

Ward: All
Portfolio: Finance
Meeting Date: 10 July 2017

Report Author(s): Cllr Parham / Corporate Finance

SUBJECT: **2016/17 Quarter 4 Budget Monitoring and Outturn Report**

Report Sign off	Seen by:	Name	Date
	Chief Executive	Stuart Brown	Via CMT
	Legal	Donna Nolan	Via CMT
	Finance	Duncan Moss	19 May 2017
	Group Manager	Paul Deal	Via CMT
	Portfolio Holder	Cllr Parham	26 May 2017
	Ward Member(s)	ALL	N/A
Summary:	The report outlines the Budget Outturn position for 2016/17 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.		
Recommendations:	<p>Members are asked to note the contents of the report, including:</p> <ul style="list-style-type: none"> • the final Net Revenue Outturn position for the year showing a surplus of £28k (Appendix 1a and 1b) and the implications for the authorities reserves position. • the achievement against the 2016/17 budgeted savings proposals in year (Appendix 3) • the Capital Outturn figures showing a £455k underspend (Appendix 4a and 4b) • the level of Aged Debt as at 31st March 2017 (Appendix 5a and 5b) • the in-year collection levels for both Council Tax and NNDR. • The levels and return on the cash investments. <p>Members are asked to approve:</p> <ul style="list-style-type: none"> • the virements actioned in quarter 4 as show in Appendix 2 • the specific revenue earmarked reserve requests totalling £5,414k (Appendix 2). <p>Approval to drawdown the identified amounts anticipated to be spent in 2017/18 budget will be included within the quarterly budget monitoring reports.</p>		

	<ul style="list-style-type: none"> • Carrying forward Capital Approvals totalling £614k where the capital spend is planned in later years. Approval to drawdown the identified amounts anticipated to be spent in 2017/18 budget will be included within the quarterly budget monitoring reports.
Direct and/or indirect impact on service delivery to our customers and communities:	<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>
Financial Implications:	<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 surplus against the budget, after the approval of earmarked reserve requests.</p>
Legal Implications:	There are no direct implications arising from this report.
Crime and Disorder Implications:	There are no direct implications arising from this report.
Equalities Implications:	There are no direct implications arising from 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. 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>

INTRODUCTION

1. This report provides Members with details of the Budget Outturn position for the 2016/17 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 Corporate Finance and the Corporate Management Team prior to submission with ongoing briefings of Portfolio Holders.

REVENUE BUDGET SUMMARY

Revenue Budget Position Statement

	Current Budget £'000	Actual Outturn £'000	Budget Variance £'000
Corporate Services	1,170	1097	-73
Law & Governance	974	856	-118
Neighbourhood Services	3,530	3,502	-28
Community Health Services	1,305	1,208	-97
Planning & Growth Services	1,674	1,460	-214
Housing Services	1,939	1,446	-493
5 Council Contract	2,241	2,392	151
Strategic Leadership Team	807	817	10
Shape Housing Limited	0	47	47
Cost of Group Services	13,640	12,825	-815
Non Service Costs	-13,640	-14,521	881
Gross (Under) / Overspend	0	-1,696	-1,696
New Earmarked Reserve Requests			1,668
Net (Under) / Overspend			-28

7. The table above shows a summary of the provisional year-end position. This can be found in more detail within **Appendix 1a**.
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.). A significant factor in some of these variances is due to the recharge of Support Services which has been altered due to the mid-year management restructure. 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 drawdowns.

Key Controllable Variances

10. At the gross level, there are significant variances that are largely caused by timing issues. This is mitigated through the requests to earmark underspends so that when the expenditure is incurred, it does not cause a knock-on budget implication in 2017/18. Such examples include £106k within Policy and Performance relating to the Local Legacy Fund where funding is fully committed but projects have not yet completed and so the funding has not been released. Projects have until the end of the calendar year to complete and draw on these funds.
11. There are also a variety of vacancies across the organisation that contribute to the under spend. This occurs where the organisation struggles to recruit suitable professionals, for example within the Legal Partnership and specialist technical roles, or more generally following the management restructure and the knock-on service restructures. These underspends are offset to a degree by the employment of temporary staff but overall has contributed to the under spend.
12. There are also areas where Income has exceeded expectation. The prime example of this is car parks where strong patronage levels have generated additional income. This reflects the efforts made by the organisation to promote economic development and growth. Similarly, income generated from fees and charges has increase reflecting the adoption of the full cost recovery policy. This is shown in the under spends reported for Public Protection and Planning.
13. In addition to extra income, further grant allocations have been received in year. The most prominent of these is the additional £290k Disabled Facilities Grant as previously reported to Cabinet. In addition, higher levels of Council Tax and Business Rates have been collected than anticipated reflecting the efforts to ensure debt collection is maximised.
14. In terms of technical variances, the recharge of support services and other accounting apportionments such as depreciation have been recharged in a different manner to where the costs were originally budgeted due to the management restructure. There is no bottom line impact as the costs were fully budgeted, but variances are recorded against individual services and explains some of the significant movements recorded from the position reported as at quarter 3.

