

# REPORT TO RESOURCES PDG

**REPORT OF: CORPORATE FINANCE MANAGER**

**REPORT NO: CFM397**

**DATE: 26<sup>th</sup> January 2017**

<b>TITLE:</b>	<b>Financial Report for 2016/17– Qtr 2 Forecast Monitoring Information</b>	
<b>KEY DECISION OR POLICY FRAMEWORK PROPOSAL:</b>	None	
<b>EXECUTIVE MEMBER: NAME AND DESIGNATION:</b>	Councillor Terl Bryant Executive Member Finance and IT Councillor Linda Wooten Executive Member Housing	
<b>CONTACT OFFICER:</b>	Richard Wyles- Corporate Finance Manager Tel: 01476 406210 Email: <a href="mailto:r.wyles@southkesteven.gov.uk">r.wyles@southkesteven.gov.uk</a>	
<b>INITIAL IMPACT ANALYSIS:</b>	Carried out and Referred to in paragraph (7) below:	Full impact assessment Required:
<b>Equality and Diversity</b>	N/A	No
<b>FREEDOM OF INFORMATION ACT:</b>	This report is publicly available via the Your Council and Democracy link on the Council's website: <a href="http://www.southkesteven.gov.uk">www.southkesteven.gov.uk</a>	
<b>BACKGROUND PAPERS</b>	CFM381 – Qtr 1 Forecast Monitoring Information CFM377 – April & May Monitoring Information CFM358 – Determination of Budget 2016/17 The above reports can be located by putting the reference number in the search section of the committee website via the link below: <a href="http://moderngov.southkesteven.gov.uk/ieDocSearch.aspx?bcr=1">http://moderngov.southkesteven.gov.uk/ieDocSearch.aspx?bcr=1</a>	

## 1. RECOMMENDATION

- 1.1 Members are asked to review the comments and figures contained in this report and identify any variances that require further action.

## 2. PURPOSE OF THE REPORT

2.1 In order to ensure effective budget management it is important that the members are updated with budget monitoring information and are kept informed of the financial position. The report provides a summary of the forecast outturn position as at the end of Quarter 2 against annual budget for 2016/17 for the following areas:

- General Fund Revenue Budget
- Housing Revenue Account Budget
- Capital Programmes – General Fund and HRA

2.2 Forecast outturn work is undertaken on a quarterly basis by the business areas in order to anticipate the outturn position. This process enables options to be considered in respect of the spending proposals for the remainder of the year or alternatively it is used to identify emerging financial issues that can then be investigated and mitigating actions put in place.

## 3 DETAILS OF REPORT

### General Fund Revenue Budget

3.1 The budget requirement for 2016/17 was set at £12.403m. The budget is adjusted in year to allow for budget virements, creation of set-asides and centralisation of key budget headings. The updated position is outlined in the table below in the 'Adjusted Budget' column.

3.2 The forecast outturn for 31<sup>st</sup> March 2017 as at quarter 2 shows projections of a £181K variance at 'net cost of services'. The information is summarised by priority area in Table A and Graph A below.

<b>TABLE A – GENERAL FUND REVENUE POSITION</b>				
<b>Budget Area</b>	<b>Annual Budget £'000</b>	<b>Adjusted Budget (i) £'000</b>	<b>Forecast Outturn £'000</b>	<b>Forecast Variance £'000</b>
Growth	523	445	500	55
Environment	6,379	6,366	6,246	(120)
Culture	2,885	2,826	3,035	209
Housing	1,088	992	962	(30)
Corporate	4,551	4,797	4,502	(295)
<b>Net Cost of Services</b>	<b>15,426</b>	<b>15,426</b>	<b>15,245</b>	<b>(181)</b>
Reserves & Grants	(553)	(553)	(634)	(81)
Interest Payable & Receivable	(173)	(173)	(167)	6
Capital Charges	(2,869)	(2,869)	(2,869)	0
Revenue Contribution to Capital (ii)	500	500	500	0

