

Ward: All
Portfolio: Finance
Meeting Date: 13 November 2017

Report Author(s): Cllr Parham / Corporate Finance

SUBJECT: MTRS Budget Monitoring 2017/18 – Quarter 2

	Seen by:	Name	Date
Report Sign off	Chief Executive / Deputy Chief Executives	Donna Nolan	Via CMT
	Legal	Lesley Dolan	
	Finance	Duncan Moss	30 October 2017
	Group Manager	Paul Deal	Via CMT
	Portfolio Holder	Cllr Parham	
	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 2017/18 financial year, based on Quarter 2 projections. The report provides the following information:</p> <ul style="list-style-type: none"> a) The projected <u>Revenue</u> outturn position for 2017/18 (Section 4 + Appendices 1a and b) b) In-Year Virement Summary (Section 5 + Appendix 2) c) The projected <u>Capital</u> outturn position for 2017/18 (Section 7 + Appendix 3) d) The Aged Debt Analysis (Section 8 + Appendix 4a & 4b) e) The Council Tax and National Non-Domestic Rate Collection Summary (Section 9). f) Summary Treasury Management position (Section 10). 	
Recommendation:	Cabinet is recommended to note the contents of this report.		
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 Revenue budget variance of £406k over spend and that the Capital Investment Programme is on target at this early stage of the year.</p>
Value for Money:	<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>
Equalities Implications:	<p>None as a direct result of this report.</p>
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)	<p>N/A</p>

1. INTRODUCTION

1.1. The Council agreed the 4-year Medium Term Resource Strategy (MTRS) and the specific Revenue and Capital Budgets for 2017/18 at its meeting on 20 February 2017. 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. At the same meeting, the Council considered the Section 151 Officer's statement on the Robustness of the 2017/18 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 2017/18 financial year, based on Quarter 2 projections. It highlights any service impact resulting from projected spending levels. This is the second detailed budget monitoring report to be formally considered by the Cabinet in 2017/18, therefore explanations of variances relate to the three-month period of the financial year (1 July to 30 September 2017). There remains plenty of time left within the year for the position to change and Group Managers have been tasked with mitigating the forecast revenue overspend.

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	524	567	42
Law & Governance	1,123	1,115	(8)
Neighbourhood Services	4,261	4,344	83
Community Health Services	1,220	1,217	(3)
Planning & Growth Services	2,077	2,115	38
Housing Services	2,243	2,276	33
5 Council Contract	1,963	2,045	82
Strategic Leadership Team	708	1,030	322
Shape Housing Limited	18	48	30
Cost of Group Services	14,136	14,755	619
Non Service Costs	(14,136)	(14,349)	(213)
Gross (Under) / Overspend	0	406	406

The table above shows a representation of the forecast year-end position which shows there is a Net Budget Variance of £406k. A detailed breakdown of the figures by service is included as **Appendix 1a** with a breakdown of all variations over £10k as **Appendix 1b**.

4.2. Key Variances

Within the forecasts is the approved, but unbudgeted £100k estimated costs for demolition of 4 toilets blocks at Badcox, Merchant Barton, Gore Hedge and Cork Street car parks. These projected costs have removed all the available contingency budget for 2017/18.

A common theme across most services reporting overspends relates to vacancies that are held. Recruitment of professional staff locally is challenging and therefore the vacancies are being filled in the interim by agency staff.

Other specific overspends include:

- Strategic Asset Management relate to the involvement of professional advisors on the Commercial Investment Strategy and Economic Development strategies.
- Within HR, the overspend relates to the support for the Members and Officers Organisation Development.
- As previously reported, Land Charges income is below forecast, although the level of income has increased during the quarter.
- Additional costs are forecast within the Arms Length Housing Company as it reviews development opportunities.

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. £60k Additional grant has been received within Revenues and Benefits through the new burdens doctrine. Interest received on investments is also forecast to exceed budget.

5. QUARTER 2 VIREMENT SUMMARY

5.1. In Year Budget Virements are detailed in **Appendix 2**.

6. RESERVES

General Balances

- 6.1.** If the forecast budget variance of £406k is realised, the unallocated general balances of the Council will reduce, but remain above the minimum prudent balance of £1.5m recommended in the Section 151 Officer's statement on the Robustness of the 2017/18 Budget Estimates and the Adequacy of Reserves and Balances.
- 6.2.** However, the Council (in common with other public bodies) continues to face a difficult financial climate, it is prudent to retain robust balances to smooth the potential effect to the tax payer of further cuts.
- 6.3.** As reported within the Quarter 1 report, the £5.414m Earmarked Reserves reported in the outturn report has reduced to £5.237m after planned drawdowns included within the base budget. These funds will 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. No further draw down of reserves has taken place.

