

FINANCIAL MONITORING REPORT – FORECAST OUTTURN (BASED ON PERFORMANCE TO OCTOBER 2015)

1. INTRODUCTION

- 1.1 This report monitors financial performance for the first 7 months of 2015/16 and any potential outturn implications on a Portfolio and Committee basis.

2. BACKGROUND

- 2.1 The Council's financial strategy of a continuous review of activities and services to identify opportunities for savings in expenditure alongside opportunities to generate income has been successful in addressing the significant reductions in government funding whilst at the same time maintaining key service levels. Budget monitoring reports form an important part of this process and the ongoing development of the Medium Term Financial Plan (MTFP).

3. GENERAL FUND OUTTURN PROJECTION

- 3.1 A General Fund budget of £18.327m for 2015/16 was agreed by Council in February 2015 and revised to an estimated outturn of **£19.595m** as part of the first financial monitoring report to Cabinet in August, an increase largely due to rephasings.
- 3.2 This report identifies total net positive Portfolio budget variations of £684k, resulting in a revised General Fund estimated outturn of **£18.911m**. The table below provides an overview of the variations and full details are provided in section 3.3.

GENERAL FUND VARIATIONS	
	£000
Portfolio budget variations (3.3)	
Environment Portfolio	74
Finance & Efficiency Portfolio	355
P&T Portfolio / PDC Committee	255
TOTAL VARIATIONS	684
Proposed new provisions (3.4)	
Local Plan Review	-326
Future Savings	-300
	-626
ESTIMATED NET SAVING	58

(+ = improvement in the budget position / - = deterioration in the budget position)

3.3 PORTFOLIO BUDGET MONITORING TO OCTOBER 2015

Environment Portfolio - £74k

Refuse / Recycling / Street Scene etc.– (£1k)

A number of largely offsetting variations resulting in a net negative variation of £1k are now expected. This includes a shortfall in recyclables income of £150k, due to reductions in amounts received per tonne and tonnes recycled. These estimated income shortfalls are offset by employee vacancy savings to September of £44k, additional garden waste and cemeteries income of £45k, fuel underspends to September of £40k and other savings totalling £20k.

Environmental Health / Pest Control – £55k

- Additional pest control income and reduced kennelling costs, together with minor savings across various supplies and services budgets are now expected to generate total positive variations of £25k this year.
- A vacant post within the Health Commercial business unit has resulted in a £30k underspend.

Land Drainage – £20k

Salary savings due to a reduction in hours of a member of staff (£14k) and additional income to date (£6k) are expected to result in a minimum positive variation of £20k.

Finance & Efficiency Portfolio - £355k

- £70k budget savings are now anticipated in Benefits administration due to staff turnover and difficulties and delays in filling vacant posts, alongside additional funding for New Burdens activities.
- Changes to the Council's investment strategy, resulting in investments for longer periods, with associated higher rates of interest, together with general improvements in the financial environment and increased balances available for investment are now expected to lead to additional investment income of £285k.

Planning & Transportation / PDC - £255k

Parking - £50k

- Parking income is currently heading for a £50k positive variation due principally to additional meter income. This estimate is of course subject to seasonal variations in the remainder of the year, alongside the budgetary impact of the winter months in other areas of the parking budget.
- It is taking longer than expected to resolve technical issues relating to the use of contactless cards. This, combined with a longer than expected procurement process, may mean that it is not possible to place an order for the equipment during this financial year. If the procurement gets delayed to next year then the budget available in this year for meter replacement will need to be rephased accordingly. Members will be updated on the position as part of the next financial monitoring report.

Planning / Planning Development Control - £175k

- The management restructuring of the service has now been virtually completed and costs for the second part of the year should therefore be largely in line with budgets. However due to the element of staff turnover and the recruitment process, which resulted in some posts remaining unfilled for some time, savings have accrued in the first half of this financial year of
 - £70k on employee costs.
 - £30k on supplies and services, transport and training costs.
- Budgets this year include provision of £75k for anticipated redundancy costs in respect of the management restructuring. In the event these costs were charged to last year's accounts due to the timing of the approval of the redundancies and the budgets in this year are therefore no longer required.
- Other Planning / PDC budgets are largely performing in line with target. This includes income generation which could however pose risks for deviation from targets in the second part of the year and will therefore be kept under close scrutiny.

Transportation Measures - £30k

A review of the expenditure on 'Transportation Measures' (this covers Community Transport, Minor Transport Enhancement Schemes and Green Transport) indicates a projected saving of £30k against budgets by the end of this financial year.

