

REPORT TO RESOURCES PDG

REPORT OF: CORPORATE FINANCE MANAGER

REPORT NO: CFM410

DATE: 16th March 2017

TITLE:	Financial Report for 2016/17– Qtr 3 Forecast Monitoring Information	
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	None	
EXECUTIVE MEMBER: NAME AND DESIGNATION:	Councillor Teri Bryant Executive Member Finance and IT Councillor Linda Wootten Executive Member Housing	
CONTACT OFFICER:	Richard Wyles- Corporate Finance Manager Tel: 01476 406210 Email: r.wyles@southkesteven.gov.uk	
INITIAL IMPACT ANALYSIS:	Carried out and Referred to in paragraph (7) below:	Full impact assessment Required:
Equality and Diversity	N/A	No
FREEDOM OF INFORMATION ACT:	This report is publicly available via the Your Council and Democracy link on the Council's website: www.southkesteven.gov.uk	
BACKGROUND PAPERS	CFM397 – Qtr 2 Forecast Monitoring Information 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: http://moderngov.southkesteven.gov.uk/ieDocSearch.aspx?bcr=1	

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 3 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 31st March 2017 as at quarter 3 shows projections of a £350K variance at 'net cost of services'. This figure is after taking into consideration the workforce efficiency target being met. For 2016/17 this is £360K. The information is summarised by priority area in Table A and Graph A below.

TABLE A – GENERAL FUND REVENUE POSITION				
Budget Area	Annual Budget £'000	Adjusted Budget (i) £'000	Forecast Outturn £'000	Forecast Variance £'000
Growth	523	445	477	32
Environment	6,379	6,345	6,212	(133)
Culture	2,885	2,826	3,018	192
Housing	1,088	992	928	(64)
Corporate	4,551	4,818	4,441	(377)
Net Cost of Services	15,426	15,426	15,076	(350)
Reserves & Grants	(553)	(553)	(632)	(79)
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
Total	12,403	12,403	11,980	(423)

(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.

	TABLE B – GENERAL FUND VARIANCE ANALYSIS	Forecast Variance £'000
<u>Priority</u>	<u>Budget Pressures</u>	
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 has continued 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
<u>Priority</u>	<u>Savings & Efficiencies</u>	
Environment	Fuel – There has been no increase to the fuel duty during the year which is resulting in a	(60)

	forecast saving of (£60K).	
Environment	Flood Prevention – Programme of works for 2017/18 has been delayed during a review of the service. The works will be undertaken in 2017/18	(40)
Housing	Homelessness – Preventative measures are being undertaken which is reducing the need for emergency accommodation.	(16)
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 of £200K will be reduced.	(50)
Corporate	Centralised - In year savings of (£25K) have been made for advertising and postage costs	(25)
	<u>Additional Income</u>	
Growth	Car Parks – There is an overall increase in income following an improvement in ticket sales resulting in a forecast increase of (£57K). Due to the revised approach to the St Peter’s Hill development, additional income is forecast for St Catherine’s Road car park (£5K).	(62)
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)

