

FINANCIAL MONITORING REPORT (2016/17 provisional outturn)

1. INTRODUCTION

- 1.1 This report provides a provisional outturn on the 2016/17 budget following on from the previous monitoring report to Cabinet in November.

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 support the ongoing development of the Medium Term Financial Plan (MTFP).
- 2.2 It is important that this report is reviewed in the context of the MTFP as it includes material upfront transitional costs that have been incurred as a result of the Council's need to identify on-going savings in order to deliver a significantly reduced balanced budget going forward.

3. GENERAL FUND 2016/17 OUTTURN PROJECTION

- 3.1 A General Fund budget of £17.192m for 2016/17 was agreed by Council in February 2016. Net positive variations reported to Cabinet in August and November amounted to **£1.436m** and a reduced updated budget total for 2016/17 of **£15.756m**.
- 3.2 This report identifies new positive budget variations of **£881k** and new budget requirements of **£430k**. In addition, the report identifies budgets rephased to later years of **£1.103m** with the amount returned to reserves. **The latest General Fund estimated outturn is now £15.305m**. The following table provides an overview of the variations and full details are provided in sections 3.5 to 3.7:

	Para.	Savings £'000	New Req. £'000	Rephasing £'000	Total £'000
Original Budget 2016/17					17,192
Variations agreed in August	3.1	-731	110	2,297	1,676
Transfer from Reserves in August	3.1		-33	-2,297	-2,330
Variations agreed in November	3.1	-1,061	279	-272	-1,054
Transfer to Reserves in November	3.1			272	272
Updated Budget November 2016		-1,792	356	0	15,756
Portfolio / Committee Items	3.5	-765	412	-200	-553
Asset Maintenance / Replacement	3.6	-116	18	-603	-701
Business Development / Third Party	3.7			-300	-300
Total Budget Variations This Period		-881	430	-1,103	-1,554
Transfer to Reserves This Period				1,103	1,103
Updated Budget 2016/17		-2,673	786	0	15,305

- 3.3 The table identifies total savings for the year of nearly £2.7m, with the majority of these being on-going and so included within the 2017/18 budget. In order to deliver this required significant level of on-going savings, the Council has incurred one-off costs during the year, as included within the £786k shown above.
- 3.4 The level of incomplete projects and so rephasings required from 2016/17 (outlined in more detail between 3.5 – 3.7) will necessitate a review of the total revised 2017/18 programme to ensure that the updated 2017/18 budget, including the rephased projects, reflects a deliverable programme. The outcome of this exercise will be included on the first Financial Monitoring report of 2017/18 (August '17 Cabinet).
- 3.5 **PORTFOLIO/COMMITTEE ITEMS**
- Savings; £765k**
- £230k – Various savings have occurred throughout the Environment Portfolio; predominantly £100k in Streetscene, £70k in Recycling and £40k in Environmental Health (ENV).
 - £100k – Health & Leisure Centre Income is ahead of target to the value of £100k, bringing the total income generation to just over £6m for the year (H&L).
 - £100k – Car Parking Income is ahead of budget to the value of £50k and staffing expenditure is £50k lower than the budget (P&T).
 - £91k – Additional benefits administration grants have been received in 2016/17, totalling £50k, and other miscellaneous savings have occurred across the Finance and Efficiency Portfolio totalling £41k (F&E).
 - £79k – Expenditure in Customer Services has been reduced in 2016/17 as a result of a new structure in order to meet required savings. Savings in Business Improvement have occurred due to a post vacancy (F&E).
 - £70k – Planning Fee income will be ahead of the annual budget by £100k, partially offset by increased staffing expenditure of £30k (PDC).

- £50k – Taxi Licensing income is ahead of budget by £50k (GP&L).
- £45k – A one-off bulk purchase of Brand New Forest cards from the externally funded glass recycling text reward scheme has resulted in additional Economic Development income of £45k (Leaders).

New Requirements; £412k

- £352k – Further one-off costs have been incurred in 2016/17 relating to staff redundancies, in order for the Council to set a significantly reduced budget for 2017/18, in line with government funding reductions. (Various).
- £60k – Land Charges income is behind on the annual target. An adjustment will need to be made to the 2017/18 budget (P&T).

Rephasings; £200k

- £200k – A delay in the kerbside glass recycling project has resulted in a rephasing of budget of £200k into future years (ENV).

Other Comments

- Building Control – Despite a reduction in income in 2016/17 against the budget and in comparison to the 2015/16 financial year, offsetting savings have been identified, predominantly in staffing, in order to achieve a breakeven position against the budget.
- Community Housing Fund – A strategy will be drawn up in line with government requirements to spend this new fund, £488k of which was received by the Council in 2016/17. This amount will be placed into earmarked reserves.

