



Finance Sub-Committee 8 February 2016

Budget Monitoring to 31 December 2015

Purpose of report

To provide an update on the forecast Revenue and Capital positions against the approved budgets for the period ended 31 December 2015 in financial year 2015/16.

Attachment(s):

Appendix 1 – Service Expenditure Analysis
Appendix 2 – Capital Programme
Appendix 3 – ICT Resilience and Compliance Issues

1. Introduction

- 1.1. This report provides an overview of the council's forecast revenue and capital position up to 31 December 2015 against the approved budget 2015/16. It highlights any significant under or overspending and identifies its impact on the year end position.
- 1.2. This report informs Members of high-level variations over £10k, which could potentially have a significant impact on the overall financial position of the council. Detailed information on less significant variations can be obtained directly from the budget holders.

2. Overview

2.1. Revenue Overview

- 2.2. The council approved a total budget requirement of £10,598,126 for 2015/16 which included a council tax requirement of £3,634,939, as well as parish precepts and a number of technical accounting entries and adjustments. For monitoring purposes, the Finance Sub Committee is focussed on the collectable income and expenditure of this council. The original revenue budget for the net cost of services, before such adjustments and items, was £9,147,183.
- 2.3. Since the budget setting in February 2015, the total budget has been revised to £9,105,064. The decrease in budget relates to net interest receivable and carry forwards from 2014/15 totalling £42,119 (net) approved during the year, as shown in **Table 1** below:

Table 1

	£
Net cost of services	9,147,183
Net Interest Receivable	(78,000)
Carry forwards from 2014/15 (FSC 22/6/15)	35,881
Revised budget as per Outturn report	9,105,064

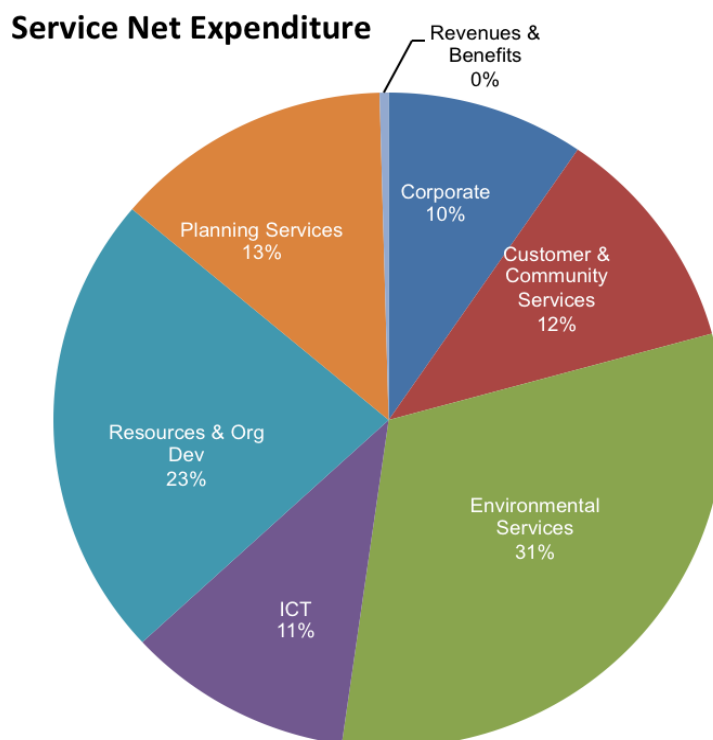
2.4. Revenue Update

2.5. The estimated services outturn for the year is an under-spend of £257k. This is largely due to new burdens grant income relating to Land Charges claims which have already been accounted for of £119k as well as additional planning income of £80k and anticipated income from the sale of the remaining company cars of £26k. The forecast does not take into account the possible effect of further staffing vacancies for the remainder of this financial year. This will be closely monitored and any updates reported to Finance Sub Committee.

2.6. **Table 2** below shows the actual expenditure to date against budget, and the estimated out-turn for year with the variance against budget.