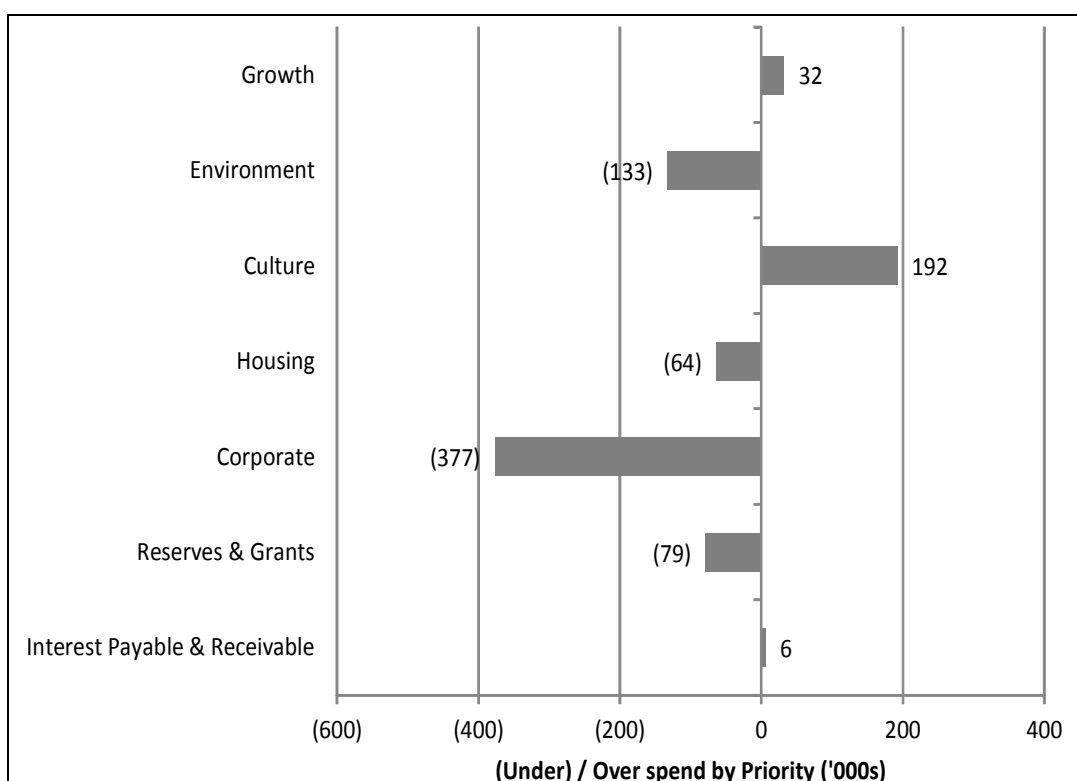
**These are funded by reserves so the reserve will be topped up.*

***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 3 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 3 Forecast Variance



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

TABLE C – GENERAL FUND SIGNIFICANT INCOME STREAMS			
Significant Income Stream	Annual Budget	Forecast Outturn	Forecast Variance
	£'000	£'000	£'000
Land Charges	(230)	(232)	(2)
Development Management	(892)	(892)	0
Guildhall Arts Centre	(279)	(288)	(9)
Stamford Arts Centre	(738)	(770)	(32)
Bourne Market	(21)	(21)	0
Grantham Market	(78)	(63)	15
Stamford Market	(168)	(168)	0
Grantham Car Parks	(516)	(531)	(15)
Stamford Car Parks	(695)	(742)	(47)
Investment Property Income	(200)	0	200
Licensing	(287)	(282)	5

Commercial Waste Income	(35)	(35)	0
Green Waste Collection	(870)	(950)	(80)
TOTAL	(5,009)	(4,974)	35

The projected variance of £350K will be utilised to support funding of the Council's priorities either by increasing the revenue contribution to the capital expenditure or providing set-a-sides and 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 31st December 2016 shows projections of a net surplus of £1.053M. The information is summarised in Table D and Graph B below.

TABLE D – HOUSING REVENUE ACCOUNT POSITION				
Description	Annual Budget £'000	Adjusted Budget £'000	Forecast Outturn £'000	Forecast Variance £'000
Income	(26,167)	(26,167)	(26,085)	82
Expenditure	15,378	15,864	14,341	(1,523)
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
Deficit/ (Surplus)	(7,917)	(7,917)	(8,970)	(1,053)

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

TABLE E – HRA VARIANCE ANALYSIS
Income
Dwelling Rents - £137K uncollectable rental income has been written off so

far this year with a forecast of £200K to be written off by 31st March 2017. The forecast rental reduction has been offset against increased rental income due to a lower void rate (now 1%) (£131K)

Expenditure

Employee Expenses - There are continuing vacancies in Property Development following a staffing restructure and savings within Repairs resulting in a forecast under spend of (£152K). There are also forecast under spends in housing management (£40K) These will be offset against the workforce efficiency target.

Structural improvements – These are reactive and the forecast has been reduced (£50K) due to the reduced number of structural works enquiries in year.

Wall Finishes & Flat Roofs – There is a forecast under spend due to a reduced number of completions achievable by year end (£106K).

Major void refurbishments – There have been less properties becoming void this year resulting in a forecast saving of (£118K).

Sound insulation – The set aside (£103K) is not required as expenditure can be contained within this year's annual budget. There is also a forecast saving of (£96K) on the budget this year due to a limited number of properties becoming void to enable work to proceed.

Disability Discrimination Act Work – There is a forecast saving of (49K) due to limited works arising from DDA surveys.

