

## **REPORT TO RESOURCES SCRUTINY COMMITTEE**

**Date of Meeting: 24 November 2016**

## **REPORT TO EXECUTIVE**

**Date of Meeting: 6 December 2016**

## **REPORT TO COUNCIL**

**Date of Meeting: 13 December 2016**

**Report of: Assistant Director Finance**

**Title: OVERVIEW OF REVENUE BUDGET 2016/17**

### **Is this a Key Decision?**

No

\* One that affects finances over £1m or significantly affects two or more wards. If this is a key decision then the item must be on the appropriate forward plan of key decisions.

### **Is this an Executive or Council Function?**

Council

#### **1. What is the report about?**

- 1.1 To advise Members of the overall projected financial position of the HRA & General Fund Revenue Budgets for the 2016/17 financial year after six months and to seek approval for a number of supplementary budgets.

#### **2. Recommendations:**

It is recommended that Scrutiny Resources Committee and the Executive note the report and Council notes and approves (where applicable):

- 2.1 The General Fund forecast financial position for the 2016/17 financial year;
- 2.2 The HRA forecast financial position for 2016/17 financial year;
- 2.3 The additional supplementary budgets listed in Appendix C;
- 2.4 The outstanding Sundry Debt position as at September 2016;
- 2.5 The creditors' payments performance;

#### **3. Reasons for the recommendation:**

- 3.1 To formally note the Council's projected financial position and to approve additional expenditure required during the financial year.

#### **4. What are the resource implications including non financial resources.**

- 4.1 The impact on the General Fund working balance, HRA working Balance and Council Own Build working balance are set out in sections 8.3.6, 8.2.1 and 8.2.3 respectively.
- 4.2 A request for supplementary budgets totalling £466,000 has been included in the report. £438,000 of these budgets requests were approved by Council previously.

**5. Section 151 Officer comments:**

5.1 The report represents the projected financial position to 31 March 2017. In respect of the year end projections, there is an increase in the estimated take from the General Fund working balance. The variance is down to increased expenditure in a number of management units and will require careful management through the rest of the financial year. The HRA however is now projecting a transfer back to the working balance at year end.

**6. What are the legal aspects?**

6.1 There are no legal aspects to the report.

**7. Monitoring Officer's comments:**

7.1 This report clearly shows that overspends need to be carefully monitored and managed. Failure to meet income targets have, in practice, the same impact as an overspend.

**8. Report details:**

8.1 Financial Summary

<b>FUND</b>	<b>Planned Transfer (to) / from Working Balance</b>	<b>Budget Variance Over / (under)</b>	<b>Outturn Transfer 2015/16</b>
	<b>£</b>	<b>£</b>	<b>£</b>
General Fund	1,882,775	201,245	2,084,020
HRA	142,125	(339,878)	(197,753)
Council own Build Houses	(38,020)	3,000	(41,020)

8.2 Housing Revenue Account (Appendix A)

8.2.1 The latest projection shows a transfer to the working balance. The projected increase is £197,753 to leave the working balance at £7,266,423.

<b>Movement</b>	<b>2016/17</b>
Opening HRA Balance, as at 01/04/16	£7,068,670
Deficit	£197,753
<b>Projected balance, as at 31/03/17</b>	<b>£7,266,423</b>

8.2.2 The key variances are as follows:

Management Unit	Over / (Underspend)	Detail
Repairs & Maintenance Programme	(£272,500)	<ul style="list-style-type: none"> <li>• This represents a combination of forecast savings, most notably due to:               <ul style="list-style-type: none"> <li>- A projected £150k saving in respect of external painting and low maintenance works to flats and houses. This is Year 1 of a new 7 year cyclical programme and survey results indicate a lower than anticipated level of external repairs to properties scheduled for 2016-17. Savings have also arisen in scaffolding costs, whereby a wash programme was completed from ground level on blocks at Bennett Square, Manston Rd and Prince Charles Rd.</li> <li>- A reduction in asbestos survey costs following a change in contractor</li> <li>- The volume of fire risk assessments are lower than anticipated as they are pending the appointment of a new contractor from January '17. In the interim, priority fire risk assessments are being undertaken.</li> </ul> </li> </ul>

8.2.3 The Council's new properties at Rowan House and Knights Place form part of the overall Housing Revenue Account, but separate income and expenditure budgets are maintained in order to ensure that they are self-financing. There is a small projected variance to the projected surplus at the end of the first quarter.