	Budget 2015/16	Actual to date	Estimated Outturn P9	Variance
Corporate	£890,390	£776,962	£852,190	(£38,200)
Customer & Community Services	£1,122,571	£833,564	£1,000,325	(£122,246)
Environmental Services	£2,853,440	£1,543,316	£2,810,485	(£42,955)
ICT	£940,540	£795,060	£973,622	£33,082
Resources & Org Dev	£2,043,957	£1,985,045	£2,050,789	£6,832
Planning Services	£1,274,790	£559,547	£1,199,730	(£75,060)
Revenues & Benefits	(£20,624)	£809,709	(£39,044)	(£18,420)
	£9,105,064	£7,303,203	£8,848,097	(£256,967)

2.7. The chart below shows the net service expenditure as a percentage of the Total Estimated Outturn position for 2015/16.



2.8. Vacancy Factor

2.9. Over the past 3 years the council has budgeted for a full establishment. However, due to vacancies arising from staff turnover, the budget has been consistently underspent. During 2014/15 vacancy factors were trialled and monitored via Finance Sub Committee and CMT. Following the success of the trial, an assumed vacancy factor of 3.5% (£200k) was incorporated into the 2015/16 budget and MTFS.

2.10. Following the above approach, the vacancy factor monitoring is set out below:

Vacancy Factor	£k
Vacancy Factor (3.5%)	200
Vacancy Savings to date (December 2015)	(161)
Further Vacancy Savings Required	39

2.11. The savings to date are in line with the achievement of the full £200k by the end of the financial year. The risk associated with the vacancy factor is that staff turnover may not be experienced at the current levels and the amount of salary savings achieved may be lower than expected. This will be closely monitored and reported during the remainder of 2015/16.

2.12. Variances over £10k

2.13. **Table 3** below provides a summary of the main savings and pressures of over £10k. A detailed breakdown by Head of Service is shown at **Appendix 1**.

Service area	Saving £'000	Pressure £'000	Reason for variance
CFO	(26,475)		Income generated from sale of company cars
CFO		13,360	Changes on bank charges related to debit card payments
CFO	(16,970)		Savings on costs related to former employee retirements
CFO		10,000	Approved spend on HLF bid and Enterprise Zone
CFO	(11,000)		Increased interest receivable from investments
Planning Services	(80,000)		Increased planning fee income
ROD	(10,000)		£10k re-charge of costs to renew grounds maintenance contract
ROD	(18,000)		Utilities savings
ROD		18,000	Provision for Uncharged Tax on Members' mileage
ROD		15,730	Additional cost of Individual Electoral Registration
ICT		17,240	Consultancy and maintenance charges from 2014/15
ICT		17,520	Cost of Data Centre Review
C & CS	(119,846)		New burdens grant relating to land charges claim
ES	(14,235)		Savings mainly from paper and plastic sacks planned 15-16 expenditure
ES	(14,060)		Extra income from trade waste and savings on paper/plastic bags
Various	(38,231)		Each <£10k
	(348,817)	91,850	(256,967)

2.14. The forecast underspend in 2015/16 will maintain the anticipated contribution to reserves as budgeted.

2.15. The detailed breakdown at Appendix 1 identifies that a net figure of around £20k of income included within the 2015/16 underspend is ongoing and will be included in the budget for 2016/17.

2.16. Potential Risks

- 2.17. The report to Finance Sub Committee in October highlighted the risk to the income budget in 2015/16 of £608k for recycling credits. This income is payable by Northamptonshire County Council (NCC) for the recycling of household waste. NCC has announced a review of the efficiency of the collection, disposal and waste service across the county with a savings target of £7m in 2015/16, which was built into NCC's 2015/16 budget. NCC have since reversed this savings target as part of their proposals for setting the budget from 2016/17 and it is now felt that the risk to this council of not achieving all of its income for the current year has been removed. NCC remain committed to achieve some efficiencies and will work with neighbouring District and Borough councils to achieve this. Any changes to future income streams will be closely monitored and reported on accordingly.
- 2.18. There is still uncertainty around the timing of the implementation of the Universal Credit changes, and the financial impact of this is unknown. This remains a potential risk which may result in a pressure on the council.