7. CAPITAL PROGRAMME

7.1. Attached at **Appendix 3** is a table showing the forecast year-end position which shows there is a Net Budget Variance of £126k, in relation to the planned new extension and an idox upgrade . Actual expenditure remains low and as work has started on 2018/19 capital bids further challenges on potential carry forwards will be made to budget holders. The detailed breakdown of the figures by service is included as **Appendix 3a** with a breakdown of all variations over £10k as **Appendix 3b**.

8. SUNDRY DEBTORS – AGED DEBT ANALYSIS

8.1. Services’ total outstanding debt relating to external income on the Accounts Receivable system stood at £534k on 30 September 2017. Although this represents a decrease in the position reported at Quarter 1, it is a small increase compared with this stage last year. This remains largely due to a single debt of £225k reduced by £18k payment in Q2 to £207k being included. This debt has been referred to legal services and progress is being made in securing repayment and security of the debt.

8.2. Effort continues to ensure all outstanding debts are chased and collected, especially those for strategic partners which total over £197k of the remaining £310k debt (excluding the large single debt outlined above). Therefore we are confident that the level of that aged debt which could be seen as “at risk” is reduced to approximately £100k.

8.3. **Appendix 4a** shows the position achieved since September last year, and **Appendix 4b** provides the breakdown of the debt by service. This highlights that the debt is now largely less than one year old. Older debts are those that have payment plans and so are being reduced gradually.

9. COUNCIL TAX AND NON-DOMESTIC RATE COLLECTION

9.1. The table below shows the level of Council Tax and National Non-Domestic Rates (NNDR) collected by the Authority as at 30 September 2017 and the comparable performance for Quarter 2 of 2016/17.

	<u>Council Tax</u>			<u>Business Rates</u>		
	<u>2017/18</u>	<u>2016/17</u>	<u>Trend</u>	<u>2017/18</u>	<u>2016/17</u>	<u>Trend</u>
Collectable Debit	£65.902m	£62,811m		£35.175m	£35.328m	
Collected	£38,529m	£36,682m		£20.164m	£20,765m	
Percentage	58.5%	58.4%		57.3%	58.8%	

9.2. The table above shows that the value of Council Tax income, both due and collected, has increased from this time last year. However, for Business Rates both the percentage due and collected is slightly lower; this is thought to be due to the revaluation, greater use of monthly payments and re assessment of a large business within the district.

9.3. Business Rates Pilot Bid

A business case has been developed across all six local authorities in the Somerset two tier county area for 100% business rates retention pilot status for 2018/19. If successful, the level of funding retained locally within Somerset is forecast to exceed £14m. The bid demonstrates to Government how the additional retained funding would be used to promote financial stability and sustainability, through:

- (i) providing resources for a local productivity and infrastructure fund,
- (ii) providing additional resources to invest in service areas to improve budget sustainability and reduce future years’ budget pressures, and
- (iii) increasing the resources available for investment in economic regeneration schemes.

It is also proposed that approximately £4m of those resources will be used for a local productivity and infrastructure fund to finance strategic investment that supports economic growth and increased prosperity in Somerset. This programme of investment will be aligned with the three thematic objectives of the Heart of the South West Productivity Strategy:

- Leadership and knowledge (i.e. supporting business growth and innovation; improving management practices and performance across the economy);
- Connectivity and infrastructure (i.e. developing a more resilient and better connected infrastructure); and
- Working and learning (i.e. developing skills and employability across the workforce).

The six authorities will be able to identify individual schemes for the programme, with encouragement given to the promotion of schemes jointly by authorities in partnership. The Somerset Growth Board will act as a joint advisory body, recommending investment priorities arising from this in line with these three overall objectives from the Productivity Strategy.

10. TREASURY MANAGEMENT

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

Investments / Lending Summary as at:			30 September 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	£1,000,000		5 months	Fixed	0.52%
Bank of Scotland	£1,000,000		6 months	Fixed	0.50%
Bank of Scotland	£1,000,000		6 months	Fixed	0.53%

Bank of Scotland	£1,900,000		6 months	Fixed	0.33%
Bank of Scotland	£33			Call	0.15%
Lloyds	£3,001,825	£5,000,000	N/A	95 days	0.45%
Bank of New York Mellon	£3,504,203	£5,000,000	NA	Fixed	0.45%
Bank of New York Mellon	£1,070,592		NA	Call	0.21%
Goldman Sachs	£3,000,000	£5,000,000	6 months	Fixed	0.59%
Goldman Sachs	£2,000,000		6 months	Fixed	0.54%
Santander	£630,330	£5,000,000	N/A	1 Day	0.15%
Total	£19,716,983				

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

11. LEGAL IMPLICATIONS

11.1. None

12. EQUALITIES IMPLICATIONS

12.1. None

13. RECOMMENDATION

13.1. Cabinet is recommended to note the contents of this report.

14. REASONS FOR RECOMMENDATIONS

14.1. 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 2017/18 financial year as part of the annual budget monitoring process.

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List of background Papers (available upon request):

- 2017/18 MTRS Report
- Agresso FMS reports