**POLICY AND RESOURCES COMMITTEE – 4SEPTEMBER 2017**

**LEISURE, WELLBEING AND HEALTH COMMITTEE - 6 SEPTEMBER 2017 – For Information**

**PART I - NOT DELEGATED**

**BUDGET MONITORING – MONTH 4 (July)**

(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 2017 - 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.

***Revenue***

2.2 The original net revenue budget for 2017/18 (as approved by Council on 21 February 2017) was **£12.163 million**. The latest budget is **£12.452 million** which includes carry forwards from unspent 2016/17 budgets of **£0.289 million** as approved by Council on 11 July 2017. The forecast outturn at period 4 (July) is estimated to be **£12.557 million** which gives a variance compared to the latest budget of **£0.105 million**. The table below shows how the forecast outturn has been constructed.

|  |  |
| --- | --- |
| **Net Revenue Budget 2017/18** | **£ million** |
| **Original Net Revenue Budget** | **12.163** |
| Carry Forward | 0.289 |
| **Net Revenue Budget** | **12.452** |
| Variances Reported This Period – Period 4 (July) | 0.105 |
| **Forecast Outturn** | **12.557** |

***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 **£10.538 million** and the latest budget including the carry forwards is **£10.827 million**. The forecast outturn is now estimated to be **£10.932 million** which results in an unfavourable variance of **£0.105 million.** Each Committee’s revenue medium term financial plan which incorporates comments by Officers is shown **Appendix 1**.

2.4 The main items that contribute to this variance are as follows:

Unfavourable

* Increased costs of agency staff spend within ICT to enable service provision following the exit of the Capita - £191,200. This is the TRDC share of 40% of the total cost with 60% being charged to Watford Borough Council.
* Increased costs for the updated version of the IDOX hosted solution - £60,000
* A 3.5% uplift on waste management transport contract - £15,230

Favourable

* Increased recycling income in accordance with the agreement with Herts County Council with - (£151,000)
* Increased income from garden waste due to higher participation - (£30,000)

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

2.5 The table below shows the net direct expenditure (service costs) budgets, forecast outturn, spend to date and variance for each service committee for period 4.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **2017/18 Revenue Account – General Fund Summary** | | | | | |
|
| **Committee** | **Original Budget** | **Latest Budget** | **Spend**  **To**  **Period 4** | **Forecast**  **Outturn** | **Variance between latest and forecast** |
| **£000** | **£000** | **£000** | **£000** | **£000** |
| Leisure, Wellbeing & Health | 2,270 | 2,276 | 553 | 2,277 | 1 |
| Sustainable Development,  Planning & Transport | 1,834 | 2,016 | 341 | 1,908 | (108) |
| General Public Services & Community Safety | 1,947 | 1,947 | (470) | 1,805 | (142) |
| Policy & Resources | 4,487 | 4,588 | 1,958 | 4,942 | 354 |
| **Net General Fund** | **10,538** | **10,827** | **2,382** | **10,932** | **105** |

*Note: To date the services have spent 22% of their latest budgets.*

2.6 The trend over the financial year (2017/18) 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** | **2017/18** | **2017/18** | **2017/18** | **2018/19** | **2019/20** |
| **Original Budget** | **Latest**  **Budget** | **Forecast**  **Outturn** | **Forecast**  **Outturn** | **Forecast**  **Outturn** |
| **£000** | **£000** | **£000** | **£000** | **£000** |
| Balance at 1 April | (3,712) | (4,094) | (4,094) | (3,165) | (3,325) |
| (Surplus)/deficit | 535 | 824 | 929 | (160) | 51 |
| Balance at 31 March | (3,177) | (3,270) | (3,165) | (3,325) | (3,274) |

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

2.8 **Appendix 3** shows the Council’s key revenue budget indicators for service income and

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

***Capital***

2.9 The original budget for 2017/18 (as approved by Council on 21 February 2017) was **£17.605 million**. The latest budget is **£21.579** million which includes rephasing of **£1.520 million** (as approved by Council on 16 May 2017) and a further **£2.454 million** was reported in the 2016/17 outturn report (as approved by Council on 11 July 2017)**.**

2.10 Services have identified a variance of **£0.01 million** (£10,000) which has reduced the 2017/18 budget to **£21.569 million**.

* 1. The reason for the **£0.01 million** variance is due to:
* Part rephasing into 2018/19 of ££0.068 million relating to the customer contact programme as the budget will not be fully spent in 2017/18.
* Additional capital spend of £0.058 million is required for the essential upgrade of the Council’s Financial Management System (FMS) in order to improve the sustainability and accuracy of its financial & management reporting. This represents TRDC’s 40% share of the costs with WBC being charged 60% in accordance with the shared services agreement.

2.12 The table below shows the capital programme budget, forecast outturn, spend to date and variance for each service committee for period 4.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Committee** | **Original Budget**  **£000** | **Latest Budget £000** | **Spend to P4 £000** | **Forecast**  **Outturn**  **£000** | **Variance**  **£000** |
| Leisure, Wellbeing & Health | 1,946 | 2,882 | 251 | 2,882 | 0 |
| Sustainable Development, Planning & Transport | 3,761 | 4,576 | 211 | 4,576 | 0 |
| General Public Services & Community Safety | 395 | 950 | 19 | 950 | 0 |
| Policy & Resources | 737 | 1,894 | 52 | 1884 | (10) |
| **Total Service** | **6,839** | **10,302** | **533** | **10,292** | **(10)** |
| *South Oxhey Initiative* | *10,766* | *11,277* | *5,930* | *11,277* | *0* |
| **Total Capital** | **17,605** | **21,579** | **6,463** | **21,569** | **(10)** |

2.13 Capital spend up to the end of July was £6.463 million which represents 30% of the total latest budget. However if South Oxhey is excluded, then the percentage spend to budget at period 4 reduces to 5%.

