

Report of The Head of Finance

Financial monitoring and position statement for 2016-17

1 Purpose of report

1.1 This report shows the monitoring position for revenue expenditure only, but should be read in conjunction with the capital report elsewhere on this agenda to give members a total view and understanding of the financial position of the council.

1.2 The revenue forecast outturn is estimated as at 31 July 2016.

2 Executive Summary

This is the first monitoring report for this financial year and will be used as the baseline to compare future revenue forecasts.

3 Appendices

Appendix 1 Revenue Monitoring Position to 31 July 2016

4 The resources committee is invited to:

4.1 **RESOLVE** to note the position on the revenue monitoring and the reasons for the variances reported and shown in Appendix 1.

4.2 **RECOMMEND** how to proceed in line with either option (a) or option (b) as set out in paragraph 6.17 of the report with regards to Wollaston HWRC

5 Introduction

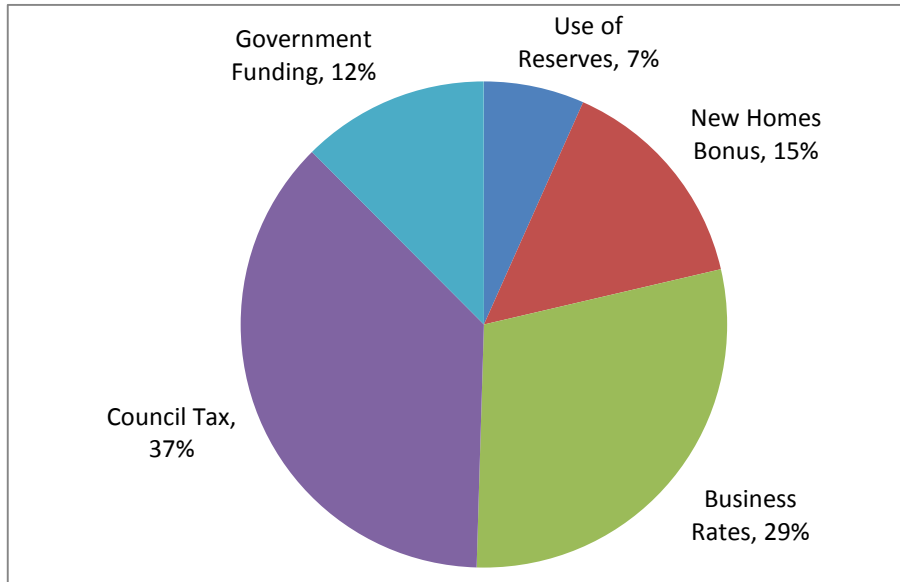
5.1 Financial monitoring is reported 4 times in the year, 3 in-year reports (September, December and March committees) and the final out turn position in June of the following financial year. This report is the first in-year report for 2016-16 and reflects the monitoring position as at 31 July 2016.

5.2 Further financial forecasts will be reported to committee to show the changes in the monitoring position as at the following dates:

- 31 October 2016
- 31 January 2017
- 31 March 2017

6 Discussion: 2016-17 Revenue Budget

- 6.1 The council set its net revenue budget in February 2016 as £9.936m, using £619k of general fund reserves and £44k of ear marked reserves to support the revenue spending. The monitoring of the revenue budget reports the variance to the use of reserves to show any under or over spending on that budget .
- 6.2 The 2016-17 net budget is supported by the following funding streams:



- 6.3 The revenue monitoring position is currently forecasting an increase in the need to use reserves of £76k, made up from a number of net savings and efficiencies. The key areas that contribute to this movement are listed below, with more detail in Appendix 1 of the report.

Budgeted Use of General Reserves as at 1st April 2016	£'000 619
Based on a Revised Total Budget of £9,994k	
Budget Savings:	
Vacant posts savings in Democratic Services	- 60
Total Budget Savings	- 60
Budget Pressures:	
High Street & Church Street Demolition Costs	57
ICT Strategy Review & PSN Compliance	28
Housing Salary Increments and Sickness Cover	22
Net pressures across services	15
Tithe Barn Feasibility Works	14
Total Budget Pressures	136
Net Budget Pressure	76
Revised Budgeted Use of Reserves as at 31st July 2016	
Based on expected outturn figure of £10,070k	695

