

EXECUTIVE COMMITTEE

6th June 2017

Finance Monitoring Outturn 16/17

Relevant Portfolio Holder	Councillor John Fisher, Portfolio Holder for Corporate Management.
Relevant Head of Service	Jayne Pickering
Wards Affected	All Wards
Ward Councillor Consulted	N/A
Non Key Decision	

1. SUMMARY OF PROPOSALS

This report details the Council's final financial position for 2016/17 for both General Fund and Housing Revenue Account

2. RECOMMENDATIONS

The Executive Committee is asked to recommend to Council:

- 2.1 That the financial position on Revenue and Capital for the financial year 2016/17 as detailed in the report and the transfer to balances £348k as at 31st March 2017 is noted.
- 2.2 Approval of the movements of £170k in existing General Fund reserves as included in Appendix 4 which reflects the approval required for April - March 2017.
- 2.3 Approval of the addition of new General Fund reserves of £557k as included in Appendix 4. This reflects the approval required for April - March 2017
- 2.4 Approval of the movements of £540k in existing HRA reserves as included in Appendix 2 which reflects the approval required for April - March 2017.

3. KEY ISSUES

- 3.1 This report provides details of the financial information across the Council. The aim is to ensure officers and members have relevant information to consider the overall financial position of the Council. The report reflects the finances across the Strategic Purposes to enable Members to be aware of the level of funding attributed to these areas and how this compares to budget. The summary shows the financial position for General Fund revenue funding for the period April – March 2016/17. In addition Appendix 2 shows the HRA year-end position 2016/17.

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- 3.2 The information at Appendix 1 shows the breakdown of the Strategic Purposes to detail the services that have been included in each Purpose. The aim is to demonstrate the individual services that link to the overall strategic funding position.

Revenue Budget Summary – Overall Council Financial Year 2016/17
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Please note figures have been rounded

Strategic Purpose	Original Budget £'000	Annual budget £'000	Actuals £'000	Variance £'000
Keep my place safe and looking good	3,755	5,094	4,582	-512
Help me run a successful business	-116	8	-40	-47
Help me be financially independent	558	531	58	-473
Help me to live my life independently	406	410	381	-29
Help me find somewhere to live in my locality	1,202	1,208	1,235	27
Provide Good things for me to see, do and visit	2,346	1,382	1,487	105
Enable others to work/do what they need to do (to meet their purpose)	7,781	7,520	7,458	-61
HRA Recharge	-3,965	-4,747	-3,760	987
Totals	11,965	11,405	11,401	-4
Corporate Financing	-11,965	-11,405	-11,750	-344
Totals	0	0	-348	-348

Financial Commentary:

There are a number of significant variances in the outturn position that are detailed in Appendix 1 across the strategic purposes. The summary above shows the overall position for the Council and the main variations are as a result of:

Keep my place safe and looking good

There has been additional income generated from planning applications, bulky waste, work recharged to Worcestershire County Council and an increase in cremations earlier in the day.

The total additional income generated was over £308k. This is as a result of the work of the teams undertaking more proactive marketing and ensuring the services are delivered in an efficient and commercial way. In addition savings have been realised from proactive maintenance in previous years, energy costs and an element of vacancy management.

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Help me run a successful business

There has been a steady increase in licensing income throughout the year to result in additional income of £90k generated to that originally anticipated.

Help me be financially independent

The majority of this variance relates to the benefit subsidy which cannot be readily determined for projection in a financial year and therefore shows a variance to that anticipated. In addition the overpayment income is £60k higher than that expected due to the additional work the team have undertaken; there is a bad debt provision in place to support any irrecoverable debt.

Help me to live my life independently

The Early Help service has generated additional income in relation to the services provided

Help me find somewhere to live in my locality

The overspend to budget reflects the cost associated with the interest free lifetime loans that the Council has entered into over the last number of years.

Provide Good things for me to see, do and visit

There are significant shortfalls in income generated due to the sports centres and golf club not achieving the expected income. The recent works to improve capacity at the Abbey Stadium has started to show increase in usage and this should ensure that current members are retained along with new membership generated. Officers continue to review the position with the aim to make the service as efficient as possible whilst securing income. The Palace Theatre generated additional income of £70k which has helped to support the deficits in the other services

Enable others to work/do what they need to do (to meet their purpose)

There has been an increase in income from the property portfolio owned by the Council of £30k together with savings from utility and contract charges of £75k.

Additional income has been received from legal service contract work of £10k and savings made on training of £38k whilst the skills matrix has been developed as a result of the staff survey.

As part of the budget setting a saving is identified to be realised from management of vacancies across the Council. For 2016/17 this was £245k and has been reallocated from corporate management to the strategic purposes based on a proportion of the underspend in the area.

HRA Recharge

The overspend on the HRA recharge relates to the shortfall in income recovered from the HRA in relation to pension contributions to the General Fund. There was a financial accounting error made in the recharge calculation and the budget for income received from the HRA was increased by £900k incorrectly without the corresponding cost on the HRA. Therefore the HRA has paid the due amount of £3.9m not the £4.8m as included in the budget allocations. This issue had been identified by the finance team when undertaking the year end processes and the auditors have been advised. New processes are in place to ensure this issue does not repeat in the future. This shortfall has been met by other savings in 2016/17 and officers are currently addressing the impact into 2017/18.

