**POLICY AND RESOURCES COMMITTEE – 5 DECEMBER 2016**

**PART I - NOT DELEGATED**

**8. BUDGET MONITORING – MONTH 6 (SEPTEMBER 2016)**

(DoF)

1. **Summary**

* 1. The Budget monitoring report is a key tool in scrutinising the Council’s financial performance. It is designed to provide an overview to all relevant stakeholders. It is essential that the Council monitors its budgets throughout the year to ensure that it is meeting its strategic objectives and that corrective action is taken where necessary.

1.2 This report seeks approval to a change in the Committee’s 2016 - 2019 medium-term revenue financial plan. The report shows the Council’s overall consolidated medium term financial plan for both revenue and capital.

1. **Details**

2.1 An overall increase in the Council’s budgets requiring the use of balances must be approved by Council. Virements between cost centres within each service are approved by each committee. Virements between service committees must be approved by Council along with proposals for the use of ‘windfall’ income.

  ***Revenue***

2.2 The original net revenue budget for 2016/17 (as approved by Council in February 2016) was **£11.782 million**. The latest approved budget is £**12.220 million,** the table below shows the approved changes to date and the Quarter 2 variances reported for this period to give a forecast outturn of **£12.795 million**.

 ***Service Budgets***

2.3 After removing other non-service costs (parish precepts and interest earned on investments) and indirect costs (internal recharges, capital financing charges & adjustments under statute) the net original direct revenue budget was set at **£10.775 million** and the latest approved **£11.212 million**. The forecast outturn is now estimated to be **£11.669 million** (the actual to date is **£3.733 million**) which results in an unfavourable variance of **£0.457 million.**

2.4 In addition there is a variance of investment interest of **£0.118 million.** This now gives a total variance to the revenue account of **£0.575 million.**

|  |  |
| --- | --- |
| **Net Revenue Budget 2016/17** | **£000** |
| **Original Net Revenue Budget** | **11.782** |
| Variances Previously Reported |  |
| Quarter 1 – Period 3 (End of June) | 0.483 |
| Period 4 (End of July)  | (0.045) |
| **Latest Approved Budget** | **12.220** |
| Variances Reported This Period Quarter 2 – Period 6 (End of Sept) | 0.575 |
| **Forecast Outturn** | **12.795** |

* 1. The main variances that contribute to this are;
* The net increase in Homelessness of £310,000 for the provision of emergency housing. There has been a growth in the numbers of homeless families and the length of stay in temporary accommodation, because of the shortage of available housing. There is limited temporary accommodation within the district and the Council has to hire expensive nightly let accommodation, predominantly outside the district. This is not unique to TRDC as other neighbouring authorities are also experiencing a budget pressure in temporary accommodation. At this stage it is envisaged that this budget pressure will continue into future years. The Council’s Property Services are currently investigating ways of easing the pressure by providing temporary accommodation in a less expensive way. Approval has been given (Policy and Resources Committee meeting 8 November 2016) to provide temporary accommodation on the WRVS site. This involves a capital outlay of £1.180 million, which is estimated to reduce the cost of temporary accommodation placements by £200,000 each year and increase the net rental stream by £140,000 each year. It is hoped that these units will be available for use in the second half of 2017/18.
* The reduction in garages rent income of £94,000 due to an increase in void garages caused by refurbishment works and some garages being difficult to let. Officers are exploring ways of being more proactive in promoting garage rental in the future.
* The reduction in investment interest income of £118,000 due to the drop in the Bank base rate and the low returns available.

The details of all variances are shown at **Appendix 2.**

2.6 The table below shows the net direct expenditure (service costs) budgets, forecast outturn and variance for each service committee.

|  |
| --- |
| **2016/17 Revenue Account – General Fund Summary** |
|
| **Service Area** | **Original Budget** |  **Latest Budget**  | **Actuals****To** **Period 6** |  **Outturn**  |  **Variance**  |
|  **£000**  |  **£000**  | **£000** |  **£000**  |  **£000**  |
| Leisure, Wellbeing & Health | 2,339  | 2,281 | 694 | 2,271 | (10) |
| Sustainable Development, Planning & Transport | 1,649 | 1,711 | 589 | 2,043 | 332 |
| General Public Services & Community Safety | 2,257 | 2,255 | 768 | 2,239 | (16) |
| Policy & Resources | 4,530 | 4,965 | 1,682 | 5,116 | 151 |
| **Net General Fund** | **10,775**  | **11,212** | **3,733** | **11,669** | **457** |

To date the services have spent 33.3% of their latest budgets.

