

**Ward:** ALL

**Portfolio:** Finance

**REPORT AUTHOR(S):** Corporate Meeting Date: 23<sup>rd</sup> May 2016  
Finance

**SUBJECT:** 2015/16 Quarter 4 Budget Monitoring and Outturn Report

<b>Report Sign off</b>	<b>Seen by:</b>	<b>Name</b>	<b>Date</b>
	Legal	CMT	12 May 2016
	Finance	Duncan Moss	12 May 2016
	Procurement	N/A	
	Corporate Manager	CMT	12 May 2016
	Portfolio Holder	Cllr Parham	12 May 2016
	Ward Member(s)	All	
<b>Summary:</b>	<p>The report outlines the Budget Outturn position for 2015/16 and requests for Earmarked Reserves as part of the year end process. The figures, once approved will form an important element of the Statement of Accounts which is due for completion before 31<sup>st</sup> May 2016, prior to the visit of our external auditors in early June. It should be noted that this is a month earlier than previously undertaken as prepare for the implementation of the reduced timeframe in 2017/18.</p>		
<b>Recommendations:</b>	<p><b>Members are asked to note:</b></p> <ul style="list-style-type: none"> <li>• the contents of the report, including the final Net Outturn Revenue position for the year showing a deficit of £260k (Appendix 1a and 1b) and the implications for the authorities reserves position.</li> <li>• the achievement against the 2015/16 budgeted savings proposals in year (Appendix 3)</li> <li>• the Capital outturn figures showing a £473k underspend (Appendix 4a and 4b)</li> <li>• the level of Aged Debt as at 31<sup>st</sup> March 2016 (Appendix 5a and 5b)</li> <li>• the in-year collection levels for both Council Tax and NNDR.</li> <li>• The levels and return on the cash investments.</li> </ul> <p><b>Members are asked to approve:</b></p> <ul style="list-style-type: none"> <li>• the specific revenue earmarked reserves totalling</li> </ul>		

	<p><b>£5,676k (Appendix 2).</b></p> <p>Approval to drawdown the identified amounts anticipated to be spent in 2016/17 budget will be included within the quarterly budget monitoring reports.</p> <ul style="list-style-type: none"> <li>• <b>Carrying forward Capital Approvals where the capital spend is planned in later years.</b></li> </ul> <p>The quarterly budget monitoring reports will detail the anticipated to be spent in 2016/17.</p>
<p><b>Direct and/or indirect impact on service delivery to our customers and communities:</b></p>	<p>The Outturn Report indicates how the council's resources have been used to support the delivery of budgetary decisions. The Medium Term Resource Strategy (MTRS) sets the funding for the District's Corporate Plan and the use of those funds is then monitored throughout the year to ensure delivery of Council objectives and actions.</p> <p>The financial health of the Council may impact on all priorities when the Council needs to make funding decisions for future years.</p>
<p><b>Legal Implications:</b></p>	<p>None as a direct result of this report.</p>
<p><b>Financial Implications:</b></p>	<p>A surplus or deficit on the revenue budget will impact on the Council's general balances. The Council's financial position will be constantly reviewed to ensure its continued financial health.</p> <p>The net Outturn position is for a minor deficit against the budget, after the approval of earmarked reserve requests.</p>
<p><b>Value for Money:</b></p>	<p>The Medium Term Resource Strategy and budget monitoring process are fundamental elements in the Council's ability to demonstrate and achieve value for money in its operations.</p>
<p><b>Equalities Implications:</b></p>	<p>None as a direct result of this report.</p>
<p><b>Risk Assessment and Adverse Impact on Corporate Actions:</b></p>	<p>General Fund balances are forecast to remain relatively strong. However, Members will be aware that the Council continues to face a financially difficult and uncertain future. In recognition of this fact, the Council has made provisions in the form of earmarked reserves to mitigate specific issues going forward; these are detailed in the body of the report.</p> <p>Robust monitoring procedures enable officers to highlight major financial risks on a timely basis that can be incorporated in the report, and officers are already working with the Cabinet to address the budget pressures going forward.</p>
<p><b>Scrutiny Recommendation</b></p>	<p>N/A</p>

## INTRODUCTION

1. This report provides Members with details of the Budget Outturn position for the 2015/16 financial year.
2. The aim is to keep a tight control on spending on services within a flexible budget management framework, allowing budget holders to manage savings within controllable budgets to help mitigate budget pressures and thus contain or minimise a budget deficit for the Council as a whole.
3. Members should note that officers have identified areas where the carry-forward of some unspent ring-fenced budgets (through the use of earmarked reserves) may be necessary.
4. Members are asked to consider the finance position reported and approve these reserve movements and further detail on these proposed transfers and the effect of these is shown in this report.