<b>Movement</b>	<b>2016/17</b>
Opening Council Own Build, as at 01/04/16	£169,043
Surplus	41,020
<b>Projected balance, as at 31/3/17</b>	<b>£210,063</b>

### 8.3 General Fund (Appendix B)

8.3.1 The Service Committees show projected overspends of £492,851 against a revised budget of £14,562,649. The main variances are:

### 8.3.2 People Scrutiny Committee – (An overspend in total of £109,000)

Management Unit	Over / (Underspend)	Detail
General Fund Housing - Property	(60,000)	<ul style="list-style-type: none"> <li>Low turnover of Private Sector Leased properties is expected to result in both higher than budgeted rental income and savings in void repair costs. Reactive repairs are also lower as a result of referrals back to the landlord in accordance with the lease agreements.</li> </ul>
Revenue Collection/Benefits	150,000	<ul style="list-style-type: none"> <li>Reduced level of invoices resulting from Real Time Information updates and the Fraud and Error Reduction Initiative Scheme</li> </ul>

### 8.3.3 Place Scrutiny Committee – (An overspend in total of £443,911)

Management Unit	Over / (Underspend)	Detail
Cleansing Chargeable Services	85,500	<ul style="list-style-type: none"> <li>The overspend is due to income from the trade refuse and recycling services being below target, together with some increased transport expenditure.</li> </ul>
Recycling	50,700	<ul style="list-style-type: none"> <li>The forecast overspend is mainly due to a decrease in income received for recyclable materials.</li> </ul>
Car Parking	(98,630)	<ul style="list-style-type: none"> <li>Income from off street parking fees anticipated to exceed budget, partially offset by additional expenditure on equipment tools and materials.</li> </ul>
Planning Services	170,000	<ul style="list-style-type: none"> <li>Additional expenditure on legal and other costs associated with planning appeals including claim for costs award for planning appeal at Exeter Road, Topsham.</li> </ul>
Major Projects	£30,000	<ul style="list-style-type: none"> <li>The budget funds the legal team and property consultants engaged to deliver the property transactions required to bring forward the Bus &amp; Coach Station redevelopment. This work has ramped up this year and the initial budget was inadequate to meet these demands.</li> </ul>
Management Unit	Over /	Detail

	(Underspend)	
Markets & Halls	76,500	<ul style="list-style-type: none"> <li>Owing to a delay in the installation of the solar panels at the Matford Centre the income is anticipated to be below budget. In addition, income from ticket sales, and ancillary sales at the Corn Exchange, is below target, as is income from room bookings and business units at the Matford Centre.</li> </ul>
Museum Service	69,800	<ul style="list-style-type: none"> <li>After a transfer from reserves of £29k, the anticipated overspend of £41k is mainly due to the RAMM shop opening later than originally anticipated.</li> </ul>

#### 8.3.4 Corporate Scrutiny Committee – (An underspend in total of £60,060)

Management Unit	Over / (Underspend)	Detail
Property & Estates Services	(£67,120)	<ul style="list-style-type: none"> <li>The contingency budget in respect of the Asset Improvement and Maintenance Fund will not be fully spent in year.</li> </ul>
Corporate Property Assets	(£250,000)	<ul style="list-style-type: none"> <li>An underspend is anticipated on the Property Maintenance Fund budget.</li> <li>A request to carry forward the underspend will be made at year end to fund the next phase of the condition survey priorities.</li> </ul>
Grants/Cent Supp/Consultation	£70,000	<ul style="list-style-type: none"> <li>An overspend is anticipated on consultants fees budget in respect of Press &amp; Public Relations and Policy Support.</li> </ul>
IT Services	£74,200	<ul style="list-style-type: none"> <li>An overspend is anticipated relating to the budget payable to Strata Service Solutions. The Joint Executive Committee of Strata Service Solutions have advised that the planned saving is forecast to be lower than expected, and additional expenditure on agreed budgets has been charged to the general IT contract.</li> </ul>
Procurement	£78,300	<ul style="list-style-type: none"> <li>An overspend is forecast on this budget relating to Agency staffing.</li> </ul>

#### 8.3.5 Other Financial Variations

Other items	Over / (Underspend)	Detail
Net Interest	(150,000)	<ul style="list-style-type: none"> <li>Continued low interest rates and advice not to borrow longer term from our advisors mean a reduction in the spend on interest. An increase in the amount of interest provided to the HRA has reduced the General Fund position.</li> </ul>
Repayment of debt	(109,221)	<ul style="list-style-type: none"> <li>Lower than forecast need to borrow leading to a reduced repayment of debt calculation.</li> </ul>
Business Rates Growth	310,000	<ul style="list-style-type: none"> <li>The impact of paying back the deficit on the Collection Fund, which is fully covered by an amount set aside in Earmarked reserves for this purpose. Business Rates are currently projected to be as per the estimate.</li> </ul>

### 8.3.6 General Fund Balance

In 2016/17 it is projected that there will be an overall net contribution from the General Fund Balance of £2,084,020. The minimum requirement for the General Fund working balance was approved by Council in February 2016 at £3 million.