- 6.4 The main area contributing to the need to increase reserves is in relation to the cost of demolition works at the High Street and Church Street sites. Traditionally demolition works cannot be capitalised as they do not enhance the value or create a new asset. The finance team are currently reviewing the schemes to see if there is any possibility that some of the works could be capitalised, dependent on what happens to the sites once the works are complete.
- 6.5 The other contributing factors to the total variance are a mixture of project initiation costs for invest to save schemes, such as feasibility studies and strategy development , and additional staffing costs to cover salary awards and temporary absence cover to maintain essential service delivery.
- 6.6 It is anticipated that there will be further costs for The Castle, but at this stage it is impossible to determine their extent. The financial position will be carefully monitored throughout the year and reported at subsequent Resources Committees.
- 6.7 Throughout the year budget movements are monitored and reported when they materialise or are certain to materialise in the future. There are some items that are potential further pressures or savings but are yet to be reported due to uncertainties regarding timing or validity.
- 6.8 The draft budget will be presented to the Resources Committee in December 2016. It is hoped that the effect of the Chancellor's autumn statement and budget proposals will be known by then. However, in recent years this has been very late in the year, so assumptions on the severity of the cuts will be made in the Medium Term Financial Plan.

- 6.9 The financial outlook for all public sector bodies is uncertain and local government in particular is anticipating the same level of cuts, if not greater, that it has seen in the past. This will mean that further difficult decisions on service delivery may be needed to ensure financial stability for the future. This is discussed in more detail in a report elsewhere on this agenda.
- 6.10 The draft budget will be informed by the council's priorities for the medium term and proposals to manage the funding deficit, which will inevitably exist, need to be consulted upon as part of the budget setting process.
- 6.11 The final budget will be presented to the council in February 2017 for agreement, and the outcome of consultation will be reflected in the recommendations.
- 6.12 Officers will work proactively to find solutions and make recommendations to members to ensure that the financial challenges we face for the future are managed and controlled, in line with the organisation's vision and within the available resources.

Wollaston Household Waste Recycling Centre (HWRC)

- 6.13 In March 2016 members agreed to fund a further 6 months' revenue costs for the operation of the HWRC at Wollaston. This effectively provided funding up until the end of September 2016.
- 6.14 In addition members agreed that Parish Councils (PC's) should be consulted on whether or not they might feel able to contribute an element of revenue funding to support the operation of the centre.
- 6.15 Wollaston PC agreed a £5,000 contribution for the 15/16 financial year. Of the replies received from other Parish Councils none of them felt able to contribute.
- 6.16 Some PC's who responded referred to the request for contributions being made after their annual budget had been considered and precepts set. Some suggested they could consider the matter in their 17/18 budget rounds as part of the precept setting in the autumn of 2016/17.
- 6.17 This leaves BCW with 2 clear options as follows:
- a) to cease funding and stop providing the facility as soon as possible.
 - b) to agree further revenue funding to allow those Parishes that feel able to, to consider their position further whilst setting next years precept.
- 6.18 If funding is made available until the end of March 2017 the cost will be approximately £45k more. This would need to be funded from general reserves, increasing the need to use additional reserves from the reported £76k to £121k more than originally planned and a total use of reserves of £740k for the year.

6.19 A third option of this Council simply continuing to fund the facility without the need for contributions from PC's could be considered but this cannot be recommended by the S151 officer at this time. The cost of approximately £90,000 per year is high for the number of people using the service and the provision of HWRC's is not something the Borough Council has any statutory responsibility for. Therefore, in the current financial climate this can not be considered value for money.

8. Legal Powers

Local Government Act 2003

9. Financial and Value for Money Implications

These are detailed in this report.

10. Risk Analysis

Nature of risk	Consequences if realised	Likelihood of occurrence	Control measures
Error in reported position	Over spend leading to reduced Reserves and Balances	Low due to level of quality assurance	Robust financial arrangements.
Changes in activity levels and new burdens	Over spend leading to reduced Reserves and Balances	Likely with 8 months of financial year remaining	Robust financial arrangements.

11. Implications for Resources

None identified.

12. Implications for Stronger and Safer Communities

No specific implications.

13. Implications for Equalities

No specific implications

14. Author and Contact Officer

Tracey Cave, Service Accountant

15. Consultees

Samantha Knowles, Principal Finance Manager
 Liz Elliott, Head of Finance
 Bridget Gamble, Head of Resources
 Julie Thomas, Head of Planning & Local Development
 Budget Managers

16. Background Papers

Financial Services budget monitoring working papers.

