

REPORT TO THE EXECUTIVE MEETING OF 20th MARCH 2017

Meeting: Executive
Date: 20th March 2017
Subject: 2016/17 Revenue and Capital Monitoring - Quarter 3
Report of: Head of Finance and Corporate Services (s151 Officer)
Portfolio Holder: Councillor Phil King
Status: For Decision and Information
Relevant Ward(s): All

1 Purpose of the Report

- 1.1 To provide Executive with high level budget monitoring information for the period 1 April 2016 to 31st December 2016, and to highlight the forecast outturn position for the revenue and capital budget for 2017/18.

2 Recommendations:

- 2.1 To note the net expenditure against the budget for the quarter to 31st December 2016, Appendix A.
- 2.2 To note Capital Programme expenditure for the quarter to 31st December 2016, Appendix D.
- 2.3 To approve the Revised Capital Programme schemes as outlined in 4.5.1 and Appendix D.

3 Summary of Reasons for the Recommendations

- 3.1 The Council's financial performance up to 31st December 2016, together with known commitments for the remainder of the financial year, indicates that the General Fund Revenue Account is likely to outturn approximately £1.125m under below the approved budget of £11.824m.

4 Key Facts

- 4.1 Financial Position to 31st December 2016.

4.1.1 The Council's 2016/17 net budget requirement, as approved by Council in February 2016, is £11.824m, this is shown in column B at **Appendix A**, attached.

Appendix A shows the financial position at the first quarter, to 31st December 2016. Overall this is forecasting a projected surplus of £1.125m (9.5%) of the approved budget at the end of the year.

4.1.2 The Council continues to proactively manage its budget, deliver the identified savings targets and to benefit from buoyant income levels in its key areas of activity. The forecast outturn at the end of each quarter is

	Forecast Surplus £000's
Quarter 1	611
Quarter 2	900
Quarter 3	1,125

4.1.3 The Council continues to benefit from its current policy of utilising internal investments to delay more expensive borrowing for Capital Schemes. This has achieved forecast savings of £333k in 2016/17 (included in the surplus above).

4.1.4 The Council continues to benefit from retained business rate growth. Current forecasts indicate an increase in the retained levy of £435k over budget (included in the surplus above). However, this area of the budget is volatile due to the ongoing risk of business rate appeals.

4.1.5 The Budget approved on the 23rd February 2017 assumes that the surplus generated in 2016/17 will be added to the Council's General Fund Balance to assist with future year's Medium Term Financial Strategy Challenges.

4.2 Key Variances

4.2.1 The Council introduced a chargeable garden waste service from 1st April 2016. A target of 9,250 subscribers was set. This has proved to be a popular scheme with a total of 18,913 subscribers at the end of December. This has resulted in extra income of £396k above target. This is partially offset by the gain share arrangement with FCC where £193k has been paid for the extra collections, thereby generating a net additional income of £203k. However it is important to note that the subscription income does not cover the cost of the service.

4.2.2 The Council continues to experience high level of planning applications for both residential and economic uses. At the end of December planning fees are £250k ahead of the 2016/17 budget target. There has been the need for additional agency planning staff to assist with the workload (which is being partially met by a drawdown from the planning reserve created at the end of last year).

The current lack of a 5 year housing supply and reserved matter applications for the Market Harborough SDA is forecast to generate further planning fee income in 2016/17 and for this to be sustained in 2017/18. To date this year the Council has received 28 major applications (where the planning fee exceeds £5k). The current split of fees is 40% small residential, 60% major applications.

4.2.3 The Council is on target to achieve the £673k of savings identified in the 2016/17 Revenue Budget approved by Council on 22nd February 2016 with the exception of the £60k rationalisation of travel allowances that have now been deferred until 2018/19. This shortfall has been compensated for by operational in-year savings on other budgets (for example £76k on Premises costs). The Council retains a £146k contingency within the Revenue Budget as at 31st December 2016, though this is unlikely to be needed in 2016/17.

