

## **FINANCIAL UPDATE 2017/18 AND 2018/19**

### **1. PURPOSE OF THE REPORT**

- 1.1 This report provides the panel with an update on the latest position with regards to the 2017/18 budget, confirms the latest assumptions made within the forecast for the 2018/19 budget and gives the panel an update on the Council's proposed Asset Maintenance and Replacement Programme for 2018/19.

### **2. BACKGROUND**

- 2.1 There are two types of financial reports that are presented to Cabinet throughout the year. The Financial Monitoring Reports (FMR) focus on the current years' performance and provide a forecast budget outturn, and the Medium Term Financial Plan (MTFP) reports give updates on the current forecast budget position over a 3-4 year period, allowing for known and estimated funding and budget changes. Often items featured in the FMR's feed into the MTFP, if the adjustments are on-going.
- 2.2 On 2 November 2017 the Bank of England increased the official bank rate by 0.25% to 0.5%; the first increase in the rate since July 2007. This will have a positive impact to the interest earnings of the Council. An allowance for additional earnings had been included in the October MTFP; this was in relation to investment in higher earning pooled funds and not in anticipation of a rate rise. The financial impact of the rise will be quantified and monitored, and reported in due course.

### **3. LATEST POSITION 2017/18**

#### **General Fund Revenue**

- 3.1 A General Fund budget of £16.587m for 2017/18 was agreed by Council in Feb 2017.
- 3.2 The first FMR of the year (Aug Cabinet) identified budget savings of £499k and new budget requirements of £417k. The second FMR of the year (Nov Cabinet) covered financial performance up to the end of September and identified further budget savings of £392k and new budget requirements of £25k.
- 3.3 Each report also included rephasings (from/to earmarked reserves), with the August report bringing rephasings from 2016/17 into 2017/18 totalling £1.146m, and the November report including rephasing out of 2017/18 into future years of £416k.
- 3.4 In an attempt to mitigate the cycle of rephasings, the budgets included as rephasings out of 2017/18 into future years identified in November will only be brought back into the 2018/19 budget, if included in the project list for that year from the outset, i.e. not supplementary to.
- 3.5 The following table summarises the change in budget position as a result of the reported variations, outlined above and detailed within the Cabinet Reports.

	Savings £'000	New Req. £'000	Rephasing £'000	Total £'000
<b>Original Budget April 2017/18</b>				<b>16,587</b>
Variations agreed in August	-499	567	1,146	1,214
Transfer from Reserves in August		-150	-1,146	-1,296
<b>Updated Budget August 2017/18</b>	<b>-499</b>	<b>417</b>	<b>0</b>	<b>16,505</b>
Variations agreed in November	-392	25	-416	-783
Transfer from Reserves in November			416	416
<b>Updated Budget November 2017/18</b>	<b>-392</b>	<b>25</b>	<b>0</b>	<b>-367</b>
<b>Updated Budget November 2017/18</b>	<b>-891</b>	<b>442</b>	<b>0</b>	<b>16,138</b>

### Capital Programme

- 3.6 The Capital Programme agreed in February amounted to £21.266m. This was increased to a revised capital budget of £23.002m in August to reflect net budget reductions of £156,000 and rephasings of schemes from 2016/17 (£1.892m). As at the end of September (November Cabinet), no further variations to this revised budget were reported.

### Housing Revenue Account

- 3.7 A breakeven Housing Revenue Account was set in February 2017. At this time, only minor variations totalling £153k have been reported.

## 4. LATEST ASSUMPTIONS 2018/19

- 4.1 The MTFP presented to Cabinet in October demonstrated a forecast budget deficit in 2018/19 of £441k, with a cumulative £1.399m shortfall to 2022.
- 4.2 Since October, the following adjustments have been identified in order to fully close the 2018/19 budget deficit:

	£'000
<b>October MTFP 2018/19 Deficit</b>	<b>441</b>
Car Park Fees & Charges	(480)
Car Park Maintenance	93
Health & Leisure Centre Fees and Charges	(50)
Pre Application Advice Charges (Planning)	(25)
Taxi Licence Income	(16)
Asset Maint. & Replacement Prog.	(13)
Delivery Plan Reviews	50
<b>Revised Budget Position</b>	<b>-</b>

- 4.3 This puts the Council in a strong and resilient financial position for the immediate year ahead. The Autumn Statement (22/11/17) and the Local

Government Finance Settlement (Mid-December) however, both still have the potential to amend our financial position significantly.

- 4.4 The focus with regards to the December MTFP update to Cabinet will therefore be on the medium term, in the context of the Council still facing a budget gap of c£1m to 2022. Areas of note to be developed will include;
- New ways of delivering Council services;
  - the medium term implications of Universal Credit roll-out; and
  - a focus on aligning the budget prioritisation with the Council's corporate plan objectives and key policies.

## 5. ASSET MAINTENANCE AND REPLACEMENT PROGRAMME 2018/19

- 5.1 Officers were asked to draw up a deliverable programme of projects to fit within a set budget constraint, allowing where necessary for the projects rephased from 2017/18, as mentioned in para 3.3/3.4.

- 5.2 The outcome of this exercise is summarised as follows:

	18/19 Total	Budget Allowance	Variance
Offices Depots and Outlying Buildings (inc. Public Conveniences)	540,000	450,000	90,000
Health & Leisure	540,000	500,000	40,000
ICT	250,000	200,000	50,000
V&P (revenue cost)	1,156,000	1,050,000	106,000
Non-Core project fund	201,000	200,000	1,000
Proportion to HRA	-200,000	-100,000	-100,000
Rephasing from 2017/18 (Nov FM Report)	-200,000		-200,000
<b>Programme Total</b>	<b>2,287,000</b>	<b>2,300,000</b>	<b>-13,000</b>
<b>Reserve Funded:</b>			
ICT - Protect and Maintain Frontline Services (Yr 2 of 3)	750,000	750,000	0

- 5.3 As can be seen from the summary above, although there are some differences in comparison to the originally allowed budget allocations, the overall programme totals £2.287m; £13,000 less than the budgeted £2.3m.
- 5.4 The budget approval for the 2018/19 programme will be sought at the levels as above rather than at individual scheme level, enabling suitable flexibility to deal with amendments to the programme as the delivery of individual projects progresses. The Council's Section 151 officer reserves the right for this particular approval process to take precedence over financial regulations, for the purpose of the delivery of this programme.
- 5.5 The ICT Protect and Maintain Frontline Services sum at £750,000 is year 2 of the 3 year pre-approved (Feb '17 Council) £1.5m budget.

## **6. CRIME & DISORDER / EQUITY & DIVERSITY / ENVIRONMENTAL IMPLICATIONS**

6.1 There are no implications as a direct result of this report.

## **7. RECOMMENDATIONS**

- 7.1 That the members of COSP;
- a) note the contents of this report, and feedback any relevant comments for inclusion in the December MTFP report to Cabinet, and
  - b) recommend Cabinet approve the proposed Asset Maintenance and Replacement schedule as laid out in section 5.2, supporting that the budget be approved at high level, rather than at scheme level.

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Background Papers  
FMR – 02/08/2017  
FMR – 01/11/2017  
MTFP – 04/10/2017