

## **REPORT TO RESOURCES SCRUTINY COMMITTEE**

**Date of Meeting: 23 March 2017**

## **REPORT TO EXECUTIVE**

**Date of Meeting: 11 April 2017**

## **REPORT TO COUNCIL**

**Date of Meeting: 25 April 2017**

**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 nine months and to seek approval for a supplementary budget.

#### **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 budget listed in Appendix C;
- 2.4 The outstanding Sundry Debt position as at December 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 a supplementary budget totalling £59,000 has been included in the report. It has been 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 a reduction in the estimated take from the General Fund working balance. The variance is down to increased income and reported underspends in a number of management units. The HRA is projecting a transfer back to the working balance at year end.

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

6.1 There are no legal issues identified .

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

7.1 **The Monitoring Officer has no comment to make.**

**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 2016/17</b>
	<b>£</b>	<b>£</b>	<b>£</b>
General Fund	2,348,775	(846,865)	1,501,910
HRA	142,125	(958,178)	(816,053)
Council own Build Houses	(38,020)	(6,000)	(44,020)

8.2 Housing Revenue Account (Appendix A)

8.2.1 The latest projection shows a transfer to the working balance. The projected increase is £816,053 to leave the working balance at £7,884,723.

<b>Movement</b>	<b>2016/17</b>
Opening HRA Balance, as at 01/04/16	£7,068,670
Deficit	£816,053
<b>Projected balance, as at 31/03/17</b>	<b>£7,884,723</b>

8.2.2 The key variances are as follows:

Management Unit	Over / (Underspend)	Detail
Housing Customers	(£25,500)	<ul style="list-style-type: none"> <li>A backdated refund has been received in respect of communal lighting electricity, due to over-estimated accounts.</li> </ul>
Sundry Land Maintenance	(£40,000)	<ul style="list-style-type: none"> <li>Significant progression of tree maintenance works is pending the appointment of a Housing Tree Officer in 2017-18, following Executive approval on 10 January 2017. In the interim, essential trees work are being undertaken as identified during routine surveys. A supplementary budget will be requested to carry forward these monies into 2017-18.</li> </ul>
Repairs & Maintenance Programme	(£320,000)	<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 £220k saving in respect of general reactive repairs which reflects the current pattern of reported faults; either reported by tenants or identified by Housing Customer Relation Officers when undertaking property inspections.</li> <li>- It is anticipated that £60k of the low maintenance and painting programme budget will need to slip into next financial year. Due to its listed status, the windows for Weirfield House need to be purpose made and the manufacturers are advising a 10 week delay. For this reason Executive approval will be sought to carry forward the under-spend into 2017-18.</li> </ul> </li> </ul>
Housing Assets	(£154,000)	<ul style="list-style-type: none"> <li>Predominantly reflects an £80k saving in respect of the stock condition survey following the outcomes of a tender process and slippage of £65k into 2017-18, as completion of the survey is expected to overlap financial years.</li> </ul>
Management Unit	Over /	Detail

	(Underspend)	
Rents	(£20,000)	• Reflects backdated rent increases in respect of lease agreements at Rennes House
Interest	(£100,000)	• A slight rise in interest rates coupled with higher than anticipated HRA balances (working balance, Major Repairs Reserve and capital receipts) is likely to result in additional investment income.

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 third quarter.

<b>Movement</b>	<b>2016/17</b>
Opening Council Own Build, as at 01/04/16	£169,043
Surplus	44,020
<b>Projected balance, as at 31/3/17</b>	<b>£213,063</b>

### 8.3 General Fund (Appendix B)

8.3.1 The Service Committees show projected underspends of £153,519 against a revised budget of £15,028,649. The main variances are:

#### 8.3.2 **People Scrutiny Committee – (An underspend in total of £14,950)**

Management Unit	Over / (Underspend)	Detail
Affordable Housing Development	(75,070)	• Work is progressing on the detailed business case for the formation of a new Development Company, but this work will continue into 2017/18. A supplementary budget will be requested in order to carry forward any underspend.
Management Unit	Over /	Detail

	(Underspend)	
Private Sector Housing	32,000	<ul style="list-style-type: none"> <li>Redundancy costs arising from the senior management restructure to be funded from the Redundancy Reserve</li> <li>Additional employee costs due to a successful JE appeal</li> <li>Lower than anticipated level of Houses of Multiple Occupation licence fees</li> </ul>
General Fund Housing - Property	(90,000)	<ul style="list-style-type: none"> <li>Low turnover of Private Sector Leased and Extralet 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	99,120	<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> <li>Redundancy costs to be funded from the Redundancy Reserve</li> <li>Staff savings due to vacancies during restructure</li> </ul>

