



East
Northamptonshire
Council

Finance Sub-Committee 6 April 2016

Budget Monitoring to 29 February 2016 (high risk review only)

Purpose of report

To provide an update on the forecast Revenue and Capital positions against the approved budgets for the period ended 29 February 2016 in financial year 2015/16.

Attachment(s):

Appendix 1 – Capital Programme

1. Introduction

- 1.1. This report provides an overview of the council's forecast revenue and capital position up to 29 February 2016 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	<u>9,105,064</u>

2.4. Revenue Update

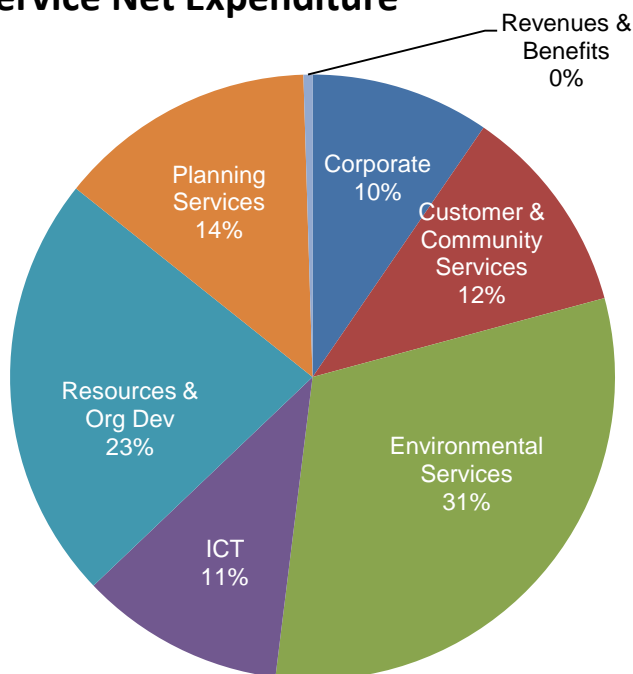
2.5. The estimated services outturn for the year is an under-spend of £303k. This is largely due to new burdens grant income of £119k relating to land charges claims which have already been accounted for, additional planning income of £50k, income from the sale of the remaining company cars of £26k and further interest income of £30k. 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 accordingly.

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	Estimated Outturn P11	Variance
Corporate	£890,390	£815,041	£852,190	£833,190	(£57,200)
Customer & Community Services	£1,122,571	£991,140	£1,000,325	£1,000,325	(£122,246)
Environmental Services	£2,853,440	£2,021,552	£2,810,485	£2,775,725	(£77,715)
ICT	£940,540	£949,575	£973,622	£973,622	£33,082
Resources & Org Dev	£2,043,957	£2,246,496	£2,050,789	£2,032,789	(£11,168)
Planning Services	£1,274,790	£832,341	£1,199,730	£1,229,730	(£45,060)
Revenues & Benefits	(£20,624)	£626,396	(£39,044)	(£43,044)	(£22,420)
	£9,105,064	£8,482,541	£8,848,097	£8,802,337	(£302,727)

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

Service Net Expenditure



2.8. Domestic Homicide Review

- 2.9. A domestic incident in Rushden in September 2015 led to the death of an elderly man. A referral to the East Northants Community Safety Partnership (CSP) was made by the police under section 9 of Domestic Violence, Crime and Victims Act 2004, seeking that a Domestic Homicide Review (DHR) takes place. A DHR is a review of the circumstances in which the death of a person aged 16 or over has, or appears to have, resulted from violence, abuse or neglect by: (a) a person to whom he was related or with whom he was or had been in an intimate personal relationship, or (b) a member of the same household as himself, held with a view to identifying the lessons to be learnt from the death. The victim and the perpetrator were father and son respectively.
- 2.10. Under the Multi-Agency Guidance for undertaking DHRs, the CSP has appointed an independent Chair to conduct the review and produce the report. The typical costs associated with a DHR are estimated to be between £15,000 and £20,000, depending on the extent and depth of the review required. All of the costs concern the commission of the independent Chair and report author and arrangements for suitable venues to conduct the review hearings. Under the guidance the review and reporting should be completed within 6 months of the confirmation from the Home Office.
- 2.11. The costs will need to be met by East Northamptonshire Council as the authority where the person resided. The other two statutory partners within the CSP are the police and county council. Northants Police are undertaking the criminal investigation and NCC is providing the administrative co-ordination support for the DHR. It is proposed that the costs for this DHR are met from the reported underspend for financial year 2015/16. This is to give you notice that a request for a reserve will be included in the draft outturn report to be submitted to Finance Sub-Committee on 13 June 2016 so that the formal process for a recommendation to approve by Policy & Resources is followed accordingly.