2.7 The trend over the financial year (2016/17) is plotted on the graph below;

2.8 The effect of the variances on the Council’s (surplus)/deficit for the year and the general fund balance over the medium term is shown in the table below.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Movement on General Fund** | **2016/17** | **2016/17** | **2016/17** | **2017/18** | **2018/19** |
| **Original Budget** | **Latest Approved** | **Outturn Forecast** | **Outturn Forecast** | **Outturn Forecast** |
| **£000** | **£000** | **£000** | **£000** | **£000** |
| Balance B/F at 1 April | (4,727) | (4,396) | (4,396) | (3,389) | (3,154) |
| (Surplus)/deficit for year | (5) | 477 | 1,007 | 235 | 111 |
| Balance at 31 March | **(4,732)** | **(3,919)** | **(3,389)** | **(3,154)** | **(3,043)** |

 The additional cost of homelessness has caused a budget pressure in future years which reduces the balance significantly over the medium term.

 A minimum prudent general fund balance of not less than £2 million is considered appropriate.

2.9 **Appendix 1** shows the medium term revenue budget by cost centre by committee.

2.10 **Appendix 2** shows the explanations of revenue variances reported since the last report.

2.11 **Appendix 3** shows the previous reported variances which have been agreed by this committee. This is shown to reconcile the movements from the original budget agreed by Council in February 2016.

2.12 **Appendix 4** shows the Council’s key budget indicators for service income.

2.13 **Appendix 5** shows the Council’s key budgetary & financial risks.

 ***Capital***

2.14 The original budget for 2016/17 (as approved by Council in February 2016) was **£6.656 million**. The latest budget is **£8.067 million** which includes rephasing of **£0.482 million** as approved by Council at its meeting in May and additional rephasing of **£2.340 million** and **(£1.411) million** that was included in the outturn reports presented to Policy & Resources Committee in June and October recommended for approval to Council.

2.15 Services have identified a variance of **£0.347 million** which reduces the 2016/17 budget to **£7.720 million,** the table below summarises the capital budget changes, by committee.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Service Area** | **Original Budget****£000** | **Latest Budget £000** | **Actuals****To Period 6 £000** | **Variance****£000** | **Forecast****£000** |
| Leisure, Wellbeing & Health | 2,809 | 2,456 | 381 | (280) | 2,176 |
| Sustainable Development, Planning & Transport | 1,624 | 2,318 | 445 | (67) | 2,251 |
| General Public Services & Community Safety | 1,367 | 973 | 323 | 0 | 973 |
| Policy & Resources | 856 | 2,320 | 413 | 0 | 2,320 |
| **Total Services Capital** | **6,656** | **8,067** | **1,562** | **(347)** | **7,720** |

2.16 The main reasons for the variance are:

1. Rephasings:-
* £0.030 million Car Park Restoration – awaiting report from Watford Borough Council on the car parks in Three Rivers before any works can begin.
* £0.095 million Cemetery Car Park – due to an Environmental Agency

 report not being issued until 2017/18 when work can commence.

* £0.199 million Trucks Replacement – no requirement to spend any further amounts in 2016/17, but request rephasing for replacements that will become due next year.
1. Savings:-
* £0.007 million Disabled Parking Bays - over provision of budget, this has been reduced with demand.

2.17 Capital spend up to 30 September was **£1.562 million** which represents 19.36% of the latest budget following re-phasings. Budget holders have confirmed that budgets will be spent by the end of the financial year.

2.18 Approval has been given (Policy and Resources Committee meeting 8 November 2016) to provide temporary accommodation on the WRVS site at a capital cost of £1.180 million, it is envisaged this will be completed by the middle of 2017/18.

