**OLICY AND RESOURCES COMMITTEE – 20 MARCH 2017**

**PART I - NOT DELEGATED**

**13. BUDGET MONITORING – MONTH 10 (JANUARY)**

(DoF)

1. **Summary**

* 1. 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 - 2020 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 revised budget is £**12.472 million,** set atCouncil on 21 February 2017. The table below shows the Quarter 4 variances reported for this period to give a forecast outturn of **£12.465 million**. The table below shows how the forecast has been constructed.

|  |  |
| --- | --- |
| **Net Revenue Budget 2016/17** | **£ million** |
| **Original Net Revenue Budget** | **11.782** |
| Variances Previously Reported | 0.690 |
| **Net Revenue Budget** | **12.472** |
| Variances Reported This Period Quarter 4 – Period 10 (End of January) | (0.007) |
| **Forecast Outturn** | **12.465** |

***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 revised budget set at Council on 21 February 2017 is **£11.619 million**. The forecast outturn is now estimated to be **£11.612 million** which results in a favourable variance of **£0.007 million.**

2.4 The main variances that contribute to this are as follows:

Unfavourable

* Increased cost of ICT disaster recovery - £39,620
* Shortfall in licensing income from private hire operators - £10,000

Favourable

* Increase in pre planning application fee income – £10,000
* Underspend on repairs & maintenance at Three Rivers House - £34,000

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

2.5 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 10** | **Outturn** | **Variance** |
| **£000** | **£000** | **£000** | **£000** | **£000** |
| Leisure, Wellbeing & Health | 2,339 | 2,219 | 1,386 | 2,217 | (2) |
| Sustainable Development,  Planning & Transport | 1,649 | 1,951 | 1,045 | 1,944 | (7) |
| General Public Services & Community Safety | 2,257 | 2,055 | 1,533 | 2,055 | 0 |
| Policy & Resources | 4,530 | 5,394 | 5,100 | 5,396 | 2 |
| **Net General Fund** | **10,775** | **11,619** | **9,064** | **11,612** | **(7)** |

To date the services have spent 78.0% of their latest budgets.

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

2.7 The effect of the variances on the Council’s general fund balance over the medium term is shown in the table below.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Movement on General Fund | **2016/17** | **2016/17** | **2017/18** | **2018/19** | **2019/20** |
| **Revised Budget** | **Outturn Forecast** | **Outturn Forecast** | **Outturn Forecast** | **Outturn Forecast** |
| **£000** | **£000** | **£000** | **£000** | **£000** |
| Balance B/Fwd | (4,396) | (4,396) | (3,719) | (3,184) | (3,414) |
| (Surplus)/deficit for year | 684 | 677 | 535 | (230) | (16) |
| Balance at 31 March | (3,712) | (3,719) | (3,184) | (3,414) | (3,430) |

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

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

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

2.10 **Appendix 3** shows the Council’s key budget indicators for service income.

2.11 **Appendix 4** shows the Council’s key budgetary risks.

***Capital***

2.12 The original budget for 2016/17 (as approved by Council in February 2016) was **£6.656 million**. The latest budget as approved by Council on 21 February is **£7.664 million.**

2.13 Services have identified a variance of **£1.752 million** which reduces the 2016/17 budget to **£5.912 million,** the table below summarises the capital budget changes, by committee.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Service Area** | **Original Budget**  **£000** | **Latest Budget £000** | **Spend to Date £000** | **Variance**  **£000** | **Forecast**  **£000** |
| Leisure, Wellbeing & Health | 2,809 | 2,156 | 756 | (990) | 1,166 |
| Sustainable Development, Planning & Transport | 1,624 | 2,215 | 1,065 | (242) | 1,973 |
| General Public Services & Community Safety | 1,367 | 973 | 376 | 0 | 973 |
| Policy & Resources | 856 | 2,320 | 734 | (520) | 1,800 |
| **Total Services Capital** | **6,656** | **7,664** | **2,931** | **(1,752)** | **5,912** |

2.14 The main reason for the £1.752 million variance are rephasing of projects totalling

£1.520 million to 2017/18 and underspends totalling £0.232 million. The variance for each category is shown below, with further detail shown at Appendix 6.

Rephasing to 2017/18

* Cemetery whole life costing - £4,000
* Open spaces access improvements - £19,200
* Maple Cross tennis court refurbishment - £1,540
* South Oxhey Leisure Centre - £10,000
* Watersmeet air conditioning - £3,000
* Leavesden Management Plan - £200,000
* Improving play areas - £169,000
* Scotsbridge all weather hockey pitch - £50,000
* Cycle schemes - £31,670
* Retail parades - £70,750
* Rickmansworth work hub - £20,000
* Controlled parking - £60,000
* ICT managed services - £194,380
* Shared services hardware replacement - £51,610
* ICT licences - £44,840
* ICT hardware replacement - £218,710
* Chorleywood house estate - £10,000
* Parking bays - £40,000
* Bury Lake Young Mariners - £250,000
* Capital Grant and Loans - £71,680

Underspends

* Allotments - £7,300
* Energy performance certificates - £1,400
* Footpaths and alleyways - £20,000
* Leavesden management plan - £202,950

2.15 Capital spend up date was **£2.931 million** which represents 38.24% of the latest budget.

2.16 **Appendix 5** shows the Council’s medium term capital investment programme 2016 -2020 by cost centre by Committee, including the comments on the latest position of each service.

2.17 **Appendix 6** shows theexplanations of capital variances reported this period.

2.18 **Appendix 7** 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 10 (end of January).

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Variance | 2016/17  £ | 2017/18  £ | 2018/19  £ | 2019/20  £ |
| **Revenue** - (Favourable )/ Unfavourable | (7,000) | 0 | 0 | 0 |
| **Capital** - Increase / (Decrease) | (1,752,030) | 1,520,380 | 0 | 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  £ | 2019/20  £ |
| **Revenue** - (Favourable) / Unfavourable | (7,000) | 0 | 0 | 0 |
| **Capital** - Increase / (Decrease) | (1,752,030) | 1,520,380 | 0 | 0 |

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**Background Papers**

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

2016/17 Budget Monitoring Period 4 (July) report

2016/17 Budget Monitoring Period 6 (September) report

2016/17 Budget Monitoring Period 8 (November) report

Financial Planning report 23 January 2017

Liberal Democrat budget proposal and recommendations 21 February 2017

**APPENDICES**

Appendix 1 Medium term revenue budget by cost centre by Committee (2016-20)

Appendix 2 Explanations of revenue variances reported this Period

Appendix 3 Key budget indicators – Income streams

Appendix 4 Budgetary risks

Appendix 5 Medium term capital investment programme (2016 -2020)

Appendix 6 Explanations of capital variances reported this Period

Appendix 7 Funding the capital programme (2016-2020)

**APPENDIX 1**

**Medium Term Revenue Budget by Committee**











**Summary by Committee**



**APPENDIX 2**

**Explanation of Variances Reported this Period - Revenue**



**APPENDIX 3**

**Key Budget Indicators**











**APPENDIX 4**

**Budgetary Risks**





*Note: The risk number relate to the Council’s risk register.*

**APPENDIX 5**

**Medium Term Capital Investment Programme**











**APPENDIX 6**

**Explanation of Variances Reported this Period - Capital**





**APPENDIX 7**

**Funding the Capital Investment Programme 2016-2020**

