

Key Decision Required:	Yes	In the Forward Plan:	Yes
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## CABINET

9 SEPTEMBER 2016

### REPORT OF FINANCE, REVENUES AND BENEFITS PORTFOLIO HOLDER

#### **A.3 CORPORATE BUDGET MONITORING REPORT FOR THE FIRST QUARTER OF 2016/17**

(Report prepared by Richard Barrett)

#### **PART 1 – KEY INFORMATION**

##### **PURPOSE OF THE REPORT**

To provide an overview of the Council's actual financial position against the budget as at the end of June 2016 and to set out budget adjustments required in 2016/17.

##### **EXECUTIVE SUMMARY**

- The Council's financial position against the approved budget has been prepared for the period to the end of June 2016 and is the first such report for 2016/17.
- It is relatively early in the financial year and therefore some expenditure or income trends may still be emerging. However any significant issues arising to date have been highlighted and comments provided as necessary.
- The position to the end of June 2016, as set out in more detail in the Executive Summary attached, shows that overall the actual General Fund Revenue position is behind the profiled budget by **£3.025m**. After allowing for significant one-off budgets such as the Fit for Purpose Budget where commitments or decisions are still to be made, the position is revised to **£0.931m** behind the profiled budget. At this stage in the year, the variance to the end of June primarily reflects the timing of expenditure and income although as previously mentioned, underlying trends may emerge over the next quarter.
- In respect of other areas of the budget such as the Housing Revenue Account, Capital Programme, debt recovery, treasury activity and LCTSS / council tax there are no significant issues that have been identified to date. At the end of June there is an unfavourable position emerging against business rate income although it is expected that this should reverse to a large extent over the remainder of the year once new developments are reflected in the rating list.
- Any emerging issues will be monitored and updates provided in future budget monitoring reports along with their consideration as part of the Financial Strategy and budget setting framework for 2017/18 where a longer term response may be required.
- The budget monitoring process continues to form a fundamental element of supporting the forecast for future years through the identification of savings that can be 'banked' as the year progresses rather than just as part of the annual budget setting cycle. This enables the medium term forecast to be updated on an on-going

basis with the savings identified being available to support the future year's budget. The approach established in previous years therefore continues, although given a cost pressure arising in respect of planning inquiry costs, a favourable variance at the end of June 2016 is proposed on being used to support this issue rather than be transferred to the Building for the Future Reserve.

- Other emerging issues have also arisen that require budget adjustments and/or specific recommendations with further details highlighted below.
- The appendices reflect both the revised organisational restructure and portfolio structure. Although budgets have been reallocated to a revised department / portfolio, there are a limited number of budgets that will need to be split out with the timeliest opportunity to do this being the revised budget process over the autumn. This does not have a direct impact on the budget monitoring process as emerging issues will be highlighted where necessary regardless of where they may appear in the structure.

## **RECOMMENDATION(S)**

**It is recommended that:**

- (a) the financial position as at the end of June 2016 is noted;**
- (b) the 2016/17 budget is amended via the transfer of up to £0.150m from employee budgets to a planning inquiry budget to meet this cost pressure which has emerged during the first quarter of 2016/17;**
- (c) delegation be given to the Head of Finance, Revenues and Benefits to amend the 2016/17 budgets to reflect the IT service being brought in-house from April 2016 with no net impact on the Council's overall budget and;**
- (d) delegation be given to the Head of Finance Revenues and Benefits in consultation with the Finance, Revenues and Benefits Portfolio Holder, to accept the Government's 4 year revenue support grant offer, via the submission of an efficiency plan, if favourable to the Council.**

## **PART 2 – IMPLICATIONS OF THE DECISION**

### **DELIVERING PRIORITIES**

Effective budgetary control is an important tool in ensuring the financial stability of the authority by drawing attention to issues of concern at an early stage so that appropriate action can be taken. Financial stability plays a key role in delivering the Council's corporate and community aims and priorities.