2.14 Service accountants have met with budget holders who have confirmed that budgets will be spent by the end of the financial year; this will be monitored at future budget reports and any additional rephasing will be identified as they are known.

2.15 **Appendix 5** shows the Council’s medium term capital investment programme 2017 -2020 by cost centre by Committee, including the comments on the latest position of each service.

2.16 **Appendix 6** shows theexplanations of capital variances reported this period with comments from Officers on the progress of the schemes. **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 4 (end of July).

|  |  |  |  |
| --- | --- | --- | --- |
| **Variance** | **2017/18**  **£** | **2018/19**  **£** | **2019/20**  **£** |
| **Revenue** - (Favourable)/ Unfavourable | 105,570 | 70,380 | 66,830 |
| **Capital** - Increase / (Decrease) | (9,500) | 67,500 | 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** | **2017/18**  **£** | **2018/19**  **£** | **2019/20**  **£** |
| **Revenue** - (Favourable)/ Unfavourable | 105,570 | 70,380 | 66,830 |
| **Capital** - Increase / (Decrease) | (9,500) | 67,500 | 0 |

Report prepared by: Temi Opeyemi – Finance Manager

Checked by: Nigel Pollard – Section Head (Accountancy)

**Background Papers**

Budget setting recommendations - Council 21 February 2017.

Budget monitoring (Month 10) - Policy and Resources Committee 20 March 2017.

Outturn for 2016/17 - Policy and Resources Committee 12June 2017.

**APPENDICES**

Appendix 1 Medium term revenue budget by cost centre by Committee (2017-2020)

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 (2017-2020)

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**













**Explanation of Variances reported in this period - Revenue** **Appendix 2**







**Key Budget Indicators – Income Streams** **Appendix 3**









**Budgetary Risk APPENDIX 4**

| **Risk No.** | **Type of Risk** | **Comment** | **Risk Impact** | **Risk Likelihood** |
| --- | --- | --- | --- | --- |
| 7 | The Medium term financial position worsens. | In that the general fund balance falls below the minimum prudent threshold and capital funding is insufficient to meet the capital programme. This appears as item no.8 in the Council's strategic risk register. | IV | D |
| 8 | Revenue balances insufficient to meet estimate pay award increases | The medium term planning period takes into account a 1% increase for the period 2017/18 to 2019/20 | III | D |
| 9 | Revenue balances insufficient to meet other inflationary increases | Other than contractual agreements, budgets have been cash limited where possible. | II | D |
| 10 | Interest rates resulting in significant variations in estimated interest income | The interest rate has a significant impact on the proceeds from capital receipts that are invested in the money market. The volatility of the global economy continues to place uncer**t**ainty on the investment strategy. | III | C |
| 11 | Inaccurate estimates of fees and charges income | See Key Budget Indicators shown in the latest Budget Monitoring report | V | E |
| 12 | Revenue balances insufficient to meet loss of partial exemption for VAT | If the council's expenditure on functions for which it receives income that is exempt for VAT purposes exceeds 5% of its total vat able expenditure, then the Council may lose its ability to recover VAT on all of its exempt inputs. Further letting of office space at Three Rivers House will increase this risk | III | E |
| 13 | The estimated cost reductions and additional income gains are not achieved | Savings identified and included in the budget will be monitored as part of the budget monitoring process | IV | E |
| 14 | The Council is faced with potential litigation and other employment related risks | The Council has no outstanding litigation cases. | III | E |
| 15 | The amount of government grant is adversely affected | The grant settlement for 2017/18 and provisional settlements for 2018/19 and 2019/20 have been factored into the MTFP. The Council decided to accept the Government’s offer of a four year settlement. | II | E |
| 16 | Localising support for council tax | The introduction of universal credits and the localising of support for Council Tax will substantially alter the administering of Housing and Council Tax Benefits | II | E |
| 17 | Right to Buy Receipts & VAT Shelter Receipts | Under the housing stock transfer with Thrive Homes Limited (THL) the Council is entitled to use its share of the proceeds to fund the capital programme. The level of activity on these income streams are outside the Council's control. | IV | E |
| 18 | Fluctuations in Business Rates Retention | The Council is legally obliged to cover the first 7.5% loss on its pre- determined baseline level. | IV | C |
| 19 | Failure to deliver the South Oxhey Initiative to desired outcomes and objectives | This is a key project. This appears as item no.7 in the Council's strategic risk register. | IV | D |
| 20 | Failure of ICT systems | The Council's integrated Financial Management System (FMS) is held on an ICT platform. If this were to fail then potentially there will be a loss of functionality occurring during any downtime. | III | E |

*Note: The risk numbers relate to the Council’s risk register. Risk numbers 1-6 do not relate to finance or budgetary risks.*

**Matrix Key**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Impact** | | | | |  |  |
|  |  | **I** | **II** | **III** | **IV** | **V** | **Likelihood** | **Impact** |
| **Likelihood** | **A** |  |  |  |  |  | A equal to/or > 98% | V = Catastrophic |
| **B** |  |  |  |  |  | B = 75% - 97% | IV = Critical |
| **C** |  |  | **10** | **18** |  | C = 50% - 74% | III = Significant |
| **D** |  | **9** | **8** | **7,19** |  | D = 25% - 49% | II = Marginal |
| **E** |  | **15,16** | **12, 14, 20** | **13,17** | **11** | E = 3% - 24% | I = Negligible |
|  | | | | | |  |  |

**APPENDIX 5**

**Medium Term Capital Investment Programme**













**Explanation of Variances Reported this Period - Capital APPENDIX 6**



**APPENDIX 7**

**Funding the Capital Investment Programme 2017-2020**

