

FINANCIAL MONITORING REPORT (2017/18 provisional outturn)

1. INTRODUCTION

- 1.1 This report provides a provisional outturn on the 2017/18 budget following on from the previous monitoring report to Cabinet in November.

2. BACKGROUND

- 2.1 An important element of the Council's financial strategy includes a continuous review of activities and services in order to identify opportunities for savings in expenditure alongside opportunities to generate income. This 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 savings and incomes generated as a result of the Council's need to deliver a balanced budget going forward.

3. GENERAL FUND 2017/18 OUTTURN PROJECTION

- 3.1 A General Fund budget of £16.587m for 2017/18 was agreed by Council in February 2017. Net positive variations reported to Cabinet in August and November amounted to **£449k** and a reduced updated budget total for 2017/18 of **£16.138m**.
- 3.2 This report identifies new positive budget variations of **£1.430m** (of which £337k returned to reserves) and new budget requirements of **£301k**. In addition, the report identifies budgets rephased to later years of **£438k** with the amount returned to reserves. **The latest General Fund estimated outturn for 2017/18 is now £15.346m**. Table 1 provides an overview of the variations and full details are provided in sections 3.5 to 3.7:

Table 1	Para.	Savings £'000	New Req. £'000	Rephasing £'000	Total £'000
Original Budget April 2017/18					16,587
Variations agreed in August	3.1	-499	567	1,146	1,214
Transfer from Reserves in August	3.1		-150	-1,146	-1,296
Variations agreed in November	3.1	-392	25	-416	-783
Transfer from Reserves in November	3.1			416	416
Updated Budget November 2017/18		-891	442	0	16,138
Portfolio Items	3.5/3.6	-1,303	301	-140	-1,142
Asset Maintenance / Replacement	3.7	-127		-235	-362
Business Development / Third Party	3.8			-63	-63
Total Budget Variations This Period		-1,430	301	-438	-1,567
Transfer to Reserves This Period		337		438	775
Provisional Outturn 31 March 2018		-1,984	743	0	15,346

- 3.3 When the final yearend position is established, a review of the variations will be undertaken to determine which are on-going and not yet reflected in the 2018/19 budget or forward looking MTFP.
- 3.4 The level of incomplete projects and so rephasings required from 2017/18 (outlined in more detail in 3.7) will necessitate a review of the total revised 2018/19 programme to ensure that the updated 2018/19 budget, including the rephased projects, reflects a deliverable programme. The outcome of this exercise will be included on the first Financial Monitoring report of 2018/19 (August '18 Cabinet).
- 3.5 The following table confirms the Portfolio variations between expenditure and income. The significant individual variations are then listed in section 3.6:

Table 2	Expenditure Savings £'000	Additional Income £'000	New Requirements £'000	Income Shortfalls £'000
Finance, Corporate Services and Improvement	-126	-380	20	
Environment & Regulation	-375	-15	10	
Leisure & Wellbeing	-44			
Housing Services	-50			
Planning & Infrastructure	-76	-60	98	143
Local Economy, Property & Innovation	-137	-40		
Community Affairs				30
	-808	-495	128	173
		-1,303		301

3.6 SIGNIFICANT PORTFOLIO ITEMS

Savings Total; £1.303m (of which £337k returned to reserves*)

- £350k – Further investments into diversified pooled funds have improved the overall yield on the Council's interest earnings, as has the base rate increase that occurred in November (F,CS&I).
- £200k* – Expenditure incurred on the successful roll out of the Kerbside glass recycling scheme was lower than anticipated, so the one-off funding received will be credited to reserves, with a view to being utilised in the new developing Waste Strategy (ENV & REG).
- £137k* – Lower than anticipated expenditure has been incurred in 2017/18 from the Community Housing Fund, so the budget will be returned to the earmarked reserve (LE,P&I).
- £80k – As a result of fee increases implemented from 1 January, additional parking clock income has been received (£60k). Expenditure within the parking account is also expected to be lower than the budget (£20k) (P&I).
- £75k – Expenditure on Streetscene has been lower than the budget across various areas, including staffing, hired and contracted services and fuel (ENV & REG).

New Requirements Total; £301k

- £80k – A large planning application originally expected in 2017/18 will now be received in 2018/19 (P&I).
- £75k – One off costs have been incurred as a result of a restructure of the Building Control service. Income is also down against the budgeted target (P&I).

Rephasings; £140k

- £140k – The recharge of material onto Milford-on-Sea beach typically takes place in October and March each year. More time has been required this year to arrange the order, which means the supply and associated works will take place early April. The budget is being rephased to accommodate this one-off revised timescale (ENV & REG).

3.7 ASSET MAINTENANCE / REPLACEMENT

Savings; £127k

- £127k – The overall total is £133k, of which £6k relates to the Housing Revenue Account. The impact on the General Fund is therefore a reduction in costs of £127k;

	GF	HRA
• Offices & Depots	£63k	£6k
• Health & Leisure	£64k	

Rephasings; £235k

- £235k – incomplete projects in need of rephasing to future years total £235k;

• Offices & Depots	£23k
• P&T (Parking)	£43k

- Health & Leisure £144k
- Environment £25k

3.8 BUSINESS DEVELOPMENT/THIRD PARTY GRANTS

Rephasings; £63k

- £63k - Community Grants of £63k need rephasing into 2018/19.