2.19. Business Rates

- 2.20. During 2014/15 there continued to be volatility surrounding changes to business circumstances which included demolitions, changes in use, business rate reliefs and valuations for new businesses.
- 2.21. In the 2014 Autumn Statement, the Chancellor announced changes to the rules governing alterations to business rates, in which any appeal submitted after 1 April 2015 would not be backdated to 2010; this resulted in a significant increase in appeals prior to that deadline.
- 2.22. In December, the council estimated the likelihood of the financial impact of the appeals going forward at £2.3m, which will be met through various reserves which have been set aside. Progress on reducing the number of appeals has been very slow, and new appeals have since been added to the list.

2.23. Revenue Reserves

- 2.24. When the council set its budget in February 2015 it included a £520k contribution to reserves. The forecast position for the year as a result of the changes set out above is shown in the table below:

Reserves	As at 31 Dec 2015
	£k
Budget contribution to reserves	520
Forecast underspend for the year	257
Revised contribution to reserves 2015/16	777

2.25. The impact of the latest outturn position on revenue reserves is set out in the table below:

Revenue Reserves		£k	£k
Revenue Reserves Q4 2014/15			
Grants Unapplied			175
General Reserves			1,750
Earmarked Reserves			7,685
Revenue Reserves as at 1 April 2015			9,610
Less:			
Community Projects		(221)	
Use of earmarked reserves		(544)	(765)
Revised Reserves			8,845
Add:			
Forecast Contribution to reserves 2015/16			777
Forecast revenue reserves (incl. earmarked at 31 March 2016)			9,622

2.26. Treasury Management

2.27. The council had an investment portfolio of £24.39m at 31 December 2015. The current interest rate achievable is 0.49%. This is lower than anticipated when the budget was set in February 2015, when the estimated rate was 0.8%.

2.28. Whilst the investments are achieving a lower rate of return, the level of cash balances held by the council is higher than anticipated when the budget was set. This has resulted in a higher amount of interest earned for the period to 31 December 2015. The estimated interest income for the financial year is expected to be above budget. This is set out in the table below. A separate detailed report on Treasury Management will be presented to Finance Sub Committee on 08 February 2016.

Treasury Management Budget vs. Estimated Outturn			
	Budget	Estimated Outturn	Surplus
	£000	£000	£000
Investments	£78,000	£89,000	£11,000
Total	£78,000	£89,000	£11,000

Lower interest rates being achieved, offset by higher than expected cash balances

3. Capital Overview

3.1. The council's Capital Programme 2015/16 of £811k was approved by Council on 25 February 2015. A summary is shown below:

Approved Capital Programme	2015/16
	£
Disabled Facilities Grants	500,000
Stanwick Lakes	71,000
Purchase of Wheeled Bins	240,000
Total	811,000

3.2. No further capital schemes were approved in February 2015 due to the amount of uncertainty surrounding funding available to finance the capital expenditure.

3.3. Capital Expenditure 2015/16

3.4. The table below sets out the current budget for the approved capital programme and the total amount for those projects which remain in the development pool:

Table	2015/16 Budget	Re-profiled from 2014/15	Changes	DevPool Additions	Revised Position
Capital Programme					
Housing Projects	£500,000	£96,705	£172,840	-	£769,545
Leisure Projects	£71,000	-	-	-	£71,000
Environment Projects	£240,000	-	£20,000	-	£260,000
Corporate Systems	-	£118,699	£378,000	-	£496,699
Property Maintenance	-	£39,879	£41,320	-	£81,199
Total Approved	£811,000	£255,283	£612,160	-	£1,678,443
Development Pool					
Leisure Projects	£25,000	-	-	-	£25,000
Environment Projects	-	-	-	-	-
Corporate Systems	£728,000	-	(£448,000)	-	£280,000
Property Maintenance	£120,000	-	(£38,500)	-	£81,500
Total Development Pool	£873,000	-	(£486,500)	-	£386,500

3.5. The table shows that the budget for the Approved Capital Programme has increased from £0.8m to £1.68m as a result of changes within the capital programme. These changes include re-profiling of expenditure from 2014/15 since the budget was set in February 2015, movements from the Development Pool to the Approved Capital Programme and additional funding for Disabled Facilities Grants. These movements have been approved during 2015/16.

