

CABINET
26 October 2017

FINANCIAL UPDATE FOR THE SIX MONTHS TO 30 SEPTEMBER 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 six months to 30 September 2017.

2. The Cabinet approve bringing forward a sum of £45k in order to refurbish the dry side changing rooms, disabled toilets and shower rooms at Exe Valley Leisure Centre. (See para 6.6 below)

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.

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
Revenue			
General Fund (see paragraph 3.2)	(2,241)	181	(2,060)
Housing Revenue Account (see paragraph 4.2)	(2,000)	0	(2,000)
Capital			
Major Repairs Reserve	0	0	0
Capital Receipts Reserve	(2,438)	(1,423)	(3,861)
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 £181k (an increase of £108k since the annual variance of £73k was reported for July) as shown at Appendix A. The most significant movements this month comprise:

Vacant posts in Environmental Services	(£36k)
Net overspend forecast in Grounds maintenance	£43k
3 Rivers Development set-up costs	£20k
Salary underspend in Property services net of agency costs	(£21k)
Reduced income / increased costs in Market Walk	£50k
Recycling income	(£20k)
Utilities and maintenance in Leisure Facilities greater than budget	£58k
Planning fees above budget, partially offset by increased costs in Forward Planning	(£70k)
Development Control staff savings reported in July now expected to be spent in latter part of the year	£33k

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 £7k 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 £7k in 2017/18, made up of two deficits and several surpluses, the most significant of which comprise the following:
- £59k rent shortfall is due to dwelling rents being 0.5% behind target
 - £130k relates to major works since £2,405k is planned to be spent against the £2,275k budget
 - £76k of savings across Repairs & Maintenance, made up of the following
 - £60k surplus generated by the Direct Labour Operation (DLO) carrying out more adaptation work than planned
 - £16k of various staffing savings including apprentice vacancies
 - £43k underspend across Housing and Tenancy Services, made up of a number of small underspends that make up this total amount
- 4.4 There is a budgeted revenue contribution to capital purchases as follows for 2017/18.

Description	Budget £'000	Forecast Outturn £'000	Variance £'000
1 x Tipper Vehicle	32	21	(11)

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

Description	Budget £'000	Forecast Outturn £'000	Variance £'000
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)
	3,849	1,032	(2,817)

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 £7,975k 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. Committed and Actual expenditure will therefore be monitored against this & currently shows an uncommitted amount of £2,555k (£10,530k - £7,975k).
- 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 Now we are 6 months into the financial year, forecast (Underspends) and Overspends amount to a net forecast underspend of (£5,116k), this mainly relates to the project at the rear of the Town Hall referred to in para 6.3 above. Please refer to appendix G for a full breakdown.

- 6.5 Forecast slippage into 18/19 financial year has also been reviewed; this amounts to £7,144k. Of this £6,541k relates to council house build projects that will cross the financial year and land acquisition for affordable housing. Again please refer to appendix G for a full breakdown.
- 6.6 As part of the wider enhancement works being carried out at Eve Valley Leisure Centre the property team have suggested some essential maintenance work to refurbish the dry side changing rooms, disabled toilets and shower rooms programmed for next year be delivered in conjunction with exiting works in order to all be operational with effect from 1st January 2018. (See Cabinet recommendation 2 above)

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
Forecast Balance at 31 March 2018	(306)

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 13 "Right to Buy" Council House sales & sale of land at Station Yard & MSCP)	(2,241)
Current Balance	(4,679)
Forecast further capital receipts in year	(700)
Forecast capital receipts to be applied in year	1,518
Forecast Unapplied Capital Receipts c/fwd. 31 March 2018	(3,861)

- 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
Total Interest Receivable	(313)	(313)	0

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 30th September 2017 has been used to inform the 18/19 Budget setting process and Medium Term Financial Plan that is also being reported to this Cabinet meeting.

**Contact for more
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Circulation of the Report:

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