Annual Service Of Fire Alarms – There is a saving of (27K) as the cost of this is met from within communal facilities. This budget has been removed in 2017/18.

Smoke Heat & Co Detectors - The set aside (£126K) is not required as expenditure can be contained within this year's annual budget.

Insulation – There is a forecast under spend of (£65K) due the contract being re-procured during 16-17 due to previous poor performance resulting in delayed start.

Asbestos Removal – There is a forecast under spend (£70K) due to reduced volume of work required on improvement and voids properties in year.

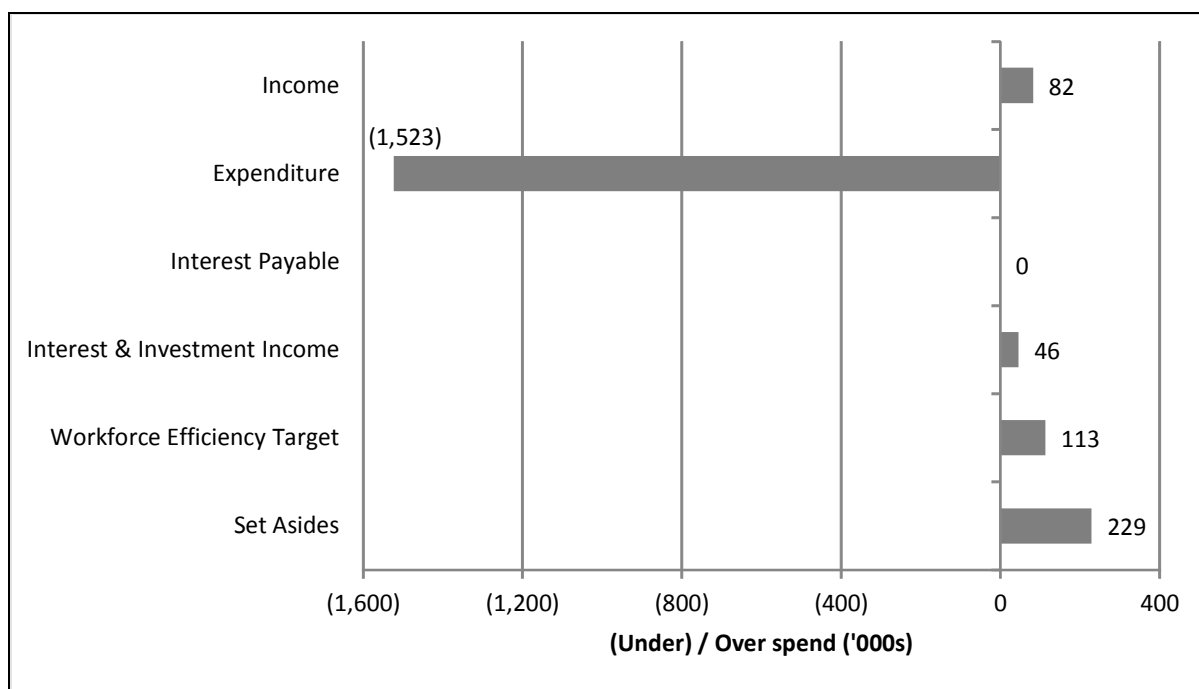
Disabled adaptations – The forecast has been reduced (£250K) in line with current levels of demand for this service.

Utility Costs at sheltered schemes – There is a forecast under spend of (£30K) on gas due to the milder winter.

Repairs refuse collection – There is a forecast under spend (£16K) due to a reduction in skip hire. The budget has also been reduced in 2017/18.

3.10 The following graph illustrates the Quarter 3 forecast variance position.

Graph B: Housing Revenue Account Budget – Quarter 3 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 31st December 2016 shows a forecast variance of (£9.465M) on the General Fund Programme and (£3.642M) on the HRA Investment Programme. The information is summarised in Table F and Graph C below;

TABLE F – CAPITAL PROGRAMMES				
Programme	Annual Budget £'000	Adjusted Budget* £'000	Forecast Outturn £'000	Forecast Variance £'000
General Fund	11,418	11,802	2,337	(9,465)
HRA Investment	9,257	9,700	6,058	(3,642)
Total	20,675	21,502	8,395	(13,107)