<b>Movement</b>	<b>2016/17</b>
Opening Balance, as at 01/04/16	£5,516,722
Deficit	(£ 2,084,020)
<b>Balance, as at 31/03/17</b>	<b>£3,432,702</b>

### 8.3.7 Supplementary Budgets

There is a requirement for further supplementary budgets in 2016/17. It is therefore proposed that General Fund supplementary budgets totalling £466,000, identified in Appendix C are approved in 2016/17.

8.3.8 £438,000 of additional budgets were approved by Council previously and are merely being reported in this report as a formal method of adding them to the budget. The Council has now committed all available funds up to the minimum level of reserves and must identify savings in order to approve any further expenditure.

8.3.9 The additional supplementary budgets being requested in this report are:

- £28,000 for the sleep safe initiative to provide accommodation for the homeless in periods of extreme temperatures.

## 8.4 OUTSTANDING SUNDRY DEBT

8.4.1 An aged debt analysis of the Council's sundry debts is shown in the table below. The latest data shown is to the end of August in order to demonstrate how for much of the debt, there is significant recovery in the two months after the data is run. This is due to the fact that our quarterly invoices are run just prior to the end of each quarter.

Age of Debt	March 2016	August 2016	November 2016
Up to 29 days (current)	£1,362,755	£370,261	£929,016
30 days – 1 Year	£1,923,474	£1,274,107	£1,389,548
1 – 2 years	£730,460	£1,172,225	£1,174,178
2 –3 years	£430,920	£406,840	£394,762
3 – 4 years	£258,353	£324,989	£356,987
4 – 5 years	£173,540	£165,598	£167,513
5 + years	£230,572	£265,882	£292,438
<b>Total</b>	<b>£5,110,074</b>	<b>£3,979,902</b>	<b>£4,704,442</b>

8.4.2 Of the outstanding debt, the table below sets out the split in aged debt between Housing Benefits and the rest of the services at the end of August 2016. Housing Benefits makes up two thirds of the outstanding sundry debt at the Council and owing to the circumstances of the debtors takes much longer to recover.

Age of Debt	Housing Benefits	Other Sundry Debt	Total
Up to 29 days (current)	£92,511	£836,505	£929,016
30 days – 1 Year	£642,768	£746,780	£1,389,548
1 – 2 years	£1,025,644	£148,534	£1,174,178
2 –3 years	£284,665	£110,097	£394,762
3 – 4 years	£209,748	£147,239	£356,987
4 – 5 years	£117,850	£49,663	£167,513
5 + years	£205,089	£87,349	£292,438
<b>Total</b>	<b>£2,578,275</b>	<b>£2,126,167</b>	<b>£4,704,442</b>

## 8.5 DEBT WRITE-OFFS

8.5.1 The following amounts have been written-off during 2016/17:

	2015/16 total	2016/17 (Qtr 2)
• Council Tax	£244,748	£101,731
• Business Rates	£533,862	£0
• Sundry Debt	£81,673	£42,549
• Housing Rents	£65,313	£12,296

## 8.6 CREDITOR PAYMENTS PERFORMANCE

8.6.1 Creditors' payments continue to be monitored in spite of the withdrawal of statutory performance indicator BVPI8. The percentage paid within 30 days was 93.90% for the first half of 2015/16 compared with 92.64% for 2015/16.

**9. How does the decision contribute to the Council's Corporate Plan?**

9.1 This is a statement of the projected financial position to the end of the 2016/17.

**10. What risks are there and how can they be reduced?**

10.1 The risks relate to overspending the Council budget and are mitigated by regular reporting to the Strategic Management Team and Members.

**11. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?**

11.1 Not applicable

**12. Are there any other options?**

12.1 Not applicable

**Assistant Director Finance**

**Local Government (Access to Information) Act 1972 (as amended)**

**Background papers used in compiling this report:-**

None

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