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

4.1 The Capital Programme agreed in February 2017 amounted to £21.266m. Net Budget reductions reported in August amounted to **£156k** and this, together with net rephasings into 2017/18 of **£1.892m** resulted in a revised capital budget of **£23.002m**.

4.2 This is now increased to a revised capital budget of **£24.418m** to reflect net budget adjustments of **£2.549m** and net rephasings of schemes to future years of **£1.133m**, as outlined in tables 3 and 4 below:

Table 3	Savings £'000	New Req. £'000	Rephasing £'000	Total £'000
Original Budget April 2017/18				21,266
Previously Reported				
Public Sector Housing	-150		74	-76
Other Services (General Fund)	-214	208	1,818	1,812
Updated Budget November 2017	-364	208	1,892	23,002
New Variations				
Public Sector Housing (HRA)	-570	1,350	-599	181
Other Services (General Fund)	-452	2,221	-534	1,195
Total New Variations	-1,022	3,571	-1,133	1,416
Provisional Outturn 31 March 2018	-1,386	3,779	759	24,418

Table 4	Savings £'000	New Req. £'000	Rephasing £'000
Section 106 Developments	-350		-750
Older Persons Schemes Allocations	-130		
Env Enhancements	-90		
Stocklands New Build			-400
Major Repairs		800	
Disabled Facilities Adaptations		550	
Development at Compton/Sarum Site			551
Public Sector Housing (HRA)	-570	1,350	-599
Disabled Facilities Adaptations	-232		
Social Housing Grant	-100		
Open Space Schemes	-60		-30
Private Sector Renewal	-40		
V&P; Replacement Programme	-20		-231
Investment Property Acquisition		2,203	
Transport Schemes		18	8
Hurst Spit			-246
Procurement of Cemeteries Land			-20
Milford on Sea Environmental Enhancements			-15
Other Services (General Fund)	-452	2,221	-534

5. HOUSING REVENUE ACCOUNT (HRA)

5.1 A break-even HRA budget for 2017/18 was agreed in February 2017. The following table summarises the revised position, taking into account the previously reported and new variations (detailed in paragraphs 5.2 – 5.4):

Table 5	Original Budget £'000	Previously Reported Variations £'000	New Variations (Para. 5.2 - 5.4) £'000
Income	-27,919	-90	19
Revenue Maintenance	4,961		-800
Supervision & Management	5,122	-63	-6
Rents, Rates, Taxes & Other Charges	11		
Provision for Bad Debt	150		
Capital Financing Costs	8,584		
Contribution to Capital	9,091		-369
	27,919	-153	-1,156

5.2 The majority of the £800k variation as included in the table above relates to the transferal of the Disabled Facilities Adaptations budget into the Capital programme (£550k), coupled with a lesser forecast spend on adaptations of £150k.

- 5.3 Although the overall Public Sector Capital programme has increased as outlined in section 4, the Better Care Fund will be utilised to finance the Disabled Facilities Adaptations. The HRA contribution towards the capital programme will therefore reduce by £369k to reflect the net project savings and rephasings.
- 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. BUSINESS RATES EQUALISATION RESERVE

- 6.1 The scale of Business Rates retained by the Council under the Business Rate Retention Scheme, and the amount by which this value can fluctuate year on year, gives rise to potentially significant financial implications to the Council's General Fund and medium term budget forecasting process. For context, the Council's original budget for 2017/18 for Business Rates was £4.189m. The equivalent budget for 2018/19 has been set at £5.028m.
- 6.2 The establishment of a Business Rates Equalisation Reserve is commonplace amongst many other councils. Transferring large variations as against original budget forecasts to/from an equalisation reserve gives added certainty to the budgeted Business Rate income figures as per the Council's Medium Term Financial Planning. The Medium Term Financial Plan allows for forecast rates retention, but cannot readily estimate collection fund performance beyond the single on-coming financial year. The fund can easily swing from a large deficit in one year, to a surplus in the next (as was the case 17/18 to 18/19).
- 6.3 Late changes made to the Business Rate Retention Scheme mean that the Council is going to be in a position to set up the equalisation reserve in 2018/19. This means that any significant fluctuations as against the current forecast budgeted figures as per the Council's latest Medium Term Financial Plan can be avoided at this early stage, adding increased certainty to the current known gravity of the overall financial challenge ahead.

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

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

8. PORTFOLIO HOLDER COMMENTS

- 8.1 As a forward-looking Council we not only continue to meet the economic challenges whilst maintaining and, in some cases, enhancing the services that our residents value but also planning to address the changing landscape that is local government.

9. RECOMMENDATIONS

9.1 It is recommended that Cabinet:

- a) notes the latest budget forecasts of the General Fund (para 3.2), Capital (para 4.2) and HRA (para 5.1) for 2017/18.
- b) notes the establishment of the Business Rates Equalisation Reserve.

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Background Papers:

Financial Monitoring Report 02-08-17
Financial Monitoring Report 02-11-17
Medium Term Financial Plan 07-02-18