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

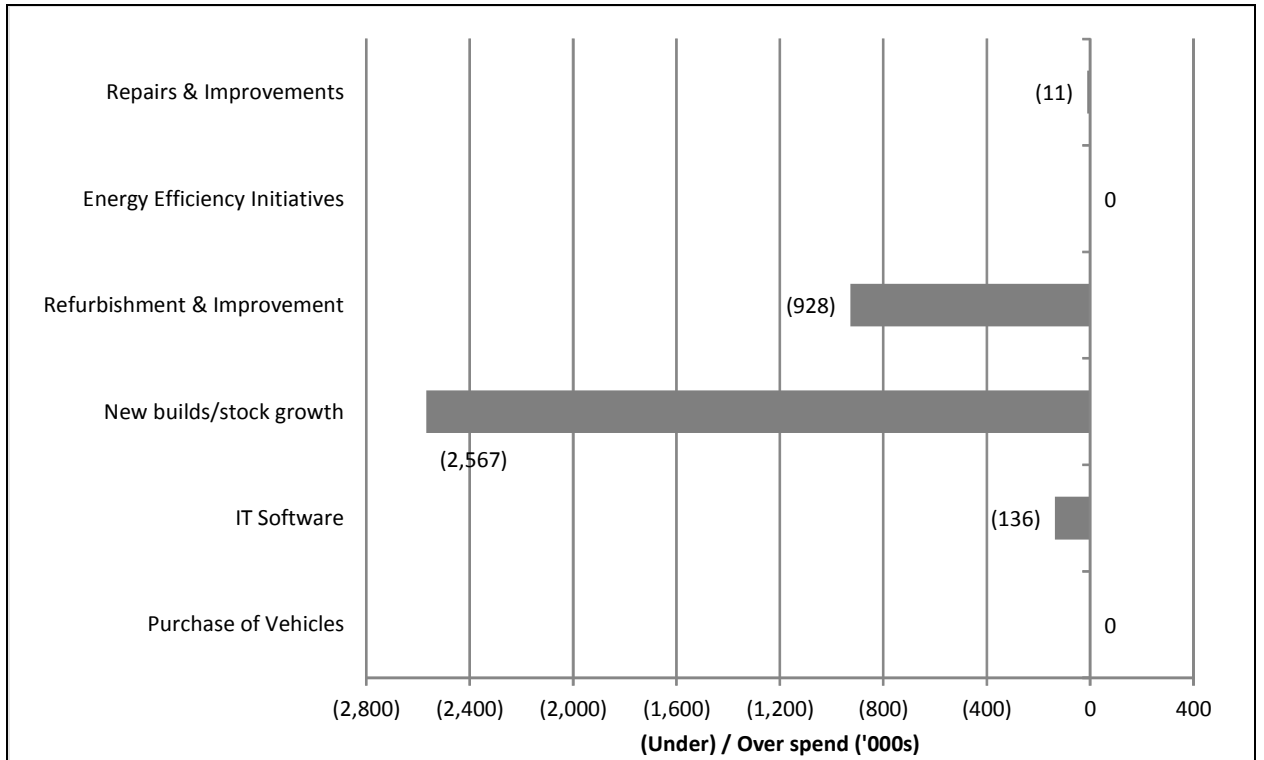
- 3.13 The main factors impacting on the Quarter 3 forecast variance position are outlined in Table G below. These areas represent the key headings and

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.

TABLE G – CAPITAL - KEY FORECAST VARIANCE INFORMATION
GENERAL FUND
<p>Growth - 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>Property Investment Strategy – There is a forecast under spend due to the current lack of commercial investment opportunities that meet the Councils requirements. (£5M)</p>
HOUSING INVESTMENT PROGRAMME
<p>IT Software – The 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 & 2 resulting in a saving to the HRA (£86K).</p> <p>Refurbishment & Improvement – External Wall Insulation There is a forecast under spend due to delays in completing new contracts (£758K).</p> <p>Refurbishment & Improvement – Rewires There is a forecast under spend due to the testing programme identifying reduced numbers of dwellings (£170K).</p> <p>Stock Growth & Acquisitions. There is a forecast under spend in year based on current known estimated buy backs, conversions & land purchases (£1.554M).</p> <p>New Build Properties – There is a forecast under spend due to delays in starts on site. (£1.013M).</p>

3.14 The following graph illustrates the Quarter 3 forecast variance position for the Housing Investment programme.

Graph C: Housing Investment Programme – Quarter 3 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