

FINANCIAL UPDATE FOR THE NINE MONTHS TO 31 DECEMBER 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): 1. 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
Revenue			
General Fund (see paragraph 3.2)	(2,211)	64	(2,147)
Housing Revenue Account (see paragraph 4.2)	(2,000)	0	(2,000)
Capital			
Major Repairs Reserve	0	0	0
Capital Receipts Reserve	(1,442)	(1,089)	(2,531)
Capital Contingency Reserve	(567)	239	(328)

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 £64k (a movement of £12k since an annual variance of £52k was reported for November) as shown at Appendix A. The most significant *service* movements this month comprise:

Reactive maintenance at EVLC & CVSC	£35k
Development Control fees & charges	(£27)k

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 the forecast variance of £255k 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 underspend of £255k in 2016/17, the most significant items of which comprise the following:

- £117k of savings across Housing Services, including significant staffing savings across several teams, largely due to vacancies going unfilled for the early part of the year as well as several smaller variances in operational areas
- £32k surplus is forecast on dwelling rent since this area is slightly ahead of target at this stage
- £61k saving forecast where the Learning Disability service ceased to operate and fewer than expected new alarms need to be purchased since stock levels are healthy

4.4 There are budgeted revenue contributions to capital projects as follows for 2016/17. This sum will be placed in an earmarked reserve at year end to meet the anticipated spend in quarter 1 2017/18.

Description	Budget £'000	Forecast Outturn £'000	Variance £'000
1 x Tipper Vehicle	24	0	24

4.5 The following works are expected to be funded from the Housing Maintenance Fund during 2016/17. Due to slippage on the projects detailed below it is anticipated that most of this funding will be required during 17/18.

Description	Budget £'000	Forecast Outturn £'000	Variance £'000
Birchen Lane re-development	40	52	12
Palmerston Park	2,339	0	(2,339)
Queensway development	299	0	(299)
Burlescombe development	424	0	(424)
Stoodleigh development	223	0	(223)
	3,325	52	(3,273)

In addition, £25k is planned to be spent on sewage treatment works and funded by an earmarked reserve. It is now anticipated this spend will slip into quarter 2 17/18.

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 £160k 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 £7,803k 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. Committed and Actual expenditure will therefore be monitored against this & currently shows an uncommitted amount of £2,780k (£10,583k - £7,803k).
- 6.3 At this stage in the year the forecast underspend amounts to £624k, £160k 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, £84k in relation to various ICT projects, £50k in relation to a land drainage scheme to be delivered by DCC & £163k in relation to the project to bring the Department of Work and Pensions into Phoenix House, which will be more appropriately be coded to revenue and funded in full from a contribution from Department of Work and Pensions.
- 6.4 Currently the forecast slippage to be carried forward to 17/18 amounts to £4,240k, this mainly relates to delays with the contractor for delivery of council house building projects at Palmerston Park and Birchen Lane amounting to £2,250k and replacement vehicles which will now be purchased during Q1 of 17/18 amounting to £1,153k, for further information on this detail please refer to Appendix G.

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 2016	(567)
Funding required to support 2016/17 Capital Programme	239
Forecast Balance at 31 March 2017	(328)

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 20 "Right to Buy" Council House sales)	(1,538)
Current Balance	(2,980)
Forecast further capital receipts in year	(350)
Forecast capital receipts to be applied in year	799
Forecast Unapplied Capital Receipts c/fwd. 31 March 2017	(2,531)

8.2 Please note the majority of these balances on the Capital Contingency Reserve and the Capital Receipts Reserve are required to balance the Medium Term Financial Strategy.

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)	(201)	(30)
Interest from HRA funding	(54)	(54)	0
Total Interest Receivable	(225)	(255)	(30)

10.0 Conclusion

- 10.1 Members are asked to note the revenue and capital forecasts for the financial year. Managers have been working hard to offset overspends, many unavoidable or unforeseen, with budget savings to deliver an outturn close to the budget.
- 10.2 The financial monitoring process has been important and the pressures and experience of the year to date fed into next year's budget forecasts to ensure that the budget set is both robust and realistic. Indeed, after budgetary cuts for a number of years, it is clear that a number of service areas are stretched in providing services to our community within existing budgetary provision.

**Contact for more
information:**

Andrew Jarrett, 01884 23(4242)
ajarrett@middevon.gov.uk

Circulation of the Report:

Cllr Peter Hare-Scott, Management Team