**8.3.3 Place Scrutiny Committee – (An overspend in total of £127,821)**

Management Unit	Over / (Underspend)	Detail
Parks & Green Spaces	(108,770)	<ul style="list-style-type: none"> <li>Underspend on pay due to vacant posts.</li> <li>Additional income from disposal assets (vehicle &amp; plant sales less than £10k), S106 income and rental income from park properties.</li> </ul>
Assistant Directors	287,000	<ul style="list-style-type: none"> <li>Due to redundancy costs associated with the implementation of the Senior Management Re-structure</li> </ul>
Management Unit	Over /	Detail

	(Underspend)	
Street Cleaning	157,510	<ul style="list-style-type: none"> <li>• Projected overspend on pay budgets, this is partially offset by the pay underspend in Parks &amp; Green Spaces</li> <li>• The cost of Graffiti Cleaning is anticipated to exceed the budget. The overspend is expected on pay and materials.</li> <li>• There is an underspend expected on fleet budgets.</li> </ul>
Cleansing Chargeable Services	63,300	<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>
Car Parking	(501,370)	<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> <li>• The budget in respect of the transactions charges for paybyphone and credit cards will be exceeded.</li> </ul>
Arts & Events	69,200	<ul style="list-style-type: none"> <li>• The overspend is mainly due to increased expenditure associated with special events.</li> </ul>
Markets & Halls	51,000	<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	59,000	<ul style="list-style-type: none"> <li>• After a transfer from reserves of £29k, the anticipated overspend of £30k is mainly due to the RAMM shop opening later than originally anticipated.</li> </ul>
Contracted Sports Facilities	100,800	<ul style="list-style-type: none"> <li>• Revenue expenditure associated with the new sports centre complex has been brought forward into 2016/17 from future years. This will be funded from a transfer from reserves.</li> </ul>

#### 8.3.4 Corporate Scrutiny Committee – (An underspend in total of £266,390)

Management Unit	Over / (Underspend)	Detail
Property & Estates Services	(£127,050)	<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	(£533,000)	<ul style="list-style-type: none"> <li>An underspend is anticipated on the Property Maintenance Fund budget.</li> <li>A request to carry forward an element of this underspend will be made at year end.</li> <li>This is to fund essential priorities in accordance with the Corporate Property Maintenance Strategy.</li> </ul>
Grants/Cent Supp/Consultation	£70,000	<ul style="list-style-type: none"> <li>An overspend is anticipated on the consultants' fees budget in respect of Press &amp; Public Relations and Policy Support.</li> </ul>
Unapportionable Overheads	£201,000	<ul style="list-style-type: none"> <li>The overspend reflects the additional superannuation strain payments.</li> </ul>
Human Resources	(50,230)	<ul style="list-style-type: none"> <li>Expenditure on pay expected to be less than the budget. A request to carry forward this underspend will be made at year end.</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	£66,300	<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 £1,501,910. 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	(£ 1,501,910)
<b>Balance, as at 31/03/17</b>	<b>£4,014,812</b>

### 8.3.7 Supplementary Budgets

There is a requirement for a further supplementary budgets in 2016/17. It is therefore proposed that a General Fund supplementary budget totalling £59,000, identified in Appendix C is approved in 2016/17.



## 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 February 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	November 2016	February 2017
Up to 29 days (current)	£1,362,755	£929,016	£478,944
30 days – 1 Year	£1,923,474	£1,389,548	£1,114,238
1 – 2 years	£730,460	£1,174,178	£1,056,720
2 –3 years	£430,920	£394,762	£476,815
3 – 4 years	£258,353	£356,987	£361,651
4 – 5 years	£173,540	£167,513	£194,923
5 + years	£230,572	£292,438	£313,361
<b>Total</b>	<b>£5,110,074</b>	<b>£4,704,442</b>	<b>£3,996,652</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 3)
• Council Tax	£244,748	£361,329
• Business Rates	£533,862	£0
• Sundry Debt	£81,673	£43,635
• Housing Rents	£65,313	£64,835

## 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 94.22% for the first nine months 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

Contact for enquires:

Democratic Services (Committees)

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