# Cabinet

Agenda Item: 7

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| **Ward:** | All |
| **Portfolio:** | Finance |
| **Meeting Date:** | 12 February 2018 |

**Report Author(s):** **Cllr Parham / Corporate Finance**

**SUBJECT:** **MTRS Budget Monitoring 2017/18 – Quarter 3**

| | **Seen by:** | **Name** | **Date** |
|---|---|---|---|
| **Report Sign off** | Chief Executive / Deputy Chief Executives | Donna Nolan | Via CMT |
| | Legal | Lesley Dolan | 29 February 2018 |
| | Finance | Duncan Moss | 24 February 2018 |
| | Group Manager | Paul Deal | Via CMT |
| | Portfolio Holder | Cllr Parham | 29 February 2018 |
| | Ward Member(s) | ALL | N/A |

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| **Summary:** | The report summarises the forecast outturn position of the Council's Medium Term Resource Strategy for the 2017/18 financial year, based on Quarter 3 projections. The report provides the following information:<br><br>a) The projected Revenue outturn position for 2017/18 (Section 4 + Appendices 1a and b)<br>b) In-Year Virement Summary (Section 5 + Appendix 2)<br>c) The projected Capital outturn position for 2017/18 (Section 7 + Appendix 3)<br>d) The Aged Debt Analysis (Section 8 + Appendix 4a & 4b)<br>e) The Council Tax and National Non-Domestic Rate Collection Summary (Section 9).<br>f) Summary Treasury Management position (Section 10). |
| **Recommendation:** | **Cabinet is recommended to note the contents of this report and approve the Carry Forward Requests and the additional contributions to Capital Financing.** |
| **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. |

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| **Financial Implications:** | 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.<br><br>The report indicates a projected Revenue budget variance of £7k under spend and that the Capital Investment Programme is significantly underspent due to the investment in extending the civic site being delayed. |
| **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:** | 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.<br><br>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. |
| **Scrutiny Recommendation (if any)** | N/A |

## 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 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 2017/18, therefore explanations of variances relate to the three-month period of the financial year (1 October to 31 December 2017).

## 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 | 521 | 493 | (28) |
| Law & Governance | 1,153 | 1,215 | 62 |
| Neighbourhood Services | 4,302 | 4,337 | 35 |
| Community Health Services | 1,220 | 1,206 | (14) |
| Planning & Growth Services | 2,077 | 2,035 | (42) |
| Housing Services | 2,243 | 2,101 | (142) |
| 5 Council Contract | 1,963 | 2,156 | 193 |
| Strategic Leadership Team | 708 | 1,061 | 353 |
| Shape Housing Limited | 18 | 0 | (18) |
| **Cost of Group Services** | **14,204** | **14,604** | **400** |
| Non Service Costs | (14,204) | (14,611) | (407) |
| **Gross (Under) / Overspend** | **0** | **7** | **7** |

The table above shows a representation of the forecast year-end position which shows there is a Net Budget Variance of £7k. 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

<u>Movements from Quarter 2 report</u>

Previously, the approved, but unbudgeted £100k estimated costs for demolition of 4 toilets blocks at Badcox, Merchant Barton, Gore Hedge and Cork Street car parks were included as being funded from Contingency. It is not expected that this will be incurred during 2017/18 and therefore, the commitment against contingency has been released.

As outlined within the Quarter 2 reprot, Group Managers were tasked with identifying sufficient efficiencies to balance the budget. Considerable effort has been made and number of service budgets have reduced their year end forecasts. This has been offset to a degree due to reforecasting income within the legal shared partnership where a double count was identified within the underlying figures.

The previously forecast spend on behalf of the Housing Company incurred during its creation and in assessing potential sites will now be recharged, removing the overspend.

