

**FINANCIAL UPDATE FOR THE EIGHT MONTHS TO 30 NOVEMBER 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 highlights 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 forecast in year movements and final predicted position at 31 March 2016:

Usable Reserves	31/03/2015	Forecast in year movement	31/03/2016
	£k	£k	£k
<b>Revenue</b>			
General Fund – see note	(2,380)	427	(1,953)
Housing Revenue Account	(2,000)	(189)	(2,189)
<b>Capital</b>			
Major Repairs Reserve	0	(312)	(312)
Capital Receipts Reserve	(985)	415	(570)
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 £427k as shown at Appendix A. The most **significant** service movements, highlighted in Appendix B, this month comprise:

	£k
MMI asbestos insurance levy (covered by earmarked reserve)	57
Various redundancy costs	79
Maintenance on cemetery walls (covered by earmarked reserve)	35
Double glazing industrial units (£10k covered by earmarked reserve)	30
Private sector housing restructure	27
Vacant units - industrial unit income down	20
Improvement in Housing Benefit subsidy	(40)
Lower costs of funding housing DARS scheme	(20)

3.3 The major variances are highlighted at Appendix B. The current income from our major funding streams are shown at Appendix C, whilst current employee costs are shown at Appendix D. Some apparent service overspends are funded by earmarked reserves please see the note showing net transfers to/from earmarked reserves for details.

#### 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 £189k would increase the available balance to £2,189k.
- 4.3 The most significant items of this underspend comprise a surplus in income generated from community alarms £(55)k, staffing savings and reduced expenditure on community initiatives £(109)k. Garage rents are also up on budget £(33)k.
- 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 £312k.

#### 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 £4,249k against a budgeted Capital Programme of £13,750k. This has increased by £30k from £13,720k for a project to fit solar panels to Moorhayes Community Centre, which will be installed before the feed-in tariff reduces in January.
- 6.3 Forecast *net* underspends currently amount to (£351k), which are mainly comprised of the following (please see notes on appendix G):
- ICT software for 'Incab' re Waste & recycling vehicles £(60)k
  - Various projects charged to revenue as under £20k (Capital de minimis) £(140)k

	• Forecast additional spend on Council House building project at St Andrews Street	£144k
	• Affordable Housing contributions, no additional payments expected on external schemes	(£295k)
6.4	Forecast slippage into 2016/17 currently amounts to £7,075k, which are mainly comprised of 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	£312k
	• Renewable Energy fund - renewable wall insulation	£70k
	• Tiverton Pannier Market Roof	£110k
	• Various ICT projects	£266k
	• 5 Refuse vehicles	£740k
	• Other various MDDC vehicles	£358k
	• Council House Build Projects at Burlescombe & Beech Road Tiverton	£987k
	• Council House Build Projects at Palmerston Park & Birchen lane Tiverton	£3,320k
	• Exe Valley Leisure Centre fitness gym extension	£468k
	• Multi-Storey car park works	£89k
	• Economic development projects	£183k
	• Play area refurbishment – Wilcombe Tiverton	£50k
<b>7.0</b>	<b>Capital Contingency Reserve</b>	
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
	<b>Forecast Balance at 31 March 2016</b>	<b>(543)</b>
		=====
<b>8.0</b>	<b>Capital Receipts Reserve (Used to fund future capital programmes)</b>	
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	<u>194</u>
		<b>(791)</b>
	Net Receipts to date (includes 13 RTB's)	(584)*
	(* Forecast pending completion of Q3 pooling return)	
	<b>Current Balance</b>	<b>(1,375)</b>

Forecast further capital receipts in year	(96)
Forecast capital receipts to be applied in year	901
Forecast Unapplied Capital Receipts c/fwd. 31 March 2016	<u>(570)</u>
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## 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)	(75)	(10)
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<b>Total Interest Receivable</b>	<b>(134)</b>	<b>(144)</b>	<b>(10)</b>
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The investment income from the CCLA property investment for 2015/16 has not been included in the figures above.

## 10.0 2016/17 Formula Grant Settlement

10.1 Our provisional formula grant award for 2016/17 amounts to **£3.04m**. This is unlikely to change significantly and is approximately £130k lower than what we first estimated.

As a direct consequence this has helped increase the draft 2016/17 General Fund budget deficit but other savings proposals have had the effect of reducing the deficit to circa **£405k**, providing they are all accepted. Despite this it is both prudent and a legal obligation that we set a balanced budget and therefore further savings will be required.

10.2 What is useful is that the formula grant announcement gave provisional figures for the three years following up to 2019/20. As we had predicted the Revenue Support Grant, which currently stands at £1.7m, will completely disappear by 2019/20. The current and provisional future formula grant amounts are:

	15/16 £m	16/17 £m	17/18 £m	18/19 £m	19/20 £m
Revenue Support Grant	1.7	1.02	0.5	0.18	0.00
Business Rates	2.0	2.02	2.06	2.13	2.19
<b>Total Formula Grant</b>	<b>3.7</b>	<b>3.04</b>	<b>2.56</b>	<b>2.31</b>	<b>2.19</b>

Slotting the provisional Business Rate and Revenue Support Grant figures into the Medium Term Financial Plan shows that by 2019/20 we will need to find approximately **£1.1m** of savings, close to the amount we previously forecast. At this point we still have no details on the proposed changes allowing Council's to retain more of the business rate income.

## **11.0 Conclusion**

- 11.1 Members are asked to note the revenue and capital forecasts for the current financial year. This report covers the first eight months of the year and begins to show some key trends.
- 11.2 Although some costs incurred such as redundancies are “one off” items and not ongoing, pressures can be seen developing in the General Fund and managers in some areas are struggling to meet their budgets. Some of the factors involved are external and beyond our control. Overall the forecast for the year at this point is a deficit of **£427k** on a net budget of £8.77 million, a 4.9 % variance.
- 11.3 This monitoring report comes at a time when our current draft 2016/17 budget, based upon a series of assumptions, shows a deficit of circa **£405k**. Our total budget requirement for the General Fund has already dropped from £11.45m in 2010/11 to the current year’s £8.77m. Going forward Members will be required to consider various potential future scenarios and inevitably some challenging decisions will need to be made to facilitate a balanced budget, of prioritised services, linked to the new corporate plan.

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**Circulation of the Report:**

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