Virements

15. The in-year Budget movements (Virements) actioned in Quarter 4 are detailed in Appendix 2.

Transfers to Earmarked Reserves

16. Members should be aware that, as in previous years, officers are seeking approval to carry forward under spent budgets to the 2017/18 financial year and beyond through the use of Earmarked Reserves. At February Full Council, Members approved £403k of requests to earmark under spends. This reports reaffirms the majority of those requests, in year £1,930 k were drawn down and total in year proposals for new requests were £978 and £690k of which £592k is in Q4 for approval.

17. 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?

18. **Appendix 3a** details all Revenue Earmarked Reserve requests which total £5,414k broadly under the key priorities headings. Of these, the majority has been previously approved leaving £592k of new requests giving total £1,668 of in year 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

19. 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 20th February 2017. 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.

20. 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 £000	Earmarked Reserves £000
Balance as at 31st March 2016	-£1,724	-£5,676
Total Earmarked Reserves Drawdowns		£1,930
Gross Revenue Underspend	-£1,006	
Contribution to New Homes Funding		-£690
New Earmarked Reserve Requests	£978	-£978
Estimated Balances as at 31st March 2017	-£1,752	-£5,414

DELIVERY OF THE 2015/16 MTRS PROPOSALS

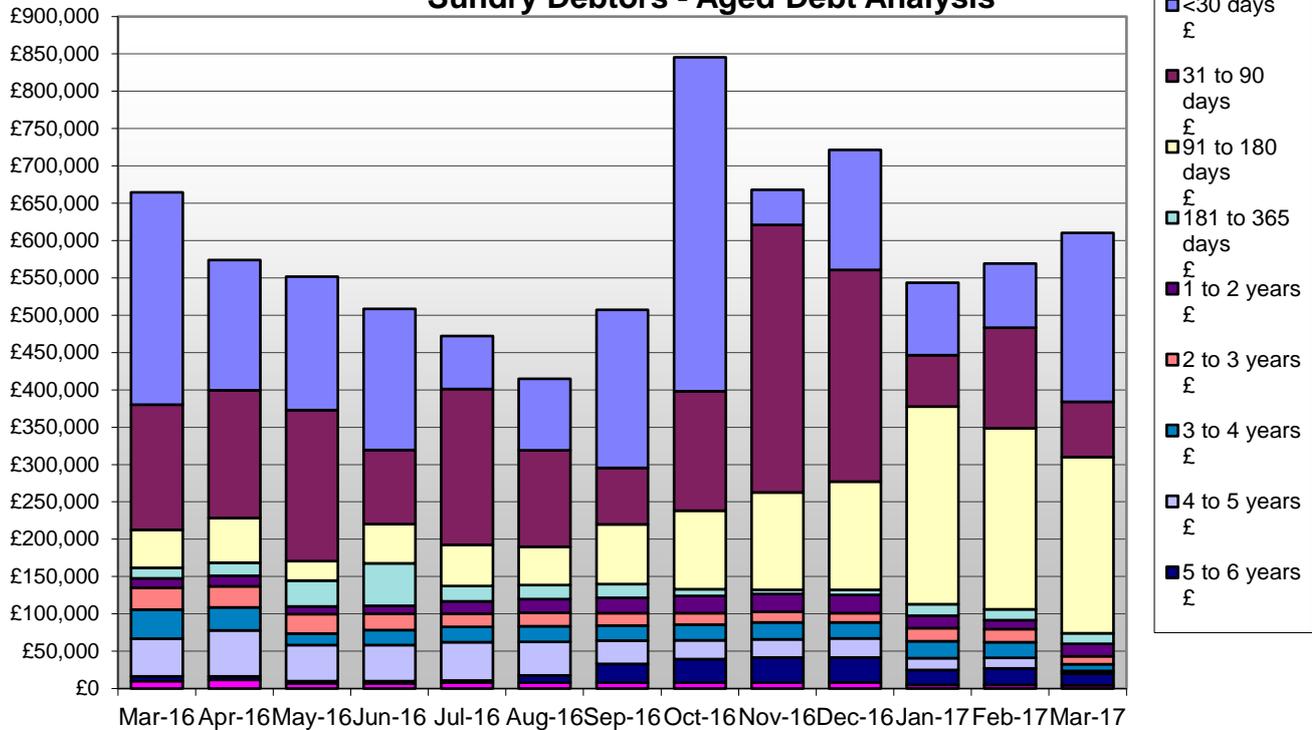
21. As part of the 2016/17 budget setting process, the Council approved £1.592m of budget reductions. This section shows an update on the progress towards the delivery of those proposals. **Appendix 4** gives an overview of the progress with a RAG status showing the level of risk around the value of the savings.
22. 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.
23. 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.