2.19 **Appendix 6** shows the Council’s medium term capital investment programme 2016 -2019 by cost centre by Committee, including the comments on the latest position of each service.

2.20 **Appendix 7** shows theexplanations of capital variances reported this period.

2.21 **Appendix 8** shows the funding of the capital programme.

3. **Options/Reasons for Recommendation**

3.1 The recommendations below enable the Committee to make recommendations to Council concerning their budget.

4. **Policy / Budget Reference and Implications**

4.1 In accordance with the Council’s financial procedure rules, if the recommendations are accepted, this will amend the Council’s budgets.

4.2 There are no substantial changes to Council policy resulting from this report.

5. **Legal, Equal Opportunities, Staffing, Environmental, Community Safety, Public Health, Customer Services Centre, Communications & Website, and Health & Safety Implications**

5.1 None specific.

6. **Financial Implications**

6.1The following revenue and capital variations have been identified for all Service Committees for Period 6 (end of September).

|  |  |  |  |
| --- | --- | --- | --- |
| Variance | 2016/17£ | 2017/18£ | 2018/19£ |
| **Revenue** - (Favourable )/ Unfavourable | 575,440 | 259,930 | 82,780 |
| **Capital** - Increase / (Decrease) | (346,913) | 1,519,913 | 0 |

7. **Risk Management Implications**

7.1 There are no risks to the Council in agreeing the recommendations.

7.2 *The following table gives the risks if the recommendations are rejected, together with a scored assessment of their impact and likelihood:*

|  |  |  |
| --- | --- | --- |
| *Description of Risk* | *Impact* | *Likelihood* |
| *1* | *The Council’s Medium-Term Financial Plan would be out of date and officers would not have accurate budgets to work to.* | *III* | *A* |

7.3 The Council has determined its aversion to risk and is prepared to tolerate risks where the combination of impact and likelihood are plotted in the shaded area of the matrix. The remaining risks require a treatment plan. The risk is managed within the Finance services service plan.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Likelihood** | A |  |  | 1 |  |  | Impact | Likelihood |
| B |  |  |  |  |  | V = Catastrophic | A = >98% |
| C |  |  |  |  |  | IV = Critical | B = 75% - 97% |
| D |  |  |  |  |  | III = Significant | C = 50% - 74% |
| E |  |  |  |  |  | II = Marginal | D = 25% - 49% |
| F |  |  |  |  |  | I = Negligible | E = 3% - 24% |
|  | I | II | III | IV | V |  | F = <2% |
| **Impact** |  |  |

8. **Recommendation**

 To Council:

8.1 That the following revenue and capital budget variations be approved and incorporated into the three-year medium-term financial plan:-

|  |  |  |  |
| --- | --- | --- | --- |
| Variance | 2016/17£ | 2017/18£ | 2018/19£ |
| **Revenue** - (Favourable )/ Unfavourable | 575,440 | 259,930 | 82,780 |
| **Capital** - Increase / (Decrease) | (346,913) | 1,519,913 | 0 |

 Report prepared by: Stephen Exton – Finance Manager (Accountancy)

 Checked by: Nigel Pollard – Section Head (Accountancy)

 **Background Papers**

2016/17 Budget Monitoring Quarter 1 (April – June) report

2016/17 Budget Monitoring Period 4 (July) report

**APPENDICES**

 Appendix 1 Medium term revenue budget by cost centre by Committee (2016-19)

 Appendix 2 Explanations of revenue variances reported this Period

Appendix 3 Variances previously reported

 Appendix 4 Key budget indicators – Income streams

 Appendix 5 Budgetary risks

Appendix 6 Medium term capital investment programme (2016 -2019)

Appendix 7 Explanations of capital variances reported this Period

 Appendix 8 Funding the capital programme (2016-2019)

**APPENDIX 1**















**APPENDIX 2**









**APPENDIX 4**











**APPENDIX 5**



Note: The serial numbers relate to the Council’s risk register and serials 1-6 do not relate to finance or budget risks.





**APPENDIX 6**











**APPENDIX 7**





**APPENDIX 8**