3.4 PROPOSED MEDIUM TERM FINANCIAL PROVISIONS – (£626k)

In line with the medium term financial strategy the Council continues to deliver savings against budget. So far this year savings of £684,000 have been identified. To ensure that the Council is able to continue to "live within its means" it is proposed that these savings be set aside in future plans to meet major commitments and support the ongoing delivery of savings:

- The Local Plan Review is estimated to cost £442k over the period 2015/16-2017/18. Existing budgets and Local Plan Reserve balances cover £116k of the cost and it is therefore proposed to now increase the reserve by £326k, utilising some of the identified budget savings in this report.
- In order to deliver future savings it is anticipated that some initial one off costs may be incurred to enable the transition to take place. The opportunity provided from the council delivering its financial strategy allows for a sum of approximately £300,000 to be set aside without impacting on reserves.

4. CAPITAL EXPENDITURE (General Fund and Housing Revenue Account)

- 4.1 The Capital Programme agreed in February amounted to £18.516m. It has since been increased to **£21.037m** following the first financial monitoring report to Cabinet in August to reflect rephasings from 2014/15. A detailed review of the work programme of developer contribution schemes has been undertaken in the last 2 months and, as a result, £2.362m of the available budgets can be carried forward into future years. Other net rephasings amount to a total of £2.937m and additional Housing expenditure of £2.492m is proposed (see 4.2 for full details). As a result of these variations, the total capital programme will reduce to **£18.230m** in 2015/16.

4.2 The detailed reasons for the variations are:

Rephasings – £5.299m

Developer Contributions - £2.362m

The total current budgetary provision for Developer Contribution schemes stands at **£3.578m (Open Space £1.805m; Transportation £1.773m)** based on allocations made by the Cabinet and Portfolio Holder to a number of planned projects. However, the implementation of the projects is dependent on a number of factors and projects can only start and be entered on the work programme when all the required elements are in place. A review of the work programmes indicates that projects likely to be undertaken in this financial year amount to an expected budget requirement of:

- **£345k Transportation Projects**
- **£871k Open Space Projects**

The remainder of the budget allocations will only be required as projects can be included in the work programme in future years and it is therefore appropriate to remove the budgetary provision not required now (£2.362m) and to allocate the remainder in accordance with the inclusion of projects in the work programme in future years. This will provide a much more accurate picture of the annual budget programme and allow better forecasting of resource needs and cash flows within the year.

Health & Leisure Portfolio - £500k

Delays in procurement relating to the Eling Tide Mill project (following the introduction of new regulations earlier on in the year) will result in the need to rephase £500k of expenditure to future years.

Vehicles and Plant – (£40k)

- The purchase of a refuse tipper vehicle which was originally planned for 2016/17 had to be brought forward to this financial year. This will reduce the budgetary requirement in 2016/17 but add £45k to this year's capital costs.
- A number of variations have been necessary to the programme, resulting in the delay of refuse vehicle purchases, partly offset by bringing forward the purchase of building works vans. This results in a net reduction in the programme of £5k.

Housing - £2.477m

- Due to delays arising from the new procurement process and staff vacancies, £800,000 of the Housing Major Repairs programme will be rephased into future years.
- Delays in the signing of the contract for the North Milton Estate project mean that £1.677m will be rephased into future years.

Additional Expenditure – (£2.492m)

The Affordable Housing Project Board has recommended that the Housing Acquisitions and Development budget be increased by £2.492m to £6.3m. This will enable the purchase of 30 dwellings and preliminary works at Compton/Sarum House. Financing of the overall Housing Capital Programme will be considered at the year end, to optimise resources, but this additional expenditure is likely to be financed from capital receipts and revenue resources from the Housing rephasings above.

5. HOUSING REVENUE ACCOUNT

- 5.1 An HRA budget was agreed in February with a forecast net operating surplus of £1.461m. This has since been amended to **£1.394m** to reflect variations reported as part of the first financial monitoring report to Cabinet in August. No new revenue variations are identified in this report but the level of revenue contribution to fund the capital programme will vary to reflect the optimum use of resources as detailed earlier in this report.

6. CRIME AND DISORDER / EQUALITY AND DIVERSITY/ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no Crime & Disorder, Equality & Diversity or Environmental implications arising directly from this report.

7. PORTFOLIO HOLDER COMMENTS

- 7.1 I am pleased to see that we are continuing to deliver on the budget and identifying additional savings.

8. RECOMMENDATIONS

- 8.1 It is recommended that Cabinet
- Notes the revised outturn forecasts of the General Fund (para 3.2), Capital (para 4.1) and HRA (para 5.1).
 - Recommends that Council approve additional expenditure of £2.492m on Housing Acquisitions and Developments.
 - Provides within the Medium Term Financial Plan provision for the transfer of £326,000 into the Local Plan Reserve and £300,000 to be set aside for any one off costs required to support the delivery of future ongoing savings.

For Further Information Please Contact:

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Background Papers:

None