2.12. Vacancy Factor

- 2.13. 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.
- 2.14. Following the above approach, the vacancy factor monitoring is set out below:

Vacancy Factor	£k
Vacancy Factor (3.5%)	200
Vacancy Savings to date (February 2016)	(195)
Further vacancy savings required	5

- 2.15. 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.

2.16. Variances over £10k

2.17. **Table 3** below provides a summary of the main savings and pressures of over £10k.

Service area	Saving £'000	Pressure £'000	Reason for variance
CFO	(26,475)		Income generated from sale of remaining council cars
CFO		13,360	Changes in 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 and Enterprise Zone bids
CFO	(30,000)		Increased interest receivable from investments
Planning Services	(50,000)		Increased planning fee income
ROD	(10,000)		£10k re-charge of costs to renew grounds maintenance contract
ROD	(18,000)		Utilities savings
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
ES	(28,295)		Savings mainly from paper and plastic sacks planned 15-16 expenditure and extra income from trade waste
Various	(76,991)		Each <£10k
	(376,577)	73,850	(302,727)

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

2.19. Potential Risks

2.20. In previous committee reports, concerns have been expressed in relation to the waste income payable by Northamptonshire County Council (NCC). Although these risks have been avoided due to NCC revisiting its budget savings in this area for 2015/16 and 2016/17, NCC remains committed to achieving some efficiencies within recycling for household waste and will look to work with neighbouring District and Borough councils to achieve this. Any changes to future income streams will be closely monitored and reported on accordingly.

2.21. 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.

2.22. Business Rates

2.23. During 2015/16 there continued to be volatility surrounding changes to business circumstances which included demolitions, changes in use, business rate reliefs and valuations for new businesses.

2.24. 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 which resulted in a significant increase in appeals prior to that deadline.

2.25. Based on Valuation Office data provided for the February outstanding appeals listing, the council estimated the likelihood of the financial impact of the appeals going forward at £1.7m, which will be met through various reserves which have been set aside.

2.26. Revenue Reserves

- 2.27. 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 29 Feb 2016 £k
Budget contribution to reserves	520
Forecast underspend for the year	303
Revised contribution to reserves 2015/16	823

- 2.28. 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		823
Forecast revenue reserves (incl. earmarked at 31 March 2016)		9,668

2.29. Treasury Management

- 2.30. The council had an investment portfolio of £21.75m at 29 February 2016. The current average 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%.
- 2.31. Whilst the investments are achieving a lower rate of return, the level of cash balances held by the council remains higher than anticipated when the budget was set. This has resulted in a higher amount of interest earned for the period 29 February 2016. 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 06 April 2016.

Treasury Management Budget vs. Estimated Outturn			
	Budget £000	Estimated Outturn £000	Surplus £000
Investments	£78,000	£108,000	£30,000
Total	£78,000	£108,000	£30,000

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 1	2015/16 Budget	Re-profiled from 2014/15	Changes	Dev Pool 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	-	£50,000	-	£290,000
Corporate Systems	-	£118,699	£448,000	-	£566,699
Property Maintenance	-	£39,879	£48,320	-	£88,199
Total Approved	£811,000	£255,283	£719,160	-	£1,785,443
Development Pool					
Leisure Projects	£25,000	-	-	-	£25,000
Environment Projects	-	-	-	-	-
Corporate Systems	£728,000	-	(£518,000)	-	£210,000
Property Maintenance	£120,000	-	(£45,500)	-	£74,500
Total Development Pool	£873,000	-	(£563,500)	-	£309,500

- 3.5. The table shows that the budget for the Approved Capital Programme has increased from £0.8m to £1.79m 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 1, which shows that the forecast outturn for 2015/16 is currently £270k below budget. This has arisen due mainly to re-profiling of the Disabled Facilities Grants. It is anticipated that this will be required in 2016/17 to meet the current commitments of the programme.