3.6 ASSET MAINTENANCE / REPLACEMENT

Savings; £116k

- £116k – The overall total is £127k, of which £11k relates to the Housing Revenue Account. The impact on the General Fund is therefore a reduction in costs of £116k;

	GF	HRA
• Offices & Depots	£50k	£11k
• P&T (Parking)	£47k	
• Health & Leisure	£19k	

New Requirements; £18k

- £18k – Minor overspends totalling £18k have occurred;

• ICT	£16k
• Environment	£2k

Rephasings; £603k

- £603k – incomplete projects in need of rephasing to future years total £603k;

• Offices & Depots	£6k
• P&T (Parking)	£165k
• Health & Leisure	£243k
• ICT	£165k
• Environment	£24k

3.7 BUSINESS DEVELOPMENT/THIRD PARTY GRANTS

Rephasings to 2017/18; £300k

- £300k – The rebuild of 2 Public Conveniences is well underway, but will not complete until April 2017 (ENV).

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

- 4.1 The Capital Programme agreed in February 2016 amounted to £20.669m. New requirements approved by Cabinet in August and November amounted to **£1.463m** and this, together with net rephasings into 2017/18 of **£789k** resulted in a revised capital budget of **£21.343m**.
- 4.2 This is now reduced to a revised capital budget of **£17.799m** to reflect net budget adjustments of **£1.494m** and rephasings of schemes to future years of **£2.050m**, as outlined in the table below and reflected in paragraphs 4.3 and 4.4:

	Savings £'000	New Req. £'000 Para 4.3	Rephasing £'000 Para 4.4	Total £'000
Original Budget April 2016/17				20,669
Variations agreed in August		1,363	2,161	3,524
Variations agreed in November		100	-2,950	-2,850
Updated Budget November 2016/17	0	1,463	-789	21,343
Public Sector Housing	-1,694	231		-1,463
Other Services	-161	130	-2,050	-2,081
Total Budget Variations This Period	-1,855	361	-2,050	-3,544
Updated Budget 2016/17	-1,855	1,824	-2,839	17,799

4.3 Savings; £1.855m

- £1.6m – The Compton & Sarum project will now commence in 2017/18, rather than in 2016/17. The original budget for 2017/18 already includes the relevant sum, so the 2016/17 budget will be returned to reserves (HRA).
- £94k – Minor underspends on other HRA capital projects (HRA).
- £161k – No Social Housing Grant has been required in 2016/17 (£100k), and an underspend has occurred on the home repairs budget (£61k) (H&C's).

4.4 New Requirements; £361k

- £231k – The outturn position on the £4m House Acquisition budget for 2016/17 is forecast to be £230k over.
- £130k – Additional Open Space projects have been approved in 2016/17, increasing the spend by £130k, funded by use of Developers' Contributions.

4.5 Rephasings; £2.050m

- Capital costs originally assumed for 2016/17 now rephased to 2017/18 or future years broken down as follows:

	£'000	£'000
Housing & Communities		
· Disabled Facilities Grants	310	
		<hr/> 310
Environment:		
· Procurement of Cemeteries' Land	200	
· Milford-on-Sea Project	400	
		<hr/> 600
Finance & Efficiency:		
· Vehicle & Plant Acquisitions	268	
		<hr/> 268
Health & Leisure:		
· Eling Experience	872	
		<hr/> 872
TOTAL		<hr/> <hr/> 2,050

5. HOUSING REVENUE ACCOUNT (HRA)

- 5.1 A break-even HRA budget for 2016/17 was agreed in February 2016. The following table summarises the revised position, taking into account the previously reported and new variations (detailed in paragraphs 5.2 – 5.4):

	Original Budget	Previously Reported Variations	New Variations (Para. 5.2 - 5.5)
	£'000	£'000	£'000
Income	-28,113		-14
Revenue Maintenance	4,770		
Supervision & Management	5,027	-61	-211
Rents, Rates, Taxes & Other Charges	11		
Provision for Bad Debt	150		
Capital Financing Costs	4,488		
Contribution to Capital	13,667	-1,900	-94
Expenditure	28,113	-1,961	-305

5.2 The majority of the £211k variation as included in the table above relates to staffing savings (£90k) and delayed ICT purchases (£50k). Asset Maintenance and Replacement programme savings identified for offices and depots, in paragraph 3.6, will result in an £11k saving for the Housing Revenue Account.

5.3 As a result of savings within the capital programme, as outlined in section 4, the HRA contribution towards the capital programme will reduce by £94k.

5.4 In accordance with current policy any underspend in the Housing Revenue Account at the year-end, after ensuring the optimum use of capital and revenue resources available, will be transferred to the Acquisitions and Development Reserve, retaining the current Housing Revenue Account general reserve balance at c£1m.

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 Given the challenging economic climate in which local government operates I am pleased to see better than expected income delivery on improved end of year outturn.

8. RECOMMENDATIONS

8.1 It is recommended that Cabinet notes the latest budget forecasts of the General Fund (para 3.2), Capital (para 4.2) and HRA (para 5.1) for 2016/17.

For Further Information Please Contact:

Alan Bethune
Service Manager – Finance & Audit
Telephone: (023) 8028 5588
E-mail: alan.bethune@nfdc.gov.uk

Background Papers:

Financial Monitoring Report 03-08-16
Financial Monitoring Report 02-11-16
Medium Term Financial Plan 01-02-17