

Ward: All

Portfolio: Finance

Meeting Date: 13 February 2017

Report Author(s): Cllr Parham / Corporate Finance

SUBJECT: MTRS Budget Monitoring 2016/17 – Quarter 3

	Seen by:	Name	Date
Report Sign off	Chief Executive	Stuart Brown	Via CMT
	Legal	Donna Nolan	Via CMT
	Finance	Duncan Moss	25 January 2017
	Group Manager	Paul Deal	Via CMT
	Portfolio Holder	Cllr Parham	31 January 2017
	Ward Member(s)	ALL	N/A
	Summary:	<p>The report summarises the forecast outturn position of the Council's Medium Term Resource Strategy for the 2016/17 financial year, based on Quarter 3 projections. The report provides the following information:</p> <ul 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 including the proposed Carry Forward Requests (Section 6 + Appendix 3) d) The projected <u>Capital</u> outturn position for 2016/17 (Section 7 + Appendix 4) e) Delivery of the 2016/17 MTRS Savings proposals (Section 8 + Appendix 5) f) The Aged Debt Analysis (Section 9 + Appendix 6a & 6b) g) The Council Tax and National Non-Domestic Rate Collection Summary (Section 10). h) Summary Treasury Management position (Section 11). 	
Recommendation:	<p>Cabinet is recommended to note the contents of this report and the approve the Carry Forward Requests and the additional contribution to Capital Financing.</p>		
Direct and/or indirect impact on service delivery to our customers and communities:	<p>The financial health of the Council may impact on all priorities when the Council needs to make funding decisions for future years.</p>		

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 -£981k, within carry forward requests identified of £403k, leaving a net budget variance of £578k.</p> <p>The forecast budget variance against the Capital Investment Programme is -£324k. This is due to identification of alternative sources of funding being identified and 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 3 projections. It highlights any service impact resulting from projected spending levels. This is the third detailed budget monitoring report to be formally considered by the Cabinet in 2016/17, therefore

explanations of variances relate to the nine-month period of the financial year (1 July to 31 December 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
Corporate Services	1,943	1,845	-98
Law & Governance	1,032	935	-96
Neighbourhood Services	3,895	3,731	-164
Community Health Services	1,408	1,338	-70
Planning & Growth Services	1,537	1,452	-85
Housing Services	2,026	1,950	-76
5 Council Contract	2,568	2,727	158
Strategic Leadership Team	1,043	1,071	28
Shape Housing Limited	0	1	1
Cost of Group Services	15,452	15,050	-402
Non Service Costs	-16,142	-16,721	-579
Gross (Under) / Overspend	-690	-1,671	-981
Planned Budget Variance	690	690	0
Proposed Outturn Variance	0	-981	-981

- 4.2. The table above shows a representation of the forecast year-end position which shows, excluding the planned budget variance of £690k that relates to New Homes Bonus funding reserve, there is a Net Budget Variance of £981k. 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 a reduction in the level of income forecast from Land Charges. Most services however are showing underspends largely driven from staff vacancy savings where recruitment was delayed in light of the recent management restructure. Therefore, overall a healthy underspend is forecast.

5. QUARTER 2 VIREMENT SUMMARY

5.1. In Year Budget Virements are detailed in **Appendix 2**. As outlined within the quarter 1 report, these mainly reflect the changes in the management restructure.

6. RESERVES

General Balances

- 6.1. If the forecast budget variance of £981k is realised, the unallocated general balances of the Council will not be required. However, approval is sought to earmark £403k to meet future costs as outlined in **Appendix 3**, along with the planned transfer of £690k New Homes Bonus funding. In addition, given the council's intention to undertake commercial investment, it is also proposed that £610k of underspend is used to fund capital expenditure as this will reduce the cost of debt financing in future years. This leaves a forecast minor draw on General Reserves of £32k at this stage of the year, but this will change over the remaining three months of the year.
- 6.2. This excellent budget management shows the Council's budget to be on track and consequently General Reserves will remain in line with 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 (as outline in detail elsewhere on this agenda) following announcements which detailed further 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 £5.676m Earmarked Reserves reported in the outturn report have reduced to £3.811m after planned draw downs. However, as stated above, these will increase if the proposed earmarked request are 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 4** is a table showing the forecast Capital Expenditure for the 2016/17 financial year. The forecast budget variance against the Capital Investment Programme is £-324k. This is due to identification of alternative sources of funding being identified in relation to the planned ICT refresh and projects that span across the MTRS period. The only slippage within the programme relates to a delay in purchasing the Environmental Health - eNgage software. As with Revenue, approval is sought for Capital Carry Forwards as set out within **Appendix 3**. The overspend shown against planning is the expenditure for the Wells Rec funded from S106 monies.

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 5** 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. 98.7% 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. However 1.3% or £20k increased cemetery income is not expected to be achieved. Therefore, all of the £1.572m 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 £721,559 on 31 December 2016. Although this represents a large increase in the position since Quarter 2. (+£220k) this is due to a single debt of £250k now being included. This debt has been referred to legal services.
- 9.2. Considerable effort continues to ensure all outstanding debts are chased and collected, especially those for strategic partners who owe over £308k of this debt, of which 97% relates to 2016/17 income. In fact, since 31 December, over £200k of that debt has been paid therefore we are confident that the level of aged debt which could be seen as "at risk" is less than £200k.
- 9.3. **Appendix 6a** shows the position achieved since December last year, and **Appendix 6b** provides the breakdown of the debt by service. This highlights that the older debt is mainly within housing options, which continues to be reviewed in detail with a further purge of uncollectable debt proposed that will remove a significant element of the very old debt. 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.
- 9.4. Excluding debts owed by strategic partners and individuals within housing options, the shorter term debt (less than 3 years old) is approximately £50k of which approximately 90% is 2016/17 related.

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 31 December 2016 and the comparable performance for Quarter 3 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	£62.844m	£58.941m	↑	£35.287m	£33.553m	↑
Collected	£54.408m	£51.183m	↑	£30.069m	£28.453m	↑
Percentage	86.6%	86.7%	↓	85.1%	85.2%	↓

10.2. The table above shows that the value of both Business Rates and Council Tax income, both due and collected, have increased from this time last year. However, for both the percentage collected is slightly lower; this is thought to be due to an increasing number of taxpayers spreading their payments over 12 months instead of 10.

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:			31st December 2016		
Borrower	Amount Invested	Limit	Length of deposit	Terms	Rate %
UK Government Gilt	£1,610,000	£5,000,000	N/A	Call	1.25%
Lloyds	£2,000,000	£5,000,000	6 months	Fixed	0.65%
Lloyds	£1,000,000		9 months	Fixed	0.90%
Lloyds	£2,000,000		4 months	Fixed	0.55%
United Overseas Bank	£3,000,000	£5,000,000	6 months	Fixed	0.66%
Bank of Scotland	£2,000,000	£5,000,000	4 months	Fixed	0.47%
Bank of Scotland	£1,000,000		3 months	Fixed	0.52%
Bank of Scotland	£1,500,000		3 months	Fixed	0.45%
Bank of New York Mellon	£59	£5,000,000	NA	1 day not.	0.80%
Santander	£1,200,000	£5,000,000	N/A	95 day not.	0.65%
Natwest	£1,277,477	£5,000,000	N/A	Call	0.25%
Total	£16,587,536				

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 and the approve the Carry Forward Requests and the additional contribution to Capital Financing.**

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**
- **Qtr 2 Budget Monitoring Update**
- **Agresso FMS reports**