## OPTIONS CONSIDERED AND REASONS FOR REJECTING THEM

5. No formal options appraisal is applicable to this report.

## CONSULTATIONS

6. The individual service content within this report has been considered by Team Managers, Corporate Finance and Corporate Management Team prior to submission with ongoing briefings of Portfolio Holders.

## REVENUE BUDGET SUMMARY

### Revenue Budget Position Statement

	<b>Working Budget 2015/16 £000</b>	<b>Actual Net 2015/16 £000</b>	<b>(Under)/ Overspend 2015/16 £000</b>
Governance and Resources	7,208	7,024	-185
Access to Services	2,967	2,088	-879
Corporate Management	1,720	1,426	-294
Built Environment	3,225	3,278	53
Regulatory Services	414	406	-8
<b>Cost of Group Services</b>	<b>15,535</b>	<b>14,222</b>	<b>-1,313</b>
Non Service Costs	-16,036	-15,878	158
Contribution To/(from) Reserves	501	0	-501
<b>Gross Underspend</b>	<b>0</b>	<b>-1,656</b>	<b>-1,656</b>
New Earmarked Reserve Requests			1,916
<b>Outturn Deficit</b>			<b>260</b>

7. The table above shows a summary of the provisional year-end position. This can be found in more detail within **Appendix 1a**. Taking into account the impact of earmarked reserve requests, this is a net over spend of £260k.
8. The actual outturn position can be broken down into controllable variances and non-controllable. Non-controllable variances include legislative changes and accounting adjustments (capital depreciation costs etc.). The controllable variances above £10k are included within **Appendix 1b**.
9. Members will be aware that during the year various approvals have been given to transfer money into the budget. This moved the original budget but had no overall effect on bottom line as these were approved Earmarked Reserve drawdown's.
10. The table below lists the movements in budget:

	<b>£'000's</b>
Drawdown from Earmarked Reserves approved in 2014/15 outturn	1,100
Enforcement Officers (2 Temp positions)	120
Local legacy Funding 2015/16	200
Total Drawn Down from Earmarked Reserves	(1,420)
<b>Total Budget Movement</b>	<b>0</b>

### **Transfers to Earmarked Reserves**

11. Members should be aware that, as in previous years, officers are seeking approval to carry forward under spent budgets to the 2016/17 financial year and beyond through the use of Earmarked Reserves.
12. Corporate Finance and CMT have reviewed the individual earmarked reserve requests against the following criteria and recommend their approval:
  - Does the request have a specific purpose with a specific timescale?
  - Does the request concern monies held on behalf of other parties?
  - Is the request reasonable and achievable within resources?
13. **Appendix 2** details all Earmarked Reserve requests which total £5,676k broadly under the key priorities headings. Of these, £3,761k has been previously approved leaving £1,916k of new requests. Members are asked to consider all the Earmarked Reserves and approve both the continuation of existing reserves and the new requests.

### **General Balances**

14. The table below details the impact of the outturn position on the balances of the Council. The level of general balances remains higher than the S151 Officer's recommended minimum balance of £1.5m as stated in the Medium Term Resource Strategy agreed by Full Council on 25<sup>th</sup> February 2016. The Council (in common with other public bodies) continues to face a difficult financial climate, therefore, it is prudent to retain robust balances to smooth the potential effect to the tax payer of further cuts.

15. The level of Earmarked Reserves in this statement further supports the forward planning of the organisation. This approach to financial management will help to deliver our corporate priorities during the short to medium term whilst mitigating the effect of any future cuts in central government funding as we move towards becoming a self-financing organisation.

Description	General Fund	Earmarked Reserves
<b>Balance as at 31st March 2015</b>	<b>-£2,123,830</b>	<b>-£5,180,554</b>
Total Earmarked Reserves Drawdowns		£1,419,982
Gross Revenue Underspend	-£1,655,959	
Contribution to New Homes Funding	£501,090	-501,090
New Earmarked Reserve Requests	£1,414,450	-£1,414,450
<b>Estimated Balances as at 31st March 2016</b>	<b>-£1,864,249</b>	<b>-£5,676,112</b>

## DELIVERY OF THE 2015/16 MTRS PROPOSALS

16. On 23rd February 2015, the Council approved £1,488,560 of budget reductions within the 2015/16 Budget. This section shows an update on the progress towards the delivery of those proposals. **Appendix 3** gives an overview of the achievement against those proposals.

17. As all savings were taken from service budgets at the commencement of the financial year, the real risk was that the services areas would be unable to make the full saving allotted and will therefore overspend.

