

CABINET

Agenda Item: 7

Ward: All

Portfolio: Finance

Report Author(s): Corporate Finance
/ Cllr Noel

Meeting Date:
12 September 2016

SUBJECT: MTRS Budget Monitoring 2016/17 – Quarter 1

	Seen by:	Name	Date
Report Sign off	Legal	N/A	
	Finance	Duncan Moss	8 August 2016
	Procurement	N/A	
	Group Manager	GMG	8 August 2016
	Portfolio Holder	Cllr Parham	29 August 2016
	Ward Member(s)	All	
Summary:	The report summarises the forecast outturn position of the Council's Medium Term Resource Strategy for the 2016/17 financial year, based on Quarter 1 projections.		
Recommendation:	<ol style="list-style-type: none"> 1. Cabinet is recommended to note the contents of this report, specifically: <ol style="list-style-type: none"> a) The projected <u>Revenue</u> outturn position for 2016/17 (Section 4 + Appendices 1a and b) b) In-Year Virement Summary (Section 5 + Appendix 2) c) The projected levels of Reserves (Section 6) d) The projected <u>Capital</u> outturn position for 2016/17 (Section 7 + Appendix 3) e) Delivery of the 2016/17 MTRS Savings proposals (Section 8 + Appendix 4) f) The Aged Debt Analysis (Section 9 + Appendix 5a & 5b) g) The Council Tax and National Non-Domestic Rate Collection Summary (Section 10). h) Summary Treasury Management position (Section 11). 2. Cabinet is recommended to approve the increase of £339,980 to the capital investment programme as set out in Section 7. 		
Direct and/or indirect impact on service delivery to our customers and communities:	The financial health of the Council may impact on all priorities when the Council needs to make funding decisions for future years.		

Legal Implications:	None as a direct result of this report.
Financial Implications:	<p>Any variance against the agreed budget will impact on the Council's general balances. The Council's financial position will be constantly reviewed to ensure its continued financial health and delivery of excellent Value for Money.</p> <p>The report indicates a projected gross Revenue budget variance of £174k, within initial carry forward requests identified of £39k, leaving a net budget variance of £135k. Currently there is no forecast budget variance against the Capital Investment Programme, although it should be noted that a number of approvals span across the MTRS period.</p>
Value for Money:	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.
Equalities Implications:	None as a direct result of this report.
Risk Assessment and Adverse Impact on Corporate Actions:	<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.</p> <p>Robust monitoring procedures enable officers to highlight major financial risks on a timely basis to incorporate in the report, and officers are already working with the Cabinet to address budget pressures going forward.</p>
Scrutiny Recommendation (if any)	N/A

1. INTRODUCTION

- 1.1. The Council agreed the 2016/17 Medium Term Resource Strategy (MTRS) and the specific Revenue and Capital Budgets for 2016/17 at its meeting on 25 February 2016. At the same meeting, the Council considered the Section 151 Officer's statement on the Robustness of the 2016/17 Budget Estimates and the Adequacy of Reserves and Balances.
- 1.2. This report provides Members with a summarised overview of the forecast outturn position on the Councils' Revenue and Capital Budgets for the 2016/17 financial year, based on Quarter 1 projections. It highlights any service impact resulting from projected spending levels. This is the first detailed budget monitoring report to be formally considered by the Cabinet in 2016/17, therefore explanations of variances relate to the three-month period of the financial year (1 April to 30 June 2016).
- 1.3. 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.

2. OPTIONS CONSIDERED AND REASONS FOR REJECTING THEM

- 2.1. No formal options appraisal is applicable to this report.

3. CONSULTATIONS

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

4. REVENUE BUDGET MONITORING SUMMARY

4.1. Revenue Budget Position Statement

	Current Budget £'000	Projected Outturn £'000	Budget Variance £'000
Governance and Resources	7,108	7,111	3
Access to Services	2,998	2,952	-46
Corporate Management	1,581	1,647	66
Built Environment	3,168	3,138	-30
Regulatory Services	375	221	-154
Cost of Group Services	15,230	15,069	-161
Non Service Costs	-15,920	-15,933	-13
Gross (Under) / Overspend	-690	-864	-174
Planned Budget Variance	-690	-690	0
Proposed Outturn Variance	0	-174	-174