Corporate Financing

The projected saving on borrowing costs of £125k has materialised due to slippage on the capital programme. In addition there has been a repayment made from the Business Rates Pool and other grants and receipts received of approximately £200k.

A more commercial approach has been taken in generating income for 2016/17, particularly in the last quarter of the year. In total for 2016/17 £568k of additional income has been generated from that originally estimated.

The efficiency plan has a number of savings to be delivered in 2017/18 and the additional income and efficiencies in 2016/17 will be considered to ensure that any future years reductions in budget can be met by the income generated in 2016/17.

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As a result of the savings made a number of reserves have been set aside for specific projects to improve the services and community infrastructure. These include:
£150k to further support the locality enhancements across the Borough,
£100k to support improvements to the resilience of our information technology systems to ensure the Council is not vulnerable to system attack as has recently been seen in the NHS and other organisations,
£50k to provide specialist support to enable the Council to further enhance its commercial skills and expertise to be able to generate income to mitigate the impact of financial pressures in the future.

Capital Budget Summary – Overall Council Financial Year 2016/17

3.4

Strategic Purpose	Annual budget £'000	Actuals £'000	Variance £'000
Keep my place safe and looking good	4,868	2,228	-2,640
Help me to live my life independently	987	485	-502
Help me find somewhere to live in my locality	10,859	8,991	-1,868
Provide Good things for me to see, do and visit	516	372	-144
Enable others to work/do what they need to do (to meet their purpose)	160	74	-86
Totals	17,390	12,150	-5,240

Financial Commentary:

As projected in quarter 3 there will be budgets to carry forward into the next financial year 2017/18 within the strategic purpose 'keep my place safe and looking good' on the Crematorium Enhancements, the Town landscape and Locality Capital projects budgets. These schemes have been delayed and are expected to be completed in 2017/18. There is also a large underspend within this strategic purpose on the vehicle replacement programme. This is due to a delay for vehicles from suppliers due to their demand. It is proposed that the underspends will be carried forward to 2017/18 to enable the capital projects and vehicle replacement to be undertaken.

The other significant underspends are within the schemes delivered within the HRA planned programme of works which will be also be carried forward to 2017/18. This relates to the underspend within 'Help me find somewhere to live in my locality'.

Housing Revenue Account

3.6 Appendix 2 details the financial position for the Housing Revenue Account (HRA) for the year April – March 2017. The rental income shows a shortfall of £294k due to an increase in the number of Right to Buy sales following relaxation of the discount rules.

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There are other significant variations on the following services:

Repairs and maintenance:

- Extremely high demand for ad hoc property repairs
- Debt write off of unpaid historic invoices to tenants for past repair works
- A number of void properties requiring costly repair works

Supervision & Management (S&M):

- Redundancy costs
- Job Evaluation implementation salary costs funded from the JE provision of £300k
- An increase in the allocation split between GF and HRA for HRA pension costs
- Agency staff costs to cover vacant posts

Depreciation:

- An increase in depreciation costs due to the introduction of new rules on how depreciation is calculated (componentisation)

Revenue Contribution to capital outlay (RCCO):

- Purchase of new housing stock to replace properties sold under Right to Buy

Appendix 2 also details the transfers to and from reserves.

Treasury Management

- 3.7 The Council's Treasury Management Strategy has been developed in accordance with the Prudential Code for Capital Finance prudential indicators and is used to manage risks arising from financial instruments. Additionally treasury management practices are followed on a day to day basis.

Credit Risk

- 3.8 Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Credit risk is minimised by use of a specified list of investment counterparty criteria and by limiting the amount invested with each institution. The Council receives credit rating details from its Treasury Management Advisers on a daily basis and any counterparty falling below the criteria is removed from the list.
- 3.9 At 31st March 2017 there were no short term investments held.

Income from investments

- 3.10 An investment income target of £4k has been set for 2016/17 using a projected rate of return of 0.25 %.

General Fund Balances

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- 3.11 The General Fund Balance as at the 31st March 2016 is £2.024m. A balanced budget was approved in February 2016 to include identified savings which have been built into individual budget allocations. This also included a planned use of balances for 2016/17 of £477k. The addition of the underspend will increase balances to £1.89m

Legal Implications

- 3.12 No Legal implications have been identified.

Service/Operational Implications

- 3.13 Managers meet with finance officers on a monthly basis to consider the current financial position and to ensure actions are in place to mitigate any overspends.

Customer / Equalities and Diversity Implications

- 3.14 No direct implications as a result of this report.

4. RISK MANAGEMENT

The financial monitoring is included in the corporate risk register for the authority.

5. APPENDICES

Appendix 1 – Strategic purposes financial position April – March 2016/17
Appendix 2 – HRA Monitoring April – March 2016/17
Appendix 3 – Revenue Budget Reconciliation
Appendix 4 – Earmarked Reserves

6. BACKGROUND PAPERS

None.

AUTHOR OF REPORT

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