18. In-year all of the £1,489k has been delivered.

## CAPITAL PROGRAMME

19. Attached at **Appendix 4a** is a table showing the Capital expenditure during the 2015/16 financial year. planned in future years. **Appendix 4b** provides an explanation of the variances. The unspent approvals highlighted are requested to be carried forward into 2016/17 to enable approved projects to be completed as planned.

## SUNDRY DEBTORS

20. The level of outstanding sundry debt as at 31st March 2016 was £547,167 (£606,508 as at 31st March 2015) of which £167k is less than 30 days old and a further £167k is between 30 and 90 days old. Therefore only £213,000 (37.5 %) is over three months old, as compared to £380,168 (63%) in 2014/15). Of the £213k, £150k is owed by other Council's, and other respected organisations. This could be classed as safe debt and is expected to be settled.

21. Members will note the decrease in the overall level of debt following the revisions to the income policy approved during the year. As part of the annual account process we identify a provision to offset those liabilities we class as bad debts. Following a full review of the outstanding debt and the recovery actions taken to collect the debts, the provision has been revised and now stands at £111k, an increase from £32k in 2014/15 accounts. A number of proposed write off totalling £40k will be presented to May Cabinet later on this agenda.

22. A summary of the outstanding debt by service is attached within **Appendix 5a** and a chart showing the breakdown of the aged debt is included within **Appendix 5b**.

## COUNCIL TAX AND NON DOMESTIC RATE COLLECTION

23. The table below shows the level of Council Tax and Non Domestic rates collected by the Authority as at 31st March 2016 and the comparable performance for 2014/15.

	<u>2015/16 Council Tax</u>	<u>Comparable figure last year</u>	<u>2015/16 NDR</u>	<u>Comparable figure last year</u>
Collected	£57,879,788	£56,418,973	£32,717,102	£32,847,054
Percentage	98.2%	97.76%	98.86%	99.02%

24 It should be noted that the financial value and the percentage collected increased year-on-year for both Council Tax, but Non Domestic Rates had a slight decline due to the number of successful appeals following the government's commitment to clear the outstanding backlog.

25 The Council Tax increase reflects the significant efforts made by the Authority and leads to a collection surplus for the year of £2,107,884, of which £303,672 is Mendip's Share. However, for Non-Domestic Rates a deficit of £2,112,450 was been recorded, of which £844,980 is Mendip's Share. Both these figures have improved since the estimates included within the 2016/17 budget.

## TREASURY MANAGEMENT

26 Below is a list of the cash investments held by the Council, which have all been managed in line with the Council's approved treasury management policy.

<b>Investments / Lending Summary as at: 31<sup>st</sup> March 2016</b>					
<b>Borrower</b>	<b>Amount Invested</b>	<b>Limit</b>	<b>Length of deposit</b>	<b>Terms</b>	<b>Rate %</b>
UK Government Gilt	£1,610,000	£5,000,000	N/A	Call	1.25%
Lloyds	£2,000,000	£5,000,000	9 months	Fixed	0.85%
Bank of Scotland	£3,000,000	£5,000,000	6 months	Fixed	0.75%
Barclays	£1,000,000	£5,000,000	6 months	Fixed	0.70%
Santander UK Business Reserve A/c	£1,101,053	£5,000,000	N/A	Call	0.40%
Bank of Scotland Call A/c	£719,371	£5,000,000	N/A	Call	0.40%
NatWest Call A/c	£361,050	£5,000,000	N/A	Call	0.25%
<b>Total</b>	<b>£9,791,474</b>				

## LEGAL AND EQUALITIES IMPLICATIONS

27 None

## RECOMMENDATIONS

28 Members are asked to note:

- the contents of the report, including the final Net Outturn Revenue position for the year showing a deficit of £260k (Appendix 1a and 1b) and the implications for the authorities reserves position.
- the achievement against the 2015/16 budgeted savings proposals in year (Appendix 3)
- the Capital outturn figures showing a £473k under spend (Appendix 4a and 4b)
- the level of Aged Debt as at 31<sup>st</sup> March 2016 (Appendix 5a and 5b)
- the in-year collection levels for both Council Tax and NNDR
- The levels and return on the cash investments.

29 Members are asked to approve:

- the specific revenue earmarked reserves totalling £5,676k (Appendix 2). Approval to drawdown the identified amounts anticipated to be spent in 2016/17 budget will be included within the quarterly budget monitoring reports.
- **Carrying forward Capital Approvals where the capital spend is planned in later years.**  
The quarterly budget monitoring reports will detail the anticipated to be spent in 2016/17.

## REASONS FOR RECOMMENDATIONS

30 To inform Members of the financial health of the Council as at 31<sup>st</sup> March 2016.

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List of background Papers:  
MTRS Report  
Budget Monitoring Updates  
Agresso FMS reports