3.7. Public Services Network (PSN) Compliance

- 3.8. At the Finance Sub Committee meeting of 8 February 2016 a number of resilience and compliance issues were reported following an audit on Public Services Network (PSN) compliance. Approval of funding was required in order to proceed with works to rectify the issues and ensure Public Services Network compliance as soon as possible.

- 3.9. On 16th March the Cabinet Office issued a compliance certificate for East Northamptonshire Council's Public Services Network (PSN) connection. This certificate covers the Council's continued use of the PSN for the next 12 months. As

part of this a remediation plan was agreed with the Cabinet Office which covers a number of key actions. These are listed as follows:

- Core infrastructure software was upgraded in January/February (VMWare & McAfee Endpoint Protection Suite).
- Additional security measures were put in place in February on the existing EDRMS server (RKYV), used to display planning records to the public.
- ICT committed to decommissioning four Microsoft 2003 Servers by 1st April 2016. One of these has already been switched off. The other three are on schedule to be decommissioned on or before this date.
- ICT committed to carrying out an additional external security test by 1st May 2016, to provide further reassurances to support our submission.
- ICT committed to replacing/upgrading the existing ICT Service Desk system (ICCM) by 1st June 2016, currently running on a Microsoft 2003 Operating System. Discussions have begun with suppliers.
- ICT committed to replacing/upgrading the existing CRM system (Lagan) by 1st October 2016, currently running on a Microsoft 2003 Operating System. Discussions have begun with suppliers.
- ICT committed to replacing the existing EDRMS system (RKYV) by 1st January 2017, currently running on a Microsoft 2003 Operating System. An order has now been raised with IDOX.

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	£1,785,443
Total Expenditure	£1,785,443
Funded by:	
Capital Reserves	£980,126
Revenue Contribution	£290,000
External Contributions	£515,317
Total Funding	£1,785,443

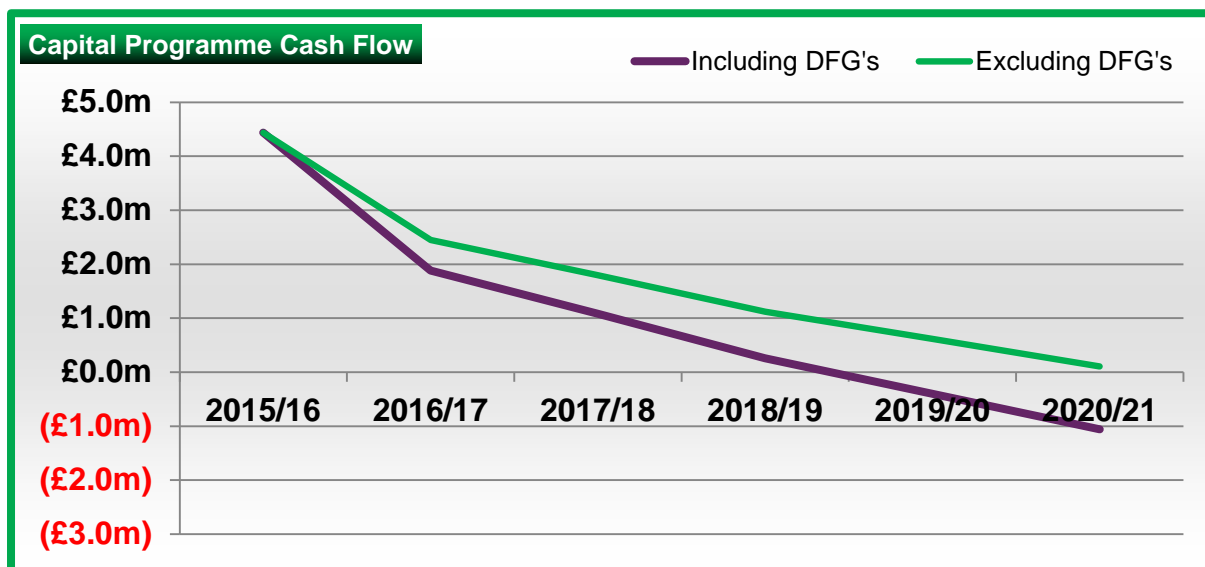
4.2. Capital Reserves

- 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	(980)
Potential Development Pool Progression Items*	(309)
Forecast capital reserves at 31 March 2016	3,146

*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. Resource and Financial Implications

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

9. Constitutional Implications

9.1. This report is of a financial nature and is for information only. There are currently no direct implications impacting on the Constitution.