CAPITAL PROGRAMME

24. Attached at **Appendix 5a** is a table showing the Capital expenditure during the 2016/17 financial year with an overall budget variance of -£455k. This is due to the identification of alternative sources of funding being identified in relation to the planned ICT refresh and a number of projects that span across the MTRS period.
25. **Appendix 5b** provides an explanation of the variances. The only slippage within the programme relates to a delay in purchasing the Environmental Health - eNgage software. The positive variance shown against Planning is the expenditure for the Wells Rec funded from S106 monies, rather than funding included within the capital programme. As with Revenue, approval is sought for Capital Carry Forwards as set out within Appendix 3.
26. The unspent approvals shown in **Appendix 3b** are requested to be carried forward into 2017/18 and future years to enable approved projects to be completed as planned.

SUNDRY DEBTORS

Mendip District Council
Sundry Debtors - Aged Debt Analysis



MENDIP DISTRICT COUNCIL SUMMARY											31-Dec-16
											As at:
Total	<30 days	31 to 90 days	91 to 180 days	181 to 365 days	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 6 years	> 6 years	
£610,095.72	225,94	73,94	235,97	14,51	16,59	10,43	8,954	3,455	15,84	4,436.	
No Debtors 320	159	19	10	21	48	17	16	6	21	3	

27. Services' total outstanding debt relating to external income on the Accounts Receivable system stood at £610,096 as at 31st March 2017. This is just over a 10% increase year-on-year (£547,167 as at 31st March 2016). However £226k is less than 30 days old and a further £310k is less than 180 days old. Therefore only £74k (12%) is over six months old.

28. The most notable item is a single debt with a value of £225k. The debt has been referred to legal and currently Senior Officers are in dialogue to the debtor to seek an amicable recovery plan.

29. A summary of the outstanding debt by service is attached within **Appendix 6a** and a chart showing the breakdown of the aged debt is included within **Appendix 6b**.

COUNCIL TAX AND NON DOMESTIC RATE COLLECTION

30. The table below shows the level of Council Tax and Non Domestic rates collected by the Authority as at 31st March 2017 and the comparable performance for 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	£62.788m	£58.930m		£35.006m	£33.036m	
Collected	£61.602m	£57,879m		£34.704m	£32.717m	
Percentage	98.1%	98.2%		99.14%	98.86%	

31. It should be noted that the financial value collected increased year-on-year for both Council Tax, but Council tax had a slight decline in % collection. However Mendip still has the highest collection rate of all Somerset districts

32. The Council Tax increase reflects the significant efforts made by the Authority and leads to a collection surplus for the year of £1,759m, of which is Mendip's Share £254k 14.45%. However, for Non-Domestic Rates a deficit of £449k was been recorded, of which £179k is Mendip's Share.

TREASURY MANAGEMENT

33. 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:

Investments / Lending Summary as at 31 March 2017					
Borrower	Amount Invested	Limit	Length of deposit	Terms	Rate %
UK Government Gilt	£1,610,000	£5,000,000	N/A	Call	1.25%
Bank of Scotland	£2,000,000	£5,000,000	5 months	Fixed	0.55%
Lloyds	£2,000,000	£5,000,000	3 months	Fixed	0.45%
Bank of New York Mellon	£2,300,843	£5,000,000	NA	Call	0.28%
Santander	£1,735,990	£5,000,000	NA	Call	0.15%
Total	£9,646,833				

34. In addition, an agreement was reached with Capita on 31st December 2016 to prepay the final 6 months of the current Business Support Services contract and the first 18 months of the new 5 Councils Partnership contract in return for a 3% discount against the contract

price. This yields a significant return that far outweighs the interest achievable through normal cash investments.

LEGAL AND EQUALITIES IMPLICATIONS

24 None

RECOMMENDATIONS

25 Members are asked to note the contents of the report, including:

- **the final Net Revenue Outturn position for the year showing a surplus of £28k (Appendix 1a and 1b) and the implications for the authorities reserves position.**
- **the achievement against the 2016/17 budgeted savings proposals in year (Appendix 3)**
- **the Capital Outturn figures showing a £455k underspend (Appendix 4a and 4b)**
- **the level of Aged Debt as at 31st March 2017 (Appendix 5a and 5b)**
- **the in-year collection levels for both Council Tax and NNDR.**
- **The levels and return on the cash investments.**

26 Members are asked to approve:

- **the virements actioned in quarter 4 as show in Appendix 2**
- **the specific revenue earmarked reserve requests totalling £5,414k (Appendix 2).**
Approval to drawdown the identified amounts anticipated to be spent in 2017/18 budget will be included within the quarterly budget monitoring reports.
- **Carrying forward Capital Approvals totalling £614k where the capital spend is planned in later years.**
Approval to drawdown the identified amounts anticipated to be spent in 2017/18 budget will be included within the quarterly budget monitoring reports.

REASONS FOR RECOMMENDATIONS

27 To inform Members of the financial health of the Council as at 31st March 2017.

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