3.6. A detailed breakdown of the capital programme is shown in appendix 2, which shows that the forecast outturn for 2015/16 is currently £240k below budget. This has arisen due to re-profiling mainly within the disabled facilities grants capital programme; it is anticipated that this will be required in 2016/17 to meet the current commitments of the programme and a forecasted overspend of £30k on wheeled bins.

3.7. The £30k increase to capital expenditure is for the wheeled bins scheme, which is part of the waste contract. The funding source is from within approved waste revenue budgets. The increase to the capital programme is subject to formal approval by Council. If approved then the forecast outturn will move back to £270k below budget as reported in October 2015.

3.8. A number of resilience and compliance issues have been highlighted by a recent audit on Public Services Network (PSN) Compliance which the council will need to carry out works to rectify. The work is required to begin as soon as possible in order to ensure the risk of critical system failure and non-compliance with PSN audit requirements are eliminated. Further detail on the issues highlighted and the vulnerabilities can be seen in more detail at **Appendix 3**. In order to fund the works required, Councillors are asked to approve the following:

- Change use of Approved Capital Programme budget to EDRMS (Replacement of Planning Portal\RKYV). This is not currently allowed for in the capital programme or development pool. However, remaining budgets can be used which are currently in the Approved Capital Programme. These are identified as £40k from the remaining CAPS/Solutions/ERMS (SharePoint) budget and £20k from the remaining Security Systems budget.
- Change of use of Approved Capital Programme budget to ICT Service Desk (Potential replacement of ICCM eService Desk. There is currently £30k in the Approved Capital Programme for servers. It is proposed that this be used to carry out required works to the ICT Service Desk.
- Note approval will be requested separately as part of setting the budget for 2016/17 in respect of the CRM System (Potential replacement of Lagan). There is £70k in the Development Pool in 2016/17 for the CRM system. Work is not expected to start until around April 2016. It is proposed that this be transferred on approval into the Approved Capital Programme. This will be carried out as part of the normal budget setting process which is to be approved by Council on 24 February 2016.

3.9. Councillors are asked to approve the transfer of £7,000 from the Development Pool into the Capital Programme. This relates work to upgrade the footpath at Kingsmead Industrial Estate, Kings Cliffe. Quotes have been received and the figure requested covers the tender price plus a small amount for contingency. The work is required in order to comply with the Disability Discrimination Act and will consist of forming 4 dropped kerbs, some minor repairs to the footway and some patch repairs to the road surface. The work was identified over 18 months ago but due to uncertainty around the future of the site, it was put on hold. Now that the asset is not being considered as a saleable asset in the near future, the works are required to bring the footpath into a good state of repair.

4. Capital Funding 2015/16

4.1. The latest capital spending position assumes funding from the following sources in 2015/16:

	2015/16
Approved Capital Programme	£1,678,443
Total Expenditure	£1,678,443
Funded by:	
Capital Reserves	£903,126
Revenue Contribution	£260,000
External Contributions	£515,317
Total Funding	£1,678,443