<u>Other key variances remaining include:</u>

- As stated above, income for the legal shared parternship has been revised and has created a budget shortfall.
- Within HR, additional resource has been included to assist with the transition to the new operating model and implementing Organisation Development.
- Within Neighbourhoods, additional resource has been used to renegotiate the Core Services Contract following its mid contract term review as previously reported to Cabinet. The variance arising from no longer funding a new waste vehicle fleet in 2017/18 is also included here. However, these are partially offset through higher levels of car parking income despite not increasing fees during 2017/18.
- Planning income has also been increased following the government announcement that fees could be increased by 20%, with funding being retained in the service.
- Housing has revised its spending plans and held vacancies to assist the reduction in the corporate overspend.
- As widely reported, the additional pressures on the 5 Councils Contract such as reduced land charges income and Mendip’s share of the renegotiation costs are included.
- Within the Strategic Leadership Team area is the removal of the 5 Councils gainshare savings and the cost of general redundancies lead to a large over spend, although this is offset in Non-Service as a drawn from reserves.
- The rental income from the two commercial assets purchased during the year is included within Non-Service along with the request to earmark this to create a reserve that can be used for maintain or offset any potential voids or unforeseen circumstances.

Some initial carry forward requests are included within the report to reflect that outlined above.

## 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 £7k is realised, the unallocated general balances of the Council will increase slightly, remaining 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 previous reports, the £5.414m Earmarked Reserves reported in the outturn report has reduced to £5.116m 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.

## 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 £1,722k, largely in relation to delays in the planned spend on the new extension and the disabled facilities grant. Excluding the purchase of the two commercial assets, actual expenditure remains low. During the formulation of the proposed 2018/19 Capital Programme (later agenda item for this meeting) budget holders were challenged to review the true need. Where appropriate carry forward requests are included to fund projects that have been delayed or span more than one financial year. 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 £642k on 31 December 2017. Although this represents a large increase in the position reported at Quarter 2 (£108k), it remains well below this stage last year.

**8.2.** The majority of the debt (£384k) is now under 1 year old. However, now over 1 year remains the large single debt of £225k which has now reduced to £197k through the payments of £5k per month in line with the current agreed payment plan payment. Work continues to ensure an amicable resolution is made.

**8.3.** Effort continues to ensure all outstanding debts are chased and collected, especially those for strategic partners which total over £233k of the remaining

£445k debt (excluding the large single debt outlined above). However we are confident that the level of that aged debt which could be seen as "at risk" remains at approximately £100k.

**8.4.** **Appendix 4a** shows the position achieved since December last year, and **Appendix 4b** provides the breakdown of the debt by service.

## 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 31 December 2017 and the comparable performance for Quarter 3 of 2016/17.

| | Council Tax | | | | Business Rates | | |
|---|---|---|---|---|---|---|---|
| | 2017/18 | 2016/17 | Trend | | 2017/18 | 2016/17 | Trend |
| Collectable Debit | £66.990m | £62,844m | | | £35.302m | £35.291m | |
| Collected | £56,938m | £54,408m | | | £29.807m | £30,040m | |
| Percentage | 86.1% | 86.6% | | | 84.4% | 85.1% | |

**9.2.** The table above shows that the value of Council Tax income, both due and collected, has increased from this time last year, but the percentage has slightly dropped . However, for Business Rates collectable has risen due to 4 new assessments, but the percentage due and collected is slightly lower; this is thought to be due to the revaluation and greater use of monthly payments.

## 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: | | | 31st December 2017 | | | |
|---|---|---|---|---|---|---|
| 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% |
| Goldman Sachs | £3,000,000 | £5,000,000 | 6 months | Y | Fixed | 0.59% |
| Goldman Sachs | £2,000,000 | | 6 months | Y | Fixed | 0.54% |
| Bank of Scotland | £1,900,000 | £5,000,000 | 6 months | Y | Fixed | 0.33% |
| Lloyds | £3,004,083 | £5,000,000 | NA | Y | 95 Day Not | 0.45% |
| Bank of New York Mellon | £3,486,513 | £5,000,000 | N/A | Y | One day | 0.21% |
| Bank of New York Mellon | £1,506,139 | | N/A | Y | Call | 0.45% |
| Bank of Scotland | £190,033 | £5,000,000 | N/A | Y | Call | 0.33% |
| Santander | £775,330 | £5,000,000 | N/A | Y | Call | 0.40% |
| **Total** | **£17,472,098** | | | | | |

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

## 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**