- 4.2. The table above shows a representation of the forecast year-end position which is a Net Budget Variance of £174k. A detailed breakdown of the figures by service is included as **Appendix 1a** with a breakdown of all variations over £10k as **Appendix 1b**.
- 4.3. The notable variance is the level of income achieved from Car Parking. As previously reported, buoyant economic activity continues to provide additional income above the budget forecast. Should this continue, Cabinet should consider moving this to Contingency.
- 4.4. The main pressure within the budget relates to the increased cost in the Council's insurance premium this year. This increase is a result of the rise in Mendip Wages and Salaries as a result of the agreed pay rise and extra salaries in respect of Legal Shared Services and Salaries is the driver on which the premium is largely based. In addition Professional Indemnity insurance was added to Mendip's cover for Legal Shared Services

5. QUARTER 1 VIREMENT SUMMARY

- 5.1. In Year Budget Virements are detailed in **Appendix 2**. These mainly reflect drawing down from earmarked reserves in line with plans approved in February as part of the budget setting process. There will be further virements to report within the Quarter 2 report to reflect the changes in the management restructure.

6. Reserves

General Balances

- 6.1. If the forecast budget variance of £174k is realised, the unallocated general balances of the Council will not be required. However, if the earmark reserve requests of £39k are approved, this sum will bolster Earmarked Reserves with the remaining £135k adding to General Reserves.
- 6.2. This excellent budget management shows the Council's budget to be on track and consequently General Reserves will at least remain at the previous balances. Therefore they are likely to remain higher than the minimum balance of £1.5m as stated in the Medium Term Resource Strategy for 2016/17.
- 6.3. However, the Council (in common with other public bodies) continues to face a difficult financial climate and has held its position following the CSR announcements which detailed the future reductions in grant allocations from central government, it is prudent to retain robust balances to smooth the potential effect to the tax payer of further cuts.
- 6.4. The £690k planned budget variance will also earmarked for new homes funding.
- 6.5. The £5.676m Earmarked Reserves reported in the outturn report has reduced to £4.169m after draw downs. However, as stated above this will increase marginally if the earmarked request is approved. This will further support the forward planning of the organisation and help to deliver our corporate priorities

during the short to medium term whilst mitigating the effect of any future cuts in central government funding.

7. CAPITAL PROGRAMME

7.1. Attached at **Appendix 3** is a table showing the forecast Capital Expenditure for the 2016/17 financial year. Currently there is no forecast budget variance against the Capital Investment Programme, although it should be noted that a number of approvals span across the MTRS period.

7.2. In respect of Capital projects, the projected under spend from 2015/16 arising largely from delays / planned spend across the MTRS period was requested to be carried forward into 2016/17 within the February budget setting process. At outturn, these projects became actuals and therefore approval is sought to amend the values carried forward as follows:

Investment Project	Approved Carry Forward	Revised Carry forward	Variance	Value to be spent in 2016/17	Value to be spent in future years
Shepton Mallet Cemetery Wall £17k p/a	85,000	85,000	0	45,000	40,000 #
Wells Hospital Cemetery Wall £17k p/a	85,000	85,000	0	45,000	40,000 #
Shepton Mallet Cemetery Ground for additional space	20,500	25,000	4,500	25,000	0
Car Park Ticket Machine Replacement	89,200	100,000	10,800	100,000	0
Disabled Facilities Grant	0	33,680	33,680	33,680	
	279,700	328,680	48,980	248,680	80,000

7.3. In addition, to reflect the approval from July's Cabinet meeting to increase the value of the Disabled Facilities investment, an additional £291k has been added to the programme.

7.4. Therefore, this approval will increase the overall capital budget planned for 2016/17 by a total of £339,980.

8. DELIVERY OF THE 2016/17 MTRS PROPOSALS

8.1. As part of the 2016/17 budget setting process, the Council approved £1.592m of budget reductions. This section shows an update on the progress towards the delivery of those proposals. **Appendix 4** gives an overview of the progress with a RAG status showing the level of risk around the value of the savings.

8.2. As all savings have been taken from service budgets at the commencement of the financial year, the real risk is that the services areas cannot make the full saving allotted and will therefore overspend.

8.3. 100% of the agreed savings are classified as having a green status, which means Group Managers are confident that they will achieve these savings with at least the same financial impact as predicted, if not more. Therefore, all of the £1.592m is expected to be delivered.