4.2.4 The Council is currently forecasting a surplus of £552k within services budgets. The breakdown by portfolio is detailed In **Appendix A** and is summarised below.

	Revised Budget	Forecast Outturn	Forecast Variance	Forecast Variance Percentage
	B	F	G=B-F	
	£000's	£000's	£000's	%
Portfolio's				
Strategy/Economic Development	109	78	(31)	(28.4%)
Corporate Services	3,963	3,785	(178)	(4.5%)
Environment & Regulation	(47)	(37)	10	(21.3%)
Finance & Assets	5,157	4,861	(296)	(5.7%)
Housing & Community Safety	635	714	79	12.4%
Planning & Regeneration	1,093	936	(157)	(14.4%)
Wellbeing & Localities	374	395	21	5.6%

The Revised Budget is the net budget. As such, a relatively small expenditure or income variance can lead to what appears to be a large percentage variance, whereas the monetary variance is not material.

4.2.5 Analysis by Cost Centres within each portfolio and explanation of variances in excess of £25k are detailed in **Appendix B and C** respectfully.

4.3 Reserves

4.3.1 The key movement on reserves is an increase in the estimated contribution to the business rate retention reserve from £898k contained within the budget to £1,343k, this represent continued economic growth alongside changes in appeal provision.

4.4 Other Adjustments

4.4.1 Through the final accounts process a review was undertaken of year-end creditors that had still not been paid 12 months on. This has identified a large creditor that subject to a forensic review of any outstanding liability could need to be reversed and be credited to the revenue budget. This may result in a windfall income within the consolidated income and expenditure account in 2016/17 Statement of Accounts.

4.5 Capital Budget

4.5.1 The Council approved a capital programme in February 2016 of £4.883m. On the 5th September Executive approved capital carry-forwards of £1.487m and associated funding from the 2015/16 Capital Programme. Further approvals were approved by Executive on 5th September (Quarter 1) and 5th December (Quarter 2) resulting in an approved capital programme of £6.852m. Approval is sought through this report for £53k of schemes detailed in **Appendix D** taking the total programme to £6.905m.

4.5.2 Slippage of £4.480m was identified in the Quarter 2 monitoring. The officer Capital Programme Board reviews the programme on a regular basis to see whether schemes can progress in 2016/17.

4.5.3 The majority of the slippage relate to the potential project for business move on space (which is subject to external funding) and slippage on the redevelopment of garage sites due to operational reasons. The scheme at Great Glen has commenced in 2016/17.

5 Legal Issues

5.1 The Council is required to set and manage a legal balanced budget. The Quarter 3 monitoring indicates that the Council financial commitments are being managed within the resources approved by Council.

6 Resource Issues

6.1 The Resource issues are highlighted in the main report. Spending is being managed within the approved budgets agreed by Council in February 2016.

6.2 The Council's Revenue Budget performance is shown in **Appendix A**. Key Capital Programme details are shown in **Appendix D**.

7 Equality Impact Assessment Implications/Outcomes

7.1 There are no equality issues arising directly from this report.

8. Risk Management Implications

8.1 It is important to monitor the position against budget regularly in order to ensure any issues can be addressed appropriately.

9 Consultation

9.1 Budget holders and service accountants discuss the financial performance against budgets at monthly budget monitoring meetings. Key budget variances are discussed with Portfolio Holders.

10 Background Papers

10.1 Budget Working Papers and Monitoring for 2016/17.

Previous report(s): Council 22 February 2016 – General Fund Revenue & Capital Budget

Executive, 5th September 2016 – Quarter 1 Monitoring 2016/17

Executive, 5th December 2016 – Quarter 2 Monitoring

Information Issued Under Sensitive Issue Procedure: N

Ward Members Notified: N

Appendices:

- A. Revenue Monitoring Summary**
- B. Analysis by Cost Centre**
- C. Explanation of Variances > £25K**
- D. Capital Monitoring Summary**