Allocation of Parish Grants	72	72	72	0
<b>Total</b>	<b>12,403</b>	<b>12,403</b>	<b>12,147</b>	<b>(256)</b>

(i) *Adjusted budgets are amended throughout the course of the financial year due to the centralisation of budgets, budget virements and for set-asides agreed at year end.*

3.3 The main factors impacting on the forecast variance position are outlined in Table B below.

	<b>TABLE B – GENERAL FUND VARIANCE ANALYSIS</b>	<b>Forecast Variance £'000</b>	<b>Total £'000</b>
	<b>Annual Budget 2016/17</b>		<b>12,403</b>
<b>Priority</b>	<b><u>Budget Pressures</u></b>		
Culture	Bourne Core Area – Non domestic rates are payable for 3 vacant retail units.	25	
Culture	Leisure Centres – Profiling of the capital repayment for the gym investment at the Meres Leisure Centre has been revised and will therefore be recoverable in future years.	15	
Culture	Property Investment Strategy – Due to the current lack of commercial investment opportunities that meet the Councils requirements, it is not anticipated that any investment property income will be received in 2016/17.	200	
Growth	Planning Policy – Government grants in respect of designation receipts have been currently deferred. Receipts will therefore not be available in 2016/17. This has been reassessed and budgeted for in future years.	20	
Growth	Grantham Market – A reduction of traders for both stalls and pitches of 4 per week continues for the second quarter resulting in a forecast income reduction. This will continue to be monitored during the year.	15	
Growth	Car Parks – A temporary contract change in enforcement arrangements and supervisory costs has resulted in a forecast over spend pending completion of a tendering exercise by Procurement Lincolnshire	25	
Growth	Planning – Potential consultancy costs required upon receipt of a major planning application resulting in increased expenditure**	60	
	<b>Total Pressures</b>		<b>360</b>
<b>Priority</b>	<b><u>Savings &amp; Efficiencies</u></b>		
Environment	Fuel – There has been no increase to the fuel duty during the year which is resulting in a forecast saving of (£60K).	(60)	

Housing	Homelessness – Preventative measures are being undertaken which is reducing the need for emergency accommodation.	(16)	
Corporate Environment Housing	Employee Expenses – The budgeted variance with respect to vacant positions in service areas has been forecast as at the end of Quarter 2 at (£262K). This is against the workforce efficiency target of (£360K)	(262)	
Corporate	Empty Homes – This review has been undertaken utilising internal resources rather than procuring external support	(30)	
Corporate	ICT – There has been a reduction in the agency requirements covering employees on secondment of (£45K)*	(45)	
Corporate	Community Fund – Based on the current level of applications, the projected level of funding required for 2016/17 may be reduced.	(50)	
	<b><u>Additional Income</u></b>		
Growth	Car Parks – There is an overall increase in income following an improvement in ticket sales resulting in a forecast increase of (£40K). Due to the revised approach to the St Peter’s Hill development, additional income is forecast for St Catherine’s Road car park (£5K).	(45)	
Growth Corporate	Other Income – External support is being provided to other local authorities including leisure centre inspections, conservation and planning policy which is forecast to achieve additional income of (£53K).	(53)	
Environment	Green Waste Collection –Additional income is being forecast following a review of the collection fee, with 26,179 households renewing their subscription and 1,122 new households joining the service.	(80)	
Culture	Arts Centres – Advertising sponsorships have been received for both locations in year.	(16)	
	<b>Total Savings</b>		<b>(657)</b>
	<b>Other Items</b>		<b>41</b>
	<b>Forecast Outturn</b>		<b>12,147</b>