9. SUNDRY DEBTORS – AGED DEBT ANALYSIS

- 9.1.** Services' total outstanding debt relating to external income on the Accounts Receivable system stood at £508,476 on 30 June 2016. This is a small reduction from the position at 31 March 2016 (£547,167) but is less than half the value outstanding a year ago.
- 9.2.** Considerable effort continues to ensure all outstanding debts are chased and collected, especially those for strategic partners who owe over £300k of this debt. We are confident that the level of aged debt which could be seen as "at risk" is less than £200k. To update this position, since month 3 the value owed from these strategic partners has reduced by nearly a third, with all their remaining debt less than 90 days old.
- 9.3.** Appendix 5a shows the improved position achieved since June last year, and Appendix 5b provides the breakdown of the debt by service. This highlights that the older debt is mainly within housing options, which is being reviewed in detail. Once cleansed the debt should not build up again following a change in policy to run this scheme through Mendip Community Credit Union meaning payments are no longer made to the individuals, therefore recovery rates are much higher.

10. COUNCIL TAX AND NON-DOMESTIC RATE COLLECTION

- 10.1.** The table below shows the level of Council Tax and National Non-Domestic Rates (NNDR) collected by the Authority as at 30 June 2016 and the comparable performance for Quarter 1 of 2015/16.

	<u>Council Tax</u>			<u>Business Rates</u>		
	<u>2016/17</u>	<u>2015/16</u>	<u>Trend</u>	<u>2016/17</u>	<u>2015/16</u>	<u>Trend</u>
Collectable Debit	£62,570m	£58,904m	↑	£35,451m	£34,099m	↑
Collected	£18,955m	£17,371m	↑	£10,311m	£10,515m	↓
Percentage	30.29%	29.49%	↑	29.09%	30.83%	↓

- 10.2.** The table above shows that the percentage and value of Council Tax, both due and collected, have increased from this time last year. Re NNDR The "Paid (Net Refunds)" is slightly lower at the end of June 2016 and this appears to have been affected by an increase in the amount of refunds issued by the end of June 2016 (£356k) compared to June 2015 (£146k)
- 10.3.** The significant issue surrounding business rates is the risk arising from appeals, over which we have little control. A successful appeal reduces the amount due and also involves backdating refunds. This leads to significant variances from the initial forecasts resulting in collection deficits.

11. TREASURY MANAGEMENT

11.1. All funds have been managed in accordance with the Council's approved treasury management policy.

Investments / Lending Summary as at:			30th June 2016			
Borrower	Amount Invested	Limit	Length of deposit	Within Limit Y/N	Terms	Rate %
UK Government Gilt	£1,610,000	£5,000,000	N/A	Y	Call	1.25%
Lloyds	£2,000,000	£5,000,000	9 months	Y	Fixed	0.85%
Lloyds	£2,000,000		6 months	Y	Fixed	0.80%
United Overseas Bank	£3,000,000	£5,000,000	6 months	Y	Fixed	0.66%
Barclays	£1,000,000	£5,000,000	6 months	Y	Fixed	0.70%
Barclays	£2,000,000		7 months	Y	Fixed	0.71%
Bank of Scotland	£3,000,000	£5,000,000	6 months	Y	Fixed	0.75%
Bank of Scotland	£1,721		N/A	Y	Call	0.40%
Santander	£970,000	£5,000,000	N/A	Y	Call	0.40%
Santander	£1,200,000		N/A	Y	95 day not.	0.65%
Natwest	£410,326	£5,000,000	N/A	Y	Call	0.25%
Total	£17,192,047					

11.2. SLT are currently exploring options for better returns by investing into a variety of activities.

12. LEGAL IMPLICATIONS

12.1. None

13. EQUALITIES IMPLICATIONS

13.1. None

14. RECOMMENDATION

14.1. Cabinet is recommended to note the contents of this report, specifically:

- a) The projected Revenue outturn position for 2016/17 (Section 4 + Appendices 1a and b)
- b) In-Year Virement Summary (Section 5 + Appendix 2)
- c) The projected levels of Reserves (Section 6)
- d) The projected Capital outturn position for 2016/17 (Section 7 + Appendix 3)
- e) Delivery of the 2016/17 MTRS Savings proposals (Section 8 + Appendix 4)
- f) The Aged Debt Analysis (Section 9 + Appendix 5a & 5b)
- g) The Council Tax and National Non-Domestic Rate Collection Summary (Section 10).
- h) Summary Treasury Management position (Section 11).

14.2. Cabinet is recommended to approve the increase of £339,980 to the capital investment programme as set out in Section 7.

- a)

15. REASONS FOR RECOMMENDATIONS

- 15.1.** To maintain effective financial stewardship and budgetary control and to comply with the agreed strategy of regularly informing members of the forecast outturn position relating to the 2016/17 financial year as part of the annual budget monitoring process.

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List of background Papers (available upon request):

- **MTRS Report**
- **Budget Monitoring Updates**
- **Agresso FMS reports**