10. Customer Service Implications

10.1. This report is of a financial nature and is for information only. There are no direct implications impacting on customer services.

11. Corporate Outcomes

11.1. 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

12. Recommendations

10.1 The Finance Sub-Committee is asked to:

- a) note the latest revenue, capital and reserves positions for 2015/16

(Reason – this is an information / monitoring report – no decision required)

Legal	Power: Local Government Act 2003				
	Other considerations:				
Background Papers:					
Person Originating Report: Michelle Drewery, Finance Manager ☎ 01832 742267 ✉ mdrewery@east-northamptonshire.gov.uk					
Date: 24.03.2016					
CFO		DMO		CX	

Approved Capital Programme	2015/16						2015/16 - Profile		Variance Forecast v Budget	Probable Carry Forward	Total 2016/17 to 2025/26
	Original Budget	Previous Years Re-profiled Expenditure	Approved in current year	Current Budget	Actual	Committed	Forecast	Outturn			
	£	£	£	£	£	£	£	£			
Housing Projects	500,000	96,705	172,840	769,545	324,030	-	533,785	(235,760)	235,760	500,000	
Leisure and Tourism Projects	71,000	-	-	71,000	61,804	9,196	71,000	(0)	-	119,000	
Environment Projects	240,000	-	50,000	290,000	203,510	24,328	290,000	-	-	270,000	
Central Services Projects	-	-	-	-	-	-	-	-	-	-	
Corporate Systems	-	118,699	448,000	566,699	124,031	51,765	532,564	(34,135)	24,135	-	
Essential Property Maintenance	-	39,879	48,320	88,199	2,821	-	88,200	1	-	-	
Vehicle Replacements	-	-	-	-	-	-	-	-	-	-	
Total	811,000	255,283	719,160	1,785,443	716,196	85,288	1,515,549	(263,854)	259,895	889,000	
Approved Capital Project	Original Budget	Previous Years Re-profiled Expenditure	Approved in current year	Current Budget	Actual	Committed	Forecast	Outturn	Variance Forecast v Budget		
	£	£	£	£	£	£	£	£	£		
Disabled Facilities Grants	500,000	96,705	172,840	769,545	324,030	-	533,785	(235,760)	235,760	500,000	
Splash Pool - Emergency & Improvement Plan	-	39,879	-	39,879	-	-	39,879	-	-	-	
Maintenance of Chamer lights	-	-	38,500	38,500	-	-	38,500	-	-	-	
Leisure Equipment	-	-	-	-	(9,196)	9,196	(0)	(0)	-	-	
Purchase of Wheeled Bins	240,000	-	50,000	290,000	203,510	24,328	290,000	-	-	270,000	
Stanwick Lakes - Infrastructure	71,000	-	-	71,000	71,000	-	71,000	-	-	119,000	
Service Transformation Programme	-	5,900	-	5,900	-	-	5,900	-	-	-	
Kingsmead Industrial Estate	-	-	7,000	7,000	-	-	7,000	-	-	-	
PC'S, Monitors & Laptops	-	16,064	-	16,064	-	-	16,064	-	-	-	
Replacement Printers & Scanners	-	6,000	-	6,000	1,806	-	6,000	0	-	-	
Servers	-	-	30,000	30,000	-	-	30,000	-	-	-	
Replacement Sun Server	-	10,000	-	10,000	-	-	-	(10,000)	-	-	
Data Infrastructure Equipment	-	-	64,000	64,000	-	2,000	64,000	-	-	-	
Licences	-	9,553	119,000	128,553	74,969	-	123,423	(5,130)	5,130	-	
Security Systems	-	18,005	16,000	34,005	4,347	4,370	15,000	(19,005)	19,005	-	
CAPS Solutions/ERMS	-	50,825	-	50,825	8,421	41,030	50,825	-	-	-	
Revenues and Benefits Upgrade	-	2,352	-	2,352	-	2,351	2,351	(1)	-	-	
CRM Upgrades	-	-	70,000	70,000	-	-	70,000	-	-	-	
Intranet Upgrade	-	-	36,000	36,000	23,400	-	36,000	-	-	-	
SQL Consolidation	-	-	28,000	28,000	-	-	28,000	-	-	-	
Mobile working	-	-	25,000	25,000	1,763	1,363	25,000	-	-	-	
Replacement Hardware	-	-	30,000	30,000	9,324	650	30,000	-	-	-	
Exchange Upgrade	-	-	30,000	30,000	-	-	30,000	-	-	-	
Nene Community Centre	-	-	2,820	2,820	2,821	-	2,821	1	-	-	
Total	811,000	255,283	719,160	1,785,443	716,196	85,288	1,515,549	(263,854)	259,895	889,000	