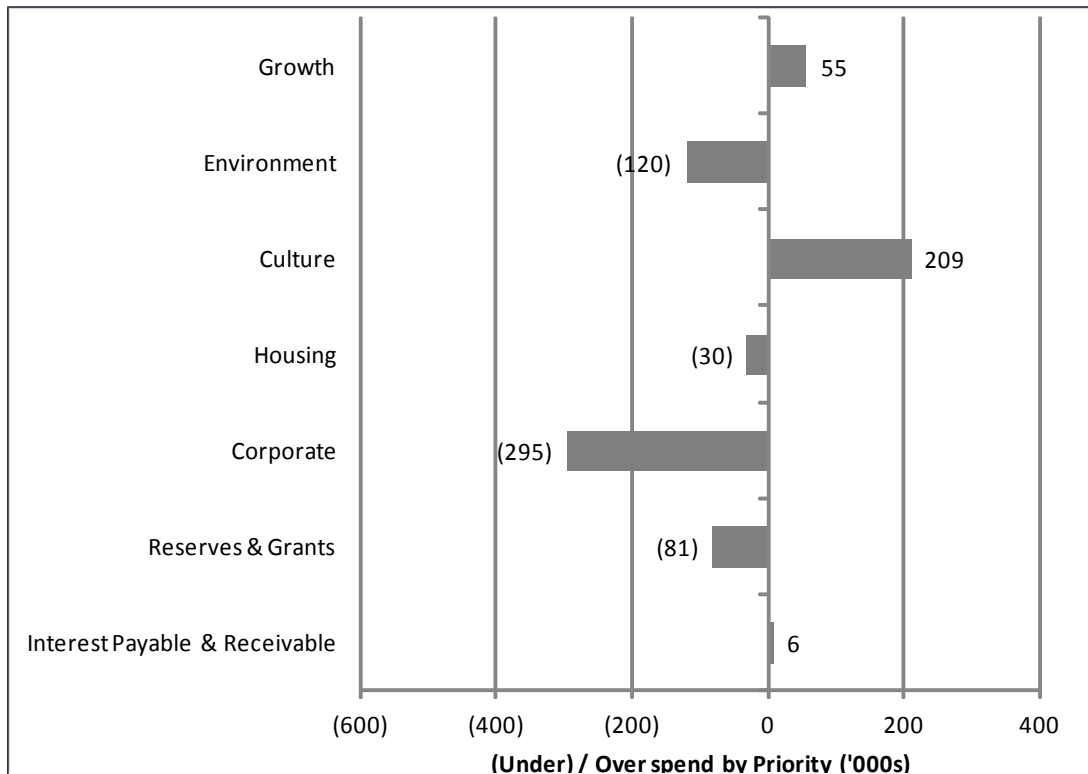
\*These are funded by reserves so the reserve will be topped up.

\*\*This is a potential pressure depending on matters arising from the application.

3.4 Reserves & Grants – Forecast variances are adjusted to match variances within the priority headings.

3.5 The following graph illustrates by priority area the Quarter 2 forecast variance position. Under spends are shown to the left of the centre line, over spends are shown to the right.

**Graph A: General Fund Revenue Budget – Quarter 2 Forecast Variance**



3.6 Further detail on the general fund significant income streams can be found in Table C below;

<b>TABLE C – GENERAL FUND SIGNIFICANT INCOME STREAMS</b>			
<b>Significant Income Stream</b>	<b>Annual Budget</b>	<b>Forecast Outturn</b>	<b>Forecast Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Land Charges	(230)	(232)	(2)
Development Management	(892)	(892)	0
Guildhall Arts Centre	(279)	(288)	(9)
Stamford Arts Centre	(738)	(750)	(12)
Bourne Market	(21)	(21)	0
Grantham Market	(78)	(63)	15
Stamford Market	(168)	(168)	0
Grantham Car Parks	(516)	(521)	(5)

Stamford Car Parks	(695)	(738)	(43)
Investment Property Income	(200)	0	200
Licensing	(287)	(282)	5
Commercial Waste Income	(35)	(35)	0
Green Waste Collection	(870)	(950)	(80)
<b>TOTAL</b>	<b>(5,009)</b>	<b>(4,940)</b>	<b>69</b>

The projected variance of £181K will be utilised to support funding of the Council's priorities either by increasing the revenue contribution to the capital expenditure or providing set-asides reserves to fund specific projects. This will be assessed and considered in conjunction with the year end outturn for 2016/17.