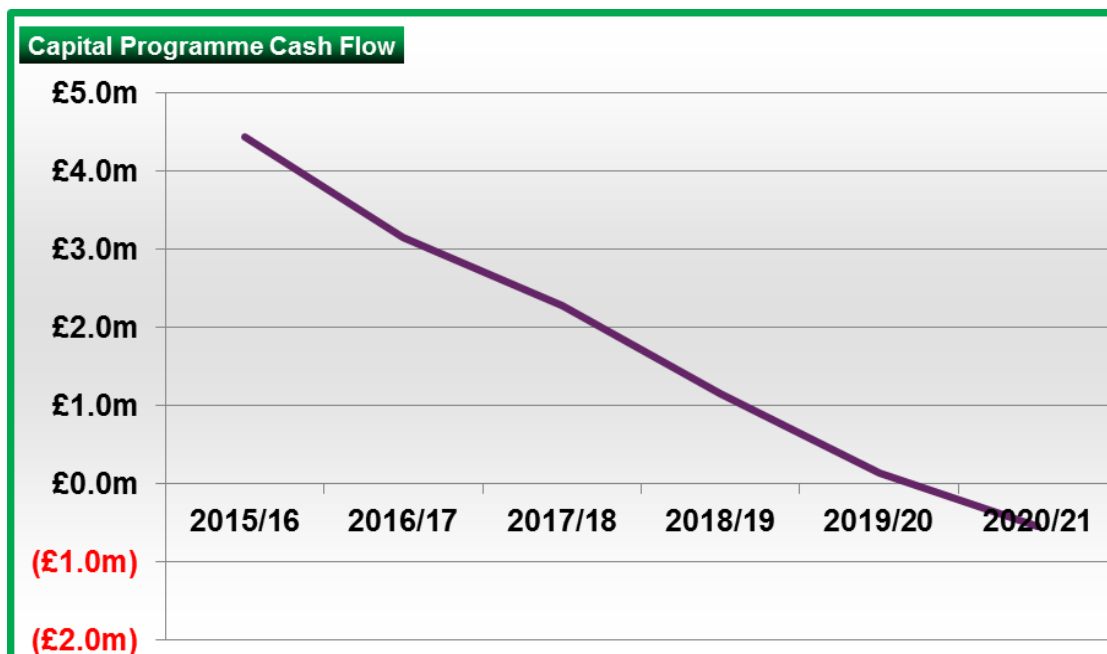
4.2. Capital Reserves

4.3. The impact on capital reserves is set out below:

Capital Reserves	£k
Capital reserves at 1 April 2015	4,435
Less:	
Approved Capital Programme Expenditure funded from reserves	(903)
Potential Development Pool Progression Items*	(386)
Forecast capital reserves at 31 March 2016	3,145

*Assumes all items from Development Pool are progressed

- 4.4. The graph below demonstrates the council's latest position for the cash flow projection of the capital programme.



- 4.5. The graph shows the cash flow over the medium term based on the current capital programme and development pool. It is currently anticipated (based on **all** schemes being approved) that during 2019/20 the council will run out of capital resources and be required to seek alternative options for financing capital expenditure. This position is being proactively mitigated through the MTFS.

5. Equality and Diversity Implications

- 5.1. There are no known equalities issues arising from this report.

6. Legal Implications

- 6.1. There are no known legal implications arising from this report.

7. Risk Management

- 7.1. This risks arising from this report are recorded in the council's Risk Register. The risks are subject to regular review and update.

8. Financial Implications

- 8.1. This report is of a financial nature and the implications are set out within the report

9. Corporate Outcomes

- 9.1. This report links to the following Corporate Outcomes:


- **Effective Management**
Budget monitoring allows the council to manage and review its financial performance, contributing to the effective management of the Council
- **Good Value for Money**
This report demonstrates the cost of services provided which contributes to this corporate outcome

10. Recommendations

10.1 The Finance Sub-Committee is asked to:

- a) note the latest revenue, capital and reserves positions for 2015/16.
- b) Resolve to recommend to Council the increase to the Approved Capital Programme budget in respect of an increase of £30k for the purchase of additional wheeled bins, which will be funded through an additional revenue contribution to capital (paragraph 3.7 of this report).
- c) Approve the change of use of Approved Capital Programme budget of £90k to be directed towards resolving compliance issues (paragraph 3.8 of this report).
- d) Note that a separate approval will be required for a transfer of £70k from the development Pool to the Approved Capital Programme for CRM in 2016/17 as part of setting the budget for the MTFs (paragraph 3.8 of this report).
- e) Approve the transfer of £7k from the Development Pool into the Approved Capital Programme in respect of works to the footpath on Kingsmead Industrial Estate (paragraph 3.9 of this report).

(Reason – to follow the formal process for approval of the amendment to the Capital Programme Budget for 2015/16.)

Legal	Power: Local Government Act 2003				
	Other considerations:				
Background Papers:					
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Date: 25.01.2016					
CFO 29.01.2016		DMO		CX	