

**CABINET**  
**11 Feb 2016**

## **FINANCIAL UPDATE FOR THE NINE MONTHS ENDED 31 DECEMBER 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)	372	(2,008)
Housing Revenue Account	(2,000)	(670)	(2,670)
<b>Capital</b>			
Major Repairs Reserve	0	(483)	(483)
Capital Receipts Reserve	(985)	(2)	(987)
Capital Contingency Reserve	(1,123)	604	(519)

## 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 £372k as shown at Appendix A. Some of the more **significant** service movements, highlighted in Appendix B, this month comprise:

	£k
Car park maintenance slippage (Trf to EMR for next year)	(70)
Improved Housing Benefit subsidy position	(40)
Planning development control salaries	(20)
Chargeable garden waste scheme take up	(20)
Public health grant funding received	(18)
Disabled facility grants repaid in year	(17)
Additional MMI asbestos insurance levy (See para 10)	56
Tiverton EUE works covered by earmarked reserve (EMR)	55
Redundancy costs	52
Leisure overheads and utility costs across all sites	26
Business advice service and town project covered by EMR	22
Grants and Funding officer funded from New Homes Bonus	19
Public health officer and projects partially offset by EMR	17

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.

#### **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 £670k would increase the available balance to £2,670k.

4.3 The most significant items of this underspend comprise savings in repairs and maintenance, a surplus in income generated from community alarms, staffing savings, garage and shop rents up and reduced expenditure on community initiatives.

4.4 There has been a most significant swing in Repairs & Maintenance since last month. This comes as a result of two savings, the first of which is where the new painting contract will complete a portion of the work in 2016/17 and so £140k will not be spent this year. The second variance is where the operatives are spending significantly more of their time on major upgrades instead of day to day repairs and so the costs can be charged elsewhere. This second variance has moved the responsive team's forecast by £185k this month.

4.4 There are budgeted revenue contributions to capital projects as follows for 2015/16.

<b>Description</b>	<b>Budget £'000</b>	<b>Forecast Outturn £'000</b>	<b>Variance £'000</b>
Sewage pumping stations	50	25	(25)
HRA digital transformation	30	0	(30)
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 £483k. Of this £110k will be slipped into 16/17 in respect of a roofing contract that will cross the year end.

#### **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 £8,649k against a budgeted Capital Programme of £13,948k. (This has been increased by £124k in respect of the repurchase of a previous Right to Buy (RTB) sale; 135 Kings Crescent Tiverton and £74k in respect of the Phoenix Chamber audio visual equipment).

6.3 Forecast *net* underspends currently amount to (£524k), 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 (£95k)
- Works in relation to major repairs of our council houses; this will remain in the Major Repairs Reserve to be reprioritised for works (£373k)

6.4 Forecast slippage into 2016/17 currently amounts to £7,307k, 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 £110k
- 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 £982k
- 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
- Private Sector Housing Grants £395k
- LMLC Car Park resurfacing £50k

## 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	322
Earmarked Reserve for Private Sector Housing	282

<b>Forecast Balance at 31 March 2016</b>	<b>(519)</b>
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## 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	<u>194</u>
	<b>(791)</b>
Net Receipts to date (includes 15 RTB's)	(822)
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<b>Current Balance</b>	<b>(1,613)</b>
Forecast further capital receipts in year	(275)
Forecast capital receipts to be applied in year	901
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Forecast Unapplied Capital Receipts c/fwd. 31 March 2016	<b>(987)</b>
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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	Forecast	Variance
	£k	£k	£k
Interest from HRA funding	(69)	(69)	0
Investment Income Received	(65)	(101)	(36)
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<b>Total Interest Receivable</b>	<b>(134)</b>	<b>(170)</b>	<b>(36)</b>
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The projected investment income from the CCLA property investment for 2015/16 has been included in the figures above.

## 10.0 MMI Insurance Provision

10.1 We have been advised that a further levy will be payable by the Council at a rate of between 15-34% in respect of old asbestos insurance claims. This will result in a liability of between £56k and £117k. An insurance earmark reserve was created in the past but if the levy were to made at the higher end the reserve would be almost exhausted. We could still face further levies in the future.

## 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 nine months of the year and shows that we are heading for an overspend for the year, despite the use of earmarked reserves.

11.2 Although some costs incurred such as redundancies are "one off" items and not ongoing, some areas are struggling to meet their current budgets.

Overall the forecast for the year at this point is a deficit of £372k on a net budget of £8.7 million, a 4.2% variance.

- 11.3 If we look objectively at where we currently stand: we have an overspend of £372k forecast for 2015/16; a budget for 2016/17 that is balanced using £743k of New Homes Bonus, and whose future is uncertain; and finally a preliminary grant settlement that shows the elimination of our Revenue Support Grant (£1.7m in 2015/16) by 2019/20. *Clearly going forward a strategic medium term plan to deliver future balanced budgets is essential.*

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:**

Cllr Peter Hare-Scott, Management Team