### Housing Revenue Account Budget

- 3.7 The original budget for 2016/17 was set at a surplus for the year of £7.917M. The budget is adjusted in year to allow for budget virements, creation of set-asides and centralisation of key budget headings. The updated position is outlined in the table below in the 'Adjusted Budget' column.
- 3.8 The forecast outturn position as at 30<sup>th</sup> September 2016 shows projections of a net surplus of £8.335M. The information is summarised in Table D and Graph B below.

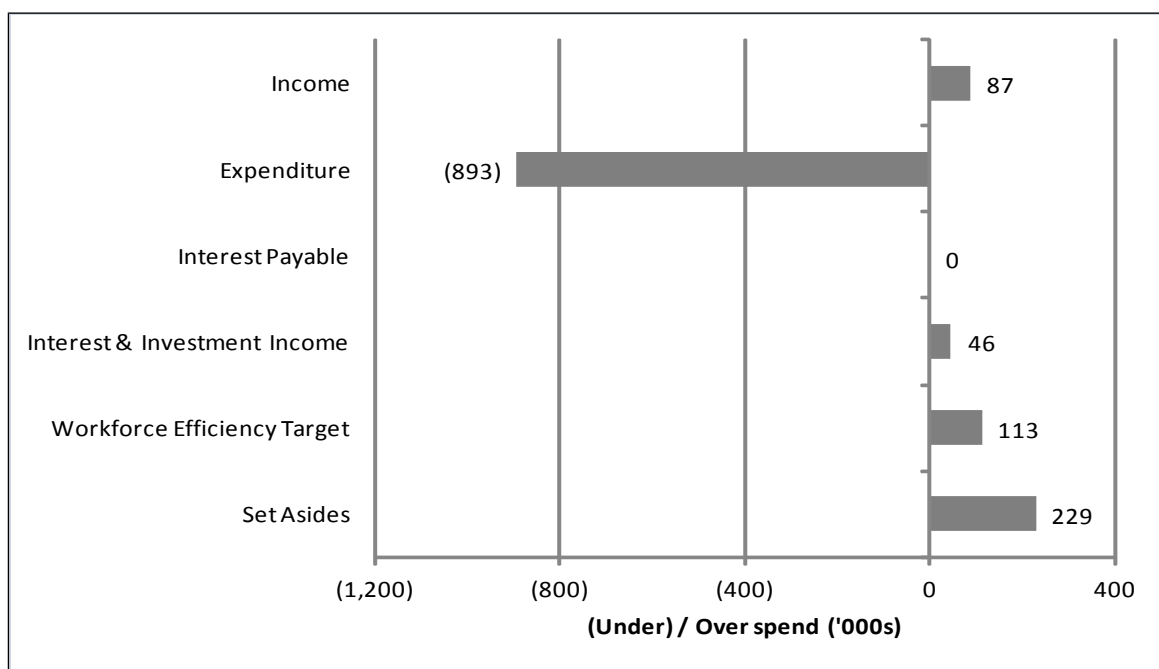
<b>TABLE D – HOUSING REVENUE ACCOUNT POSITION</b>				
<b>Description</b>	<b>Annual Budget £'000</b>	<b>Adjusted Budget £'000</b>	<b>Forecast Outturn £'000</b>	<b>Forecast Variance £'000</b>
Income	(26,167)	(26,167)	(26,080)	87
Expenditure	15,378	15,864	14,971	(893)
Interest Payable & Similar Charges	3,089	3,089	3,089	0
Interest & Investment Income	(217)	(217)	(171)	46
Workforce Efficiency Target	0	(113)	0	113
Set - Asides	0	(373)	(144)	229
<b>Deficit/ (Surplus)</b>	<b>(7,917)</b>	<b>(7,917)</b>	<b>(8,335)</b>	<b>(418)</b>

- 3.9 The main factors impacting on the forecast variance position are outlined in Table E below.

