

**CABINET  
29 SEPTEMBER 2016**

**FINANCIAL UPDATE FOR THE FIVE MONTHS TO 31 AUGUST 2016**

**Cabinet Member** Cllr Peter Hare-Scott  
**Responsible Officer** Andrew Jarrett - Director of Finance, Assets & Resources

**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 2016/17 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 2017. 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 2016/17

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 2017:

Usable Reserves	31/03/2016	Forecast in year movement	31/03/2017
	£k	£k	£k
<b>Revenue</b>			
General Fund – see note	(2,211)	297	(1,914)
Housing Revenue Account	(2,000)	0	(2,000)
<b>Capital</b>			
Major Repairs Reserve	0	0	0
Capital Receipts Reserve	(1,442)	(282)	(1,724)
Capital Contingency Reserve	(567)	285	(282)

## 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 £2,211k as at 31/03/16.

3.2 The forecast General fund *deficit* for the current year is £297k as shown at Appendix A. The most significant *service* movements this month comprise:

- £(65)k salary savings on digital strategy - difficulties with staff recruitment and some projects on hold
- £(22)k savings following Business Development restructure
- £31k increase in rent and rates for the new waste depot
- £30k reduction in forecast savings on housing benefit subsidy
- £20k forecast shortfall on pay & display parking income

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 £2m. It is anticipated that any variance at year-end will affect the budgeted transfer to the Housing Maintenance Fund and so the HRA reserve balance should remain at £2m.

4.3 Overall, the HRA is forecast to overspend by £51k in 2016/17. The most significant items of the forecast overspend comprise the following:

- £175k reduction in the major works carried out by the DLO in void properties and replacement boilers, decreasing the transfer to capital expenditure and increasing the revenue charge
- £50k staffing saving across the housing and tenancy teams, largely due to vacancies going unfilled for the early part of the year

4.4 There are budgeted revenue contributions to capital projects as follows for 2016/17.

<b>Description</b>	<b>Budget £'000</b>	<b>Forecast Outturn £'000</b>	<b>Variance £'000</b>
1 x Tipper Vehicle	24	24	0

4.5 The following works are expected to be funded from the Housing Maintenance Fund during 2016/17.

<b>Description</b>	<b>Budget £'000</b>	<b>Forecast Outturn £'000</b>	<b>Variance £'000</b>
Birchen Lane re-development	40	40	0
Palmerston Park	2,339	1,839	(500)
Queensway development	299	0	(299)
Burlescombe development	424	0	(424)
Stoodleigh development	223	0	(223)
	<b>3,325</b>	<b>1,879</b>	<b>(1,446)</b>

In addition, £25k is planned to be spent on sewage treatment works and funded by an earmarked reserve.

## **5.0 Major Repairs Reserve**

5.1 The Major Repairs Reserve had a nil balance at 31 March 2016. After this year's capital expenditure and funding of the Major Repairs Reserve the closing balance is forecast to be £0k. Whilst there is a forecast underspend of £115k on the Capital Programme relating to 'Major Repairs to Housing Stock' this will remain in the Housing Maintenance Fund for future reprioritisation.

## 6.0 Capital Programme

- 6.1 Capital projects by their very nature often overlap financial years. In some cases it is known from the outset that the construction of buildings may fall into 3 separate accounting years. The status of this year's capital programme is shown at Appendix G.
- 6.2 Committed and Actual expenditure is currently £6,744k against a budgeted Capital Programme of £15,710k. (Note this includes £7,669k of slippage rolled forward from 15/16). As projects often overlap financial years officers have given their best estimate of what is 'deliverable' in 16/17; this amounts to £10,583k (Note this has been reduced by £750k from the June monitoring to reflect the fact the land purchase & other associated costs for Waddeton Park is now unlikely to be concluded in 16/17). Committed and Actual expenditure will therefore be monitored against this & currently shows an uncommitted amount of £3,839k (£10,583k - £6,744k).
- 6.3 At this early stage in the year the forecast underspend amounts to £364k, £115k of this relates to major repairs to our housing stock and £130k for renewable energy projects, also associated with our housing stock; both these amounts will remain in their respective reserves for reprioritisation in future years. The remaining forecast underspend mainly relates to £105k associated with the replacement of waste vehicles; due to changes in the waste scheme 3 of the 5 large vehicles budgeted to be replaced can be replaced with smaller vehicles.
- 6.4 Currently the forecast slippage to carry forward to 17/18 amounts to £90k, this mainly relates to ICT projects for PC replacement £40k and Server upgrades £32k which are forecast to be completed in 17/18.

## 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:

	<u>£k</u>
Capital Earmarked Reserve at 1 April 2016	(567)
Funding required to support 2016/17 Capital Programme	285
<b>Forecast Balance at 31 March 2017</b>	<b><u>(282)</u></b>

## 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 2016	(1,442)
Net Receipts to date (includes 11 RTB's) <i>(forecast prior to completion of Q2 pooling return)</i>	(628)
<b>Current Balance</b>	<b>(2,070)</b>
Forecast further capital receipts in year	(500)
Forecast capital receipts to be applied in year	846
Forecast Unapplied Capital Receipts c/fwd. 31 March 2017	<b><u>(1,724)</u></b>

**8.2** Please note these balances on the Capital Contingency Reserve and the Capital Receipts Reserve are likely to be required to balance the 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 Receivable:

	Budget £k	Forecast outturn £k	Forecast variance £k
Investment Income Received	171	171	0
Interest from HRA funding	54	54	0
<b>Total Interest Receivable</b>	<b>225</b>	<b>225</b>	<b>0</b>

## **10.0 Conclusion**

10.1 Members are asked to note the revenue and capital forecasts for the financial year. Cost pressures and income trends will become more apparent as we progress through the year.

10.2 The Finance team are working with service managers to produce proposals for the policy development groups in the Autumn. As emerging trends develop in the current year any future impacts will be factored into next year's budgets.

**Contact for more information:**

Andrew Jarrett, 01884 23(4242)  
[ajarrett@middevon.gov.uk](mailto:ajarrett@middevon.gov.uk)

**Circulation of the Report:**

Cllr Peter Hare-Scott, Management Team