### **FINANCE, OTHER RESOURCES AND RISK**

#### **Finance and other resources**

The financial implications are considered in the body of the report.

#### **Risk**

A number of variances will be subject to change as the year progresses although at this stage it is expected that any adverse position can be managed within the overall budgets. The budget position will be monitored and reviewed as part of both the future budget monitoring arrangements and Financial Strategy Processes.

## LEGAL

The Local Government Act 2003 makes it a statutory duty that Local Authorities monitor income and expenditure against budget and take appropriate action if variances emerge.

## OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

There are no direct implications arising from this report.

## PART 3 – SUPPORTING INFORMATION

### BACKGROUND

The Council's financial position against the approved budget has been prepared for the period ending 30 June 2016.

As this is the first such report on the Council's financial position against the budget for 2016/17, some expenditure or income trends may still be emerging as it is still relatively early in the financial cycle. However comments are provided below where necessary.

### GENERAL FUND REVENUE

The position to the end of June 2016, as set out in more detail in the Executive Summary attached, shows that overall the actual position is behind the profiled budget by **£3.025m**.

After allowing for significant / one-off budgets such as the Fit for Purpose Budget where commitments or decisions are yet to be made, this position is revised to **£0.931m** behind the profiled budget with further details as follows:

<b>Variance As Set out In Executive Summary</b>	<b>(£3.025m)</b>
<b><i>Less Variances to date for Significant / One-off Budgets</i></b>	
Fit For Purpose	£0.416m
Contingency	£0.088m
New Homes Bonus	£1.264m
Local Plan	£0.326m
<b>Variance Excluding Significant / One-off Budgets</b>	<b>(£0.931m)</b>

After further excluding the variance for employee costs of **£0.319m**, which is covered separately below, the remaining net variance is **£0.612m**

As set out in the appendices, a considerable element of this remaining variance is due to the timing of expenditure and income or where commitments / decisions have yet to be made.

**Appendix B** provides further narrative around variances with the following providing highlights worth noting at the end of June 2016:

## **EXPENDITURE BUDGETS**

### **Salaries / Employee Costs**

Overall employee expenses are behind profile by **£0.319m**.

As discussed during last year, services continue to challenge how they deliver their services so opportunities are taken to further review staffing levels, such as when vacancies exist, rather than automatically recruit on a like for like basis. Although the above variance will not directly translate into on-going budget reductions, it does include one-off savings from vacancies over the first quarter of the year.

To support an emerging cost pressure relating to the cost of an on-going planning inquiry, it is proposed to use up to **£0.150m** of this favourable position to support this emerging cost pressure with details set out further on in this report.

## **INCOME BUDGETS**

Additional details around the Council's most significant areas of income are set out in **Appendix H**, which reflects an overall favourable position after taking into account a few areas where income remains behind profile to date.

Income from parking is broadly in line with the budget at the end of June although income for the important months of July and August has yet to be reflected in the financial position. Income for these two months will be included in the next quarter's monitoring report which will then give a very good indication of the performance of the revised residents parking scheme in 2016/17 which at this stage look encouraging.

## **OTHER BUDGETS**

### **LCTSS, Council Tax and Business Rates**

Additional Information relating to the Local Council Tax Support Scheme (LCTSS), council tax and business rates is included in **Appendix I**.

There are no significant issues to highlight at the present time in terms of the position at the end of June 2016 for both the LCTSS and council tax income. However in respect of business rates, the level of income received to date is lower than expected which is due to a number of factors such as the on-going impact from appeals and where there is an interim phase between properties being removed from the rating list whilst sites are redevelopment. This is a key element of the Council's core funding and will be kept under review with updates provided later in the year as part of the financial strategy process.