<b>TABLE E – HRA VARIANCE ANALYSIS</b>
<b>Income</b>
<p><b>Dwelling Rents</b> - £55K uncollectable rental income has been written off so far this year with a forecast of £200K to be written off by March 2017. The forecast rental reduction has been offset against increased rental income due to a lower void rate (now 1%) (£131K)</p>
<b>Expenditure</b>
<p><b>Employee Expenses</b> - There are continuing vacancies in Property Development following a staffing restructure and savings within Repairs resulting in a forecast under spend of (£144K). This will be offset against the workforce efficiency target.</p> <p><b>Structural improvements</b> – These are reactive and the forecast has been reduced (£40K) in line with current demand</p> <p><b>Sound insulation</b> – The set aside (£103K) is not required as expenditure in 2016/17 can be contained within this year’s annual budget. There is also a forecast saving of (£31K) on the budget this year due to a limited number of properties becoming void to enable work to proceed.</p> <p><b>Disability Discrimination Act Work</b> – There is a forecast saving of (30K) due to limited works arising from DDA surveys.</p> <p><b>Annual Service Of Fire Alarms</b> – There is a saving of (27K) as cost of this is met from within the communal facilities. This budget has been removed from 2017/18.</p> <p><b>Smoke Heat &amp; Co Detectors</b> - The set aside (£126K) is not required as expenditure in 2016/17 can be contained within this year’s annual budget.</p> <p><b>Painting</b> – There is a forecast under spend of (£70K) due to delays in the contractor starting on site.</p> <p><b>Disabled adaptations</b> – The forecast has been reduced (£200K) in line with current levels of demand for this service.</p>

3.10 The following graph illustrates the Quarter 2 forecast variance position.

**Graph B: Housing Revenue Account Budget – Quarter 2 Forecast Variance**



### Capital Programmes

3.11 The capital programmes include a number of significant capital projects for 2016/17. The original budget for General Fund Capital Programme was set at £11.802M and the HRA Investment Programme was set at £9.700M. The original budget remains unchanged.

3.12 The financial position as at 30<sup>th</sup> September 2016 shows a forecast variance of (£9.566M) on the General Fund Programme and (£2.251M) on the HRA Investment Programme. The information is summarised in Table F and Graph C below;

<b>TABLE F – CAPITAL PROGRAMMES</b>				
<b>Programme</b>	<b>Annual Budget £'000</b>	<b>Adjusted Budget* £'000</b>	<b>Forecast Outturn £'000</b>	<b>Forecast Variance £'000</b>
General Fund	11,418	11,802	2,236	(9,566)
HRA Investment	9,257	9,700	7,449	(2,251)
<b>Total</b>	<b>20,675</b>	<b>21,502</b>	<b>9,685</b>	<b>(11,817)</b>

