earmarked for capital and economic regeneration projects	1,612,725
Transfer to digital transformation project	30,000
District Election Costs from earmarked reserve released	(60,000)
Local Plan consultancy costs	(35,000)
Projected surplus on Market Walk transfer to reserves earmarked for economic	172,000
Business advice and Town project spend covered by earmarked reserve released	(19,600)
Digital strategy staffing from New Homes Bonus	(66,000)
Grant spend from seed fund earmarked reserve released	(12,000)
Net Transfer to / (from) Earmarked Reserves	1,622,125

2015/16 General Fund Projected Outturn Variance £



Key

+ = Overspend / Income under target - = Savings / Income above budget

- | | | |
|-----------|-------------------------|----------------------------|
| CD | Community Development | Interest Receivable |
| CM | Corporate Management | IT |
| CP | Car Parks | LD |
| CS | Customer Services | PR |
| ES | Environmental Services | PS |
| FP | Finance and Performance | RB |
| GM | Grounds Maintenance | RS |
| HG | General Fund Housing | WS |
| HR | Human Resources | |

- | |
|----------------------------------|
| I.T. Services |
| Legal and Democratic |
| Planning and Regeneration |
| Property Services |
| Revenues and Benefits |
| Recreation and Sports |
| Waste Services |

GENERAL FUND FINANCIAL MONITORING INFORMATION FOR THE PERIOD 01 APRIL TO 30 SEPTEMBER 2015

	2015/16	2015/16	2015/16	2015/16	Full Year	Variance
	Annual Budget	Profiled Budget	Actual	Variance	Forecast	
	£	£	£	£	Variation	%
Building Control Fees	(235,030)	(117,515)	(138,705)	(21,190)	0	0%
Planning Fees	(777,000)	(388,500)	(409,772)	(21,272)	(10,000)	1%
Land Searches	(110,460)	(55,230)	(71,699)	(16,469)	(13,000)	12%
Car Parking Fees - See Below	(661,050)	(302,554)	(328,181)	(25,626)	(29,000)	4%
Leisure Fees & Charges	(2,530,020)	(1,221,140)	(1,151,358)	69,782	70,000	-3%
Trade Waste Income	(605,000)	(353,715)	(355,742)	(2,027)		0%
Licensing	(113,560)	(40,690)	(45,096)	(4,406)		0%
Market Income	(111,670)	(55,835)	(50,348)	5,487	10,000	-9%
	(5,143,790)	(2,535,179)	(2,550,901)	(15,721)	28,000	-0.5%
Pay and Display					Spaces	Bud Income pa per space
Beck Square, Tiverton	(76,000)	(38,000)	(42,634)	(4,634)	40	(1,900)
William Street, Tiverton	(36,000)	(18,000)	(14,905)	3,095	45	(800)
Westexe South, Tiverton	(42,500)	(21,250)	(24,383)	(3,133)	51	(833)
Wellbrook Street, Tiverton	(13,000)	(6,500)	(7,856)	(1,356)	27	(481)
Market Street, Crediton	(34,000)	(17,000)	(17,550)	(550)	39	(872)
High Street, Crediton	(48,500)	(24,250)	(27,674)	(3,424)	190	(255)
Station Road, Cullompton	(22,000)	(11,000)	(15,519)	(4,519)	112	(196)
Multistorey, Tiverton	(100,500)	(50,250)	(54,630)	(4,380)	631	(159)
Market Car Park, Tiverton	(195,000)	(97,500)	(98,595)	(1,095)	122	(1,598)
Phoenix House, Tiverton	(4,000)	(2,000)	(1,554)	446	15	(267)
	(571,500)	(285,750)	(305,300)	(19,550)	1,272	(7,363)
Season Tickets	(31,000)	(2,991)	(2,991)	0		
Residents Permits	(11,870)	(925)	(925)	0		
Business Permits	(9,670)	(371)	(371)	0		
Overnight Permits	(1,000)	0	0	0		
Town Hall, Tiverton	0	0	(651)	(651)		
Other Income	(36,010)	(12,518)	(17,943)	(5,425)		
	(661,050)	(302,554)	(328,181)	(25,626)		
Standard Charge Notices (C	(25,000)	(12,500)	(17,956)	(5,456)	(10,000)	

GENERAL FUND FINANCIAL MONITORING INFORMATION FOR THE PERIOD 01 APRIL TO 30 SEPTEMBER 2015

	2015/16	2015/16	2015/16	2015/16
	Annual Budget	Profiled Budget	Actual	Variance
Total Employee Costs	£	£	£	£
General Fund				
Community Development	284,610	142,305	136,537	(5,768)
Corporate Management	859,280	429,640	420,113	(9,527)
Customer Services	686,030	343,015	363,344	20,329
Environmental Services	853,970	426,985	470,125	43,140
Finance And Performance	589,040	294,520	304,762	10,242
General Fund Housing	191,940	95,970	93,681	(2,289)
Grounds Maintenance	415,900	207,950	199,007	(8,943)
Human Resources	292,190	146,095	144,674	(1,421)
I.T. Services	544,220	272,110	246,540	(25,570)
Legal & Democratic Services	411,330	205,665	199,521	(6,144)
Planning And Regeneration	1,413,870	706,935	653,300	(53,635)
Property Services	359,220	179,610	133,939	(45,671)
Recreation And Sport	1,504,870	752,435	783,558	31,123
Revenues And Benefits	706,340	353,170	323,496	(29,674)
Waste Services	1,792,050	896,025	856,819	(39,206)
	10,904,860	5,452,430	5,329,414	(123,016)
Housing Revenue Account				
BHO09 Repairs And Maintenance	773,080	386,540	427,591	41,051
BHO10 Supervision & Management	1,448,740	724,370	669,285	(55,085)
BHO11 Special Services	61,760	30,880	49,849	18,969
	2,283,580	1,141,790	1,146,725	4,935
Total	£ 13,188,440	£ 6,594,220	£ 6,476,139	£(118,081)

	2015/16	2015/16	2015/16	2015/16
	Annual Budget	Profiled Budget	Actual	Variance
Agency Staff	£	£	£	£
General Fund				
Car Parks	0	0	0	0
Community Development	0	0	0	0
Corporate Management	0	0	0	0
Customer Services	34,000	0	4,174	4,174
Environmental Services	0	0	5,945	5,945
Finance And Performance	0	0	0	0
General Fund Housing	0	0	0	0
Grounds Maintenance	5,000	2,500	11,122	8,622
Human Resources	0	0	7,042	7,042
I.T. Services	0	0	0	0
Legal & Democratic Services	0	0	6,033	6,033
Planning And Regeneration	0	0	0	0
Property Services	0	0	18,052	18,052
Recreation And Sport	0	0	0	0
Revenues And Benefits	0	0	23,873	23,873
Waste Services	88,510	44,255	77,910	33,655
	127,510	46,755	154,151	107,396
Housing Revenue Account				
BHO09 Repairs And Maintenance	0	0	0	0
BHO10 Supervision & Management	0	0	3,839	3,839
BHO11 Special Services	0	0	0	0
	0	0	3,839	3,839
Total	£127,510	£46,755	£157,990	£111,235