**POLICY AND RESOURCES COMMITTEE – 18 JULY 2016**

**PART I - NOT DELEGATED**

**9. BUDGET MONITORING – QUARTER 1 (APRIL – JUNE 2016)**

(DoF)

1. **Summary**

1.1 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 - 2019 medium-term revenue financial plan.

1. **Details**

2.1 In compiling this report, the Finance section sends a pro-forma to each service head to confirm that their latest approved budgets either need changing and therefore a variance is reported or to confirm that there is no change. Service heads must provide a valid reason for any growth, and in the first instance, try to mitigate any overspend by identifying compensatory savings in their service area.

2.2 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.

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***Revenue***

2.3 The original net revenue budget for 2016/17 (as approved by Council in February 2016) was **£11.782 million**. The latest budget is £**12.189 million** which includes the budget carry forwards from 2015/16 **of £0.408 million** as recommended for approval to Council by this committee in June.

2.4 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 **£11.182 million**. These are the budgets that service committees have a direct responsibility for.

2.5 The forecast outturn is now estimated to be **£11.257 million** which results in an unfavourable variance of **£0.075 million.**

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** | **Outturn** | **Variance** |
| **£000** | **£000** | **£000** | **£000** |
| Leisure, Wellbeing & Health | 2,339 | 2,344 | 2,281 | (63) |
| Sustainable Development, Planning & Transport | 1,649 | 1,711 | 1,716 | 5 |
| General Public Services & Community Safety | 2,257 | 2,257 | 2,320 | 63 |
| Policy & Resources | 4,530 | 4,870 | 4,940 | 70 |
| **Net General Fund** | **10,775** | **11,182** | **11,257** | **75** |

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

2.8 The main variance that contributes to the total variance of £0.075 million is the additional £0.070 million relating to the payment of business rates on the shops taken back into Council ownership at South Oxhey pending the redevelopment of the area. The details of all variances are shown at **Appendix 3.**

2.9 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) | (3,919) | (3,905) |
| (Surplus)/deficit for year | (5) | 402 | 477 | 14 | (37) |
| Balance at 31 March | **(4,732)** | **(3,994)** | **(3,919)** | **(3,905)** | **(3,942)** |

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

2.10 **Appendix 1** shows the medium term revenue budget by cost centre by Committee.

2.11 **Appendix 2** shows the explanations of revenue variances reported this Period.

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

2.13 **Appendix 4** 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 **£9.478 million** which includes rephasing of **£0.482 million** as approved by Council at its meeting in May and additional rephasing of **£2.340 million** that was included in the outturn report presented to Policy & Resources Committee in June and recommended for approval to Council . The forecast outturn has not changed from the latest budget; therefore there are no variances to report this period.

2.15 **Appendix 5** shows the Council’s medium term capital investment programme 2016 -2019 by cost centre by Committee

2.16 Funding of the capital programme is shown at **Appendix 6.**

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 Quarter 1

|  |  |  |  |
| --- | --- | --- | --- |
| Variance | 2016/17  £ | 2017/18  £ | 2018/19  £ |
| **Revenue** - (Favourable )/ Unfavourable | 74,660 | (13,950) | (13,950) |
| **Capital** - Increase / (Decrease) | 0 | 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  £ |
| **Revenue** - (Favourable )/ Unfavourable | 74,660 | (13,950) | (13,950) |
| **Capital** - Increase / (Decrease) | 0 | 0 | 0 |

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**Background Papers**

2015/16 Outturn report

**APPENDICES**

Appendix 1 – Medium Term Revenue Budgets by Committee (2016 - 2019)

Appendix 2 – Explanation 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 - 2019)

Appendix 6 – Funding the Capital Programme (2016 - 2019)