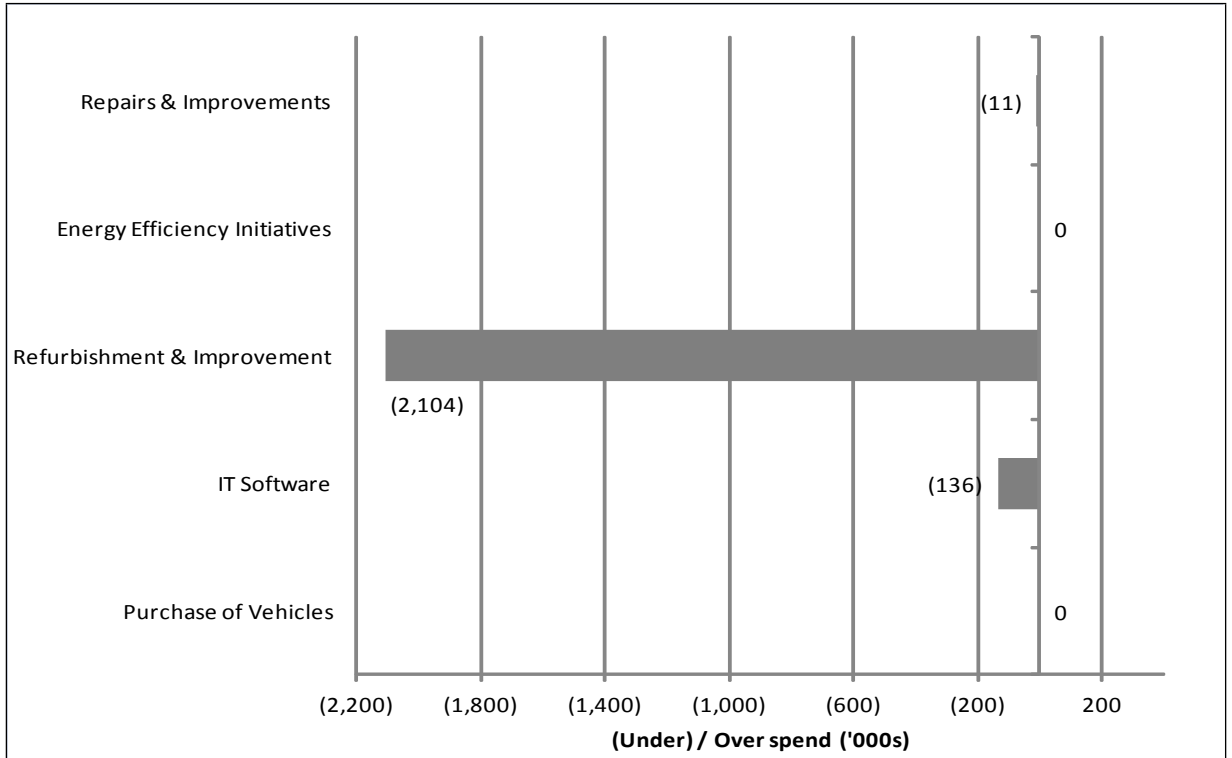
\*Annual Budget has been adjusted for approved slippage from 2015-16.

- 3.13 The main factors impacting on the Quarter 2 forecast variance position are outlined in Table G below. These areas represent the key headings and are not intended to balance to the overall forecast variance shown in Table F due to a number of small variances across schemes which are not materially significant.

<b>TABLE G – CAPITAL - KEY FORECAST VARIANCE INFORMATION</b>
<b>GENERAL FUND</b>
<p><b>Growth</b> - St. Peter's Hill Development - Due to further specialist advice being taken and a revised approach being identified as part of an over-arching ambition of creating a highly attractive sub regional leisure destination and cultural offer to Grantham this project has been delayed (£4.529M).</p> <p><b>Property Investment Strategy</b> – There is a forecast slippage of (£5M) due to the current lack of commercial investment opportunities that meet the Councils requirements.</p>
<b>HOUSING INVESTMENT PROGRAMME</b>
<p><b>IT Software</b> - Repairs vehicles management system is no longer being purchased as the units are now being rented (£50K). The Customer Relationship Management system expenditure profile has changed over stages 1 &amp; 2 resulting in a saving to the HRA (£86K).</p> <p><b>Refurbishment &amp; Improvement</b> - Stock Growth &amp; Acquisitions. There is a forecast under spend in year based on current known estimated buy backs, conversions &amp; land purchases (£1.404M).</p> <p><b>New Build Properties</b> – There is proposed slippage of £700K due to delays in starts on site.</p>

3.14 The following graph illustrates the Quarter 2 forecast variance position for the Housing Investment programme.

**Graph C: Housing Investment Programme – Quarter 2 Forecast Variance**



**4. OTHER OPTIONS CONSIDERED**

None applicable

**5. RESOURCE IMPLICATIONS**

None applicable

**6. RISK AND MITIGATION**

None applicable

**7. ISSUES ARISING FROM EQUALITY IMPACT ANALYSIS**

None applicable

**8. CRIME AND DISORDER IMPLICATIONS**

None applicable

**9. COMMENTS OF FINANCIAL SERVICES**

Financial considerations are included in the report.

**10. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES**

As part of good governance it is important members are kept updated in respect of the financial position of the Council expenditure during the course of the year.

**11. COMMENTS OF OTHER RELEVANT SERVICES**

None applicable

**12. APPENDICES:**

None