## **2016/17 BUDGET ADJUSTMENTS/ ISSUES**

Following events and activities that have occurred in the first quarter of the year it is necessary to adjust a number of budgets and / or set out specific recommendations for the items set out below:

- **IT Budgets** – following the decision to bring the IT service back in-house, the 2016/17 budget reflected the expected savings at a summary level rather than across detailed budget lines such as employee and supplies and services costs. Therefore it is now necessary to make the required changes to reflect the more detailed position. A delegation is therefore included in the recommendations above to enable the Head of Finance, Revenues and Benefits to make the necessary changes with no net overall impact on the budget.
- **Planning Inquiry Costs** – Costs are now being incurred in respect of a planning inquiry. Although the process remains on-going, early forecasts indicate that the costs of the inquiry could be in the region of **£0.150m**. As mentioned earlier on in this report, it

is proposed to use the favourable position against employee costs to support this emerging cost pressure with a recommendation set out above.

- As part of the Government's financial settlement announcements last year, they provided 4 year revenue support grant amounts. Although there were no guarantees, they indicated that these would be minimum amounts that would be paid to Local Authorities if they formally accepted the 4 year funding offer and submitted their efficiency plans by October 2016. There does not seem to be any obvious disadvantage to accepting the Government's minimum funding offer and at this stage it is proposed to respond to them on this basis. Discussions remain on-going in terms of what the Government expect efficiency plans to include but this will be reviewed before formally accepting the offer or not. To ensure that the Council retains the flexible to react to any emerging guidance, a recommendation is included above that seeks a delegation to the Head of Finance, Revenues and Benefits in consultation with the Finance, Revenues and Benefits Portfolio Holder to formally accept the Government's offer if favourable to the Council, via the submission of an efficiency plan.

#### **HOUSING REVENUE ACCOUNT – REVENUE**

An overall position is set out in the Executive Summary with further details included in **Appendix C**.

As at the end of June 2016, the HRA is **£0.476m** behind the profiled budget with no significant issues to highlight to date as this largely reflects the timing of expenditure such as the maintenance and repairs to the tenant's properties.

#### **CAPITAL PROGRAMME – GENERAL FUND**

The overall position is set out in **Appendix D**.

As at the end of June 2016 the programme is behind profile by **£0.038m**.

Where schemes are currently being delivered, additional information is provided within the appendix. Given the lead in time to some schemes, some capital projects are subject to development and detailed procurement processes for example, with additional information planned on being provided in future budget monitoring reports as they progress. There are no significant issues to highlight at the present time with additional comments set out in **Appendix D**.

#### **CAPITAL PROGRAMME – HOUSING REVENUE ACCOUNT**

As at the end of June 2016 the programme is behind profile by **£0.014m**.

This budget relates primarily to the on-going major repairs and improvements to the Council's own dwellings. There are no specific issues to highlight at this stage and the expectation is that expenditure / commitments will be broadly in line with the budget over the course of the year as work is progressed and procurement processes completed.

#### **CORPORATE DEBT**

A detailed analysis of the current position is shown in **Appendix E**.

There are no significant issues to highlight at the present time. Income will continue to be

collected over the remainder of the year with recovery arrangements and action taken as necessary.

#### **TREASURY ACTIVITY**

A detailed analysis of the current position is shown in **Appendix F**

There are no significant matters to highlight at the June with investment and borrowing activity on-going in line with the Treasury Strategy and associated practices / requirements.

However given the recent reduction in the bank base rate, the full annual budget for income from investments is unlikely to be achieved in 2016/17. With no likely significant increases expected in the immediate future, this issue will need to be reviewed as part of the Financial Strategy process for 2017/18 along with exploring alternative investment opportunities where possible.

#### **BACKGROUND PAPERS FOR THE DECISION**

None

#### **APPENDICES**

Front Cover and Executive Summary

Appendix A – Summary by Portfolio / Committee  
Appendix B – General Fund Budget Position by Department  
Appendix C – Housing Revenue Account Budget Position  
Appendix D – Capital Programme  
Appendix E – Corporate Debt  
Appendix F – Treasury Activity  
Appendix G – Income from S106 Agreements  
Appendix H – Significant Fees and Charges  
Appendix I – LCTSS, Council Tax and Business Rates