Summary of Budget Monitoring at 31st July (Period 4) with forecast to 2016/17 Outturn

Service Area	Original Budget 2016/17	Revised Budget 2016/17	Profiled Budget	Actual Expenditure to Period 4	Variance at Period 4	Forecast Outturn at 31st March 2017	Forecast Variance at 31st March 2017	Comments & Remedial Actions
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	
Environmental Health Protection	403	411	137	116	-21	415	4	Pressures: £3k reduction in licence income £1k Increased cost of Travellers sites
Regulatory services	403	411	137	116	-21	415	4	
Housing	445	450	150	123	-27	466	16	Savings: £6k Funding from CLG for register of self build Pressures: £12k Payments relating to previously unapplied salary increments £10k Cover for sickness leave
Planning Policy and Regeneration	751	756	252	207	-44	770	14	Pressures: £7k public footpath lighting £7k increased costs of emergency waterways maintenance due to flooding risk
Planning and Building Control	91	142	33	62	29	145	3	Savings: £8k reduced costs paid to the NCC for local land charge searches Pressures: £9k increased agency establishment costs £2k costs of dangerous structures
Planning and Local Development	1,287	1,348	435	392	-43	1,381	33	
Total for Head of Planning and Development	1,690	1,759	572	508	-64	1,796	37	
Environmental Maintenance	2,894	2,895	1,198	848	-350	2,895	0	
Waste and Transport	1,115	1,115	372	612	240	1,115	0	
Total for Environmental Services	4,009	4,011	1,569	1,460	-110	4,011	0	
Community Support	1,323	1,326	442	349	-93	1,332	6	Pressures: £3k increase in establishment costs £2k repairs to the Waendel swimming pool tiles £1k increase in travelling costs to the IML annual conference
Organisational Development	205	206	69	68	-1	218	12	Pressures: £9k Increased HR case work costs £3k Increased establishment costs
Democratic Services	778	789	263	518	255	714	-75	Savings: £60k Establishment savings due to vacant posts £9k No summer edition of the Link £4k Reduction in members training £2k Savings on stationery and printing costs
Investment Property	-1,357	-1,341	-462	-540	-78	-1,275	66	Pressures: £57k Pressure Town Centre schemes, Church St/Sheep St/High St £9k Net property and facilities pressure
Operational Property	817	818	231	236	5	820	2	Savings: £12k Saving on Croyland business rates Pressures: £14k Cost of feasibility study for Tithe Barn scheme
Total for Head of Resources	1,766	1,798	543	630	88	1,809	11	

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	£000's	£000's	£000's	£000's	£000's	£000's	£000's	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	
Information Technology Shared Service	1,033	970	781	453	-328	998	28	Pressures: £23k - ICT Strategy Review £5k - PSN Compliance Health check
District Law Shared Service	146	146	49	80	0	146	0	
Accountancy	548	552	184	267	83	556	4	Pressures: £4k Increased establishment costs
Internal Audit	65	65	22	20	-2	65	0	
Revenues and Benefits	222	234	304	224	-80	230	-4	Savings: £4k general savings across the service
Total for Head of Finance	835	851	510	511	1	851	0	
Corporate Contingency	-95	-95	-32	-80	0	-95	0	
Bad Debt Provision	10	10	0	0	0	10	0	
Depreciation & Amortisation	-1,395	-1,395	-465	0	0	-1,395	0	
Non Distributed Costs- Pension Fund	1,425	1,425	475	455	0	1,425	0	
Investment Income	-225	-225	-75	20	0	-225	0	
Audit Fee & Bank Charges	66	66	22	15	0	66	0	
Other Income and Expenditure	-214	-214	-75	410	0	-214	0	
Resources Directorate	3,566	3,551	1,807	2,084	-239	3,590	39	
Corporate Management	188	190	63	58	-5	190	0	
Parish Precepts	483	483	290	290	0	483	0	
2016/17 Budget Requirement	9,936	9,994	4,302	4,400	-418	10,070	76	
Government Funding	-1,239	-1,239	-413	-413	0	-1,239	0	
Business Rates	-2,417	-2,417	-806	-806	0	-2,417	0	
Section 31 Grant	-479	-479	-160	-160	0	-479	0	
Council Tax	-3,681	-3,681	-1,227	-1,227	0	-3,681	0	
New Homes Bonus	-1,457	-1,457	-486	-734	-248	-1,457	0	
Use of General Fund Reserves	-619	-619	0	0	0	-695	-76	
Ear Marked Reserves	-44	-101	0	0	0	-101	0	
2016/17 Funding	-9,936	-9,994	-3,092	-3,340	-248	-10,070	-76	
Net Position	0	0	1,210	1,060	-666	0	0	