

**FINANCIAL UPDATE FOR THE FOUR MONTHS TO 31 JULY 2017**

**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 for the four months to 31<sup>st</sup> July 2017.

**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.

**Equality Impact Assessment:** It is considered that the impact of this report on equality related issues will be nil.

**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 2018. It embraces both revenue, in respect of the General Fund and the Housing Revenue Account (HRA), 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 of circa £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 2017/18

- 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 2018:

Usable Reserves	31/03/2017	Forecast in year movement	31/03/2018
	£k	£k	£k
<b>Revenue</b>			
General Fund (see paragraph 3.2)	(2,241)	73	(2,168)
Housing Revenue Account (see paragraph 4.2)	(2,000)	0	(2,000)
<b>Capital</b>			
Major Repairs Reserve	0	0	0
Capital Receipts Reserve	(2,438)	(1,640)	(4,078)
Capital Contingency Reserve	(471)	165	(306)

## 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 £2,241k as at 31/03/17.
- 3.2 The forecast General fund deficit for the current year is £73k (a reduction of £57k since the annual variance of £130k was reported for June) as shown at Appendix A. The most significant movements this month comprise:

Recycling Income	(£10k)
Additional amounts released from Earmarked Reserves to cover related expenditure	(£39k)

- 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 £217k surplus will increase 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 by £217k in 2017/18, the most significant items of which comprise the following:

- £162k of savings across Repairs & Maintenance, made up of the following
  - £120k surplus generated by the Direct Labour Operation (DLO) carrying out more adaptation work than planned
  - £42k of various staffing savings including apprentice vacancies
- £44k underspend across Housing and Tenancy Services, made up of a number of small underspends (less than £5k each) that make up this total amount

4.4 There are budgeted revenue contributions to capital purchases as follows for 2017/18.

<b>Description</b>	<b>Budget £'000</b>	<b>Forecast Outturn £'000</b>	<b>Variance £'000</b>
1 x Tipper Vehicle	32	24	(8)

4.5 The following works are expected to be funded from the Housing Maintenance Fund during 2017/18.

<b>Description</b>	<b>Budget £'000</b>	<b>Forecast Outturn £'000</b>	<b>Variance £'000</b>
Birchen Lane re-development	147	147	0
Palmerston Park	1,205	573	(632)
Queensway development	209	61	(148)
Burlescombe development	214	0	(214)
Stoodleigh development	223	0	(223)
Land Acquisition for Affordable Housing	1,851	251	(1,600)
	<b>3,849</b>	<b>1,032</b>	<b>(2,817)</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 2017. After this year's capital expenditure and funding of the Major Repairs Reserve the closing balance is forecast to be £0k.

## 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 £7,052k against a budgeted Capital Programme of £22,620k. (Note this includes £9,184k of slippage rolled forward from 16/17). As projects often overlap financial years officers have given their best estimate of what is 'deliverable' in 17/18; this amounts to £10,530k (note this forecast will have been refined further since last month's monitoring and been reduced by a further £435k, this is mainly related to ICT projects £220k and Private Sector Housing Grant projects £183k). Committed and Actual expenditure will therefore be monitored against this & currently shows an uncommitted amount of £3,478k (£10,530k - £7,052k).
- 6.3 The reduction in the approved Capital Programme to the 'deliverable' programme includes £5,114k in relation to the development project at the rear of the Town Hall which will now be delivered by the Special Purpose Vehicle Company (SPV).
- 6.4 At this early stage in the year there is a forecast underspend for 2017/18 of £32k, which relates to a vehicle no longer required this year; replacement will be factored into the Medium Term Financial Plan. Also at this stage there is no slippage predicted for 2017/18.

## 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:

	£k
Capital Earmarked Reserve at 1 April 2017	(471)
Funding required to support 2017/18 Capital Programme	165
<b>Forecast Balance at 31 March 2018</b>	<b>(306)</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 2017	(2,438)

Net Receipts to date (includes 12 "Right to Buy" Council House sales & sale of land at Station Yard & MSCP)	(2,194)
<b>Current Balance</b>	<b>(4,632)</b>
Forecast further capital receipts in year	(750)
Forecast capital receipts to be applied in year	1,304
Forecast Unapplied Capital Receipts c/fwd. 31 March 2018	<b>(4,078)</b>

- 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	(259)	(259)	0
Interest from HRA funding	(54)	(54)	0
<b>Total Interest Receivable</b>	<b>(313)</b>	<b>(313)</b>	<b>0</b>

## **10.0 Conclusion**

- 10.1** Members are asked to note the revenue and capital forecasts for the financial year. Managers are working hard to offset overspends, many unavoidable or unforeseen, with budget savings to deliver an outturn close to the budget.
- 10.2** The work undertaken to produce this monitoring information to 31<sup>st</sup> July 2017 will be used to inform the 18/19 Budget setting process and Medium Term Financial Plan that will be reported to the Cabinet meeting in October.

### **Contact for more information:**

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### **Circulation of the Report:**

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