Development Pool		Previous Years Re-profiled Expenditure	Approved in current year	2015/16	Actual	Committed	Forecast Outturn	Variance Forecast v Budget	Total 2016/17 to 2025/26 £
	£	£	£	£	£	£	£	£	£
Housing Projects		-	-	-	-	-	-		4,500,000
Leisure and Tourism Projects	25,000	-	-	25,000	-	-	-		52,000
Environment Projects	-	-	-	-	-	-	-		286,600
Central Services Projects	60,000	-	-	60,000	-	-	-		104,000
Corporate Systems	668,000	-	(518,000)	150,000	-	-	-		2,817,005
Essential Property Maintenance	120,000	-	(45,500)	74,500	-	-	-		1,160,000
Vehicle Replacements	-	-	-	-	-	-	-		-
Total	873,000	-	(563,500)	309,500					8,919,605

Development Pool

Disabled Facilities Grants									4,500,000
Contractual									-
Stanwick Lakes - Infrastructure				-					90,000
Purchase of Wheeled Bins				-					270,000
Business Critical									-
AMP - Pemberton Centre				-					38,000
AMP - Nene Centre									14,000
AMP - Rushden Centre									110,000
AMP - East Northamptonshire House	95,000		(38,500)	56,500					510,000
AMP - Industrial Units	25,000		(7,000)	18,000					360,000
AMP - Polebrook Cemeteries				-					40,000
AMP - Village Drains				-					10,000
AMP - Public Car Parks				-					40,000
Splash Pool - Emergency & Improvement Plan	25,000			25,000					-
Print Room Asset Management	20,000			20,000					104,000
Replacement Dog Warden Vans				-					16,600
PC'S, Monitors & Laptops	30,000		(30,000)	-					213,000
Data Infrastructure Equipment	64,000		(64,000)	-					244,000
Security Systems	16,000		(16,000)	-					79,005
Licences	119,000		(119,000)	-					1,250,000
DR/Business Continuity				-					95,000
Printers & Scanners	20,000			20,000					72,000
Servers	10,000			10,000					250,000
Upgrade for Uninterrupted Power Supply to server room (UPS for L12)				-					25,000
Storage/Replacement SAN				-					144,000
Upgrade Public Access and TLC systems (CAPS Solutions/ERMS)	40,000		(40,000)	-					85,000
CRM Upgrades	70,000		(70,000)	-					25,000
Telephone System	30,000		(30,000)	-					55,000
ESRI - GIS Upgrade				-					105,000

Oracle Licensing & Physical servers	50,000			50,000					90,000
Data Centre Upgrade				-					85,000
Oracle Development	10,000			10,000					-
Mobile working	25,000		(25,000)	-					-
Exchange Upgrade	30,000		(30,000)	-					-
Intranet Upgrade	36,000		(36,000)	-					-
Replacement Hardware	30,000		(30,000)	-					-
SQL Consolidation	28,000		(28,000)	-					-
Sharepoint development	30,000			30,000					-
NDL development	20,000			20,000					-
Revenues and Benefits Upgrade	10,000			10,000					-
Invest to Save									-
Replacement Finance System	40,000			40,000					-
Service Enhancement									-
Performance Management Solution				-					-
Total	873,000	-	(563,500)	309,500	-	-	309,500		8,919,605
Total Approved Programme and Development Pool	1,684,000	255,283		2,094,943	716,196	85,288	1,825,049		9,808,605