

6. QUARTERLY BUDGET MONITORING REPORT – APRIL TO SEPTEMBER 2015 (RESOURCES)

Synopsis of report:

To report progress against the revised General Fund, HRA and capital budgets for 2015/16.

Recommendation:

The cost of the income generating capital works is met from the General Fund reserves as detailed in paragraph 2.2 of this report.

1. Context of report

- 1.1 The Medium Term Financial Strategy (MTFS), the Capital Programme and the detailed General Fund budgets for 2015/16 were approved by the Corporate Management Committee on 22 January 2015 and subsequently by full Council in February 2015.
- 1.2 The detailed HRA budget for 2015/16 was approved by the Housing Committee on 14 January 2015 and subsequently by full Council in February 2015.
- 1.3 Starting in July, all budget managers are provided with a monthly budgetary control statement showing total budget, profiled budget, spend to date and commitments. A full salary listing is also provided on an ad-hoc basis. Budget managers, working with a dedicated accountant, project likely spend to 31 March.
- 1.4 Budget Managers constantly monitor their budgets and are accountable for their budget and service performance. The projected outturns shown in this report are manager's best estimates as at 30 September 2015.

2. General Fund Revenue Budget

- 2.1 The detailed General Fund budget for 2015/16 was approved in February 2015 along with the Medium Term Financial Forecast. Since then various changes have occurred to the budgets – including £836,000 of supplementary estimates relating to 2015/16 - and updated figures for the current and next two financial years can be seen from the table below.

	2015/16 £'000	2016/17 £'000	2017/18 £'000
Net Expenditure on Services:	10,883	8,138	6,269
Planned underspends carried forward from 2014/15:	646	-	-
Supplementary Estimates:			
• Increase in Planning Development staffing (CMC 22 Jan 15)	65	65	65
• Members ICT allowance (CMC 26 Feb 15)	85	28	28
• Magna Carta additional Support (CMC 26 Feb 15)	7	-	-
• Appointment of asset valuers (SO42 Apr 15)	4		
• Community Services staffing (SO42 March 15)	-	21	-
• Risk and Resilience services (CMC 2 Apr 15)	14	8	7
• Housing staff restructuring (net) (CMC 2 Apr 15)	21	21	21

• Customer Services Team staffing (SO42 May 15)	57	57	57
• River Thames scheme (CMC 28 May 15)*	84	84	84
• Electoral Services staffing (CMC 28 May 15)	9	12	3
• Private Sector Rented Scheme (Hsg 10 Jun 15)	16	14	6
• Upgrade of Environmental Health Post (E&S 18 Jun 15)	-	4	4
• Pest control/stray dog contract (E&S 18 Jun 15)	3	4	-
• Employment Skills scheme (CS 17 Jun 15)	10	25	15
• Community Meals Service (CS 17 Jun 15)	7	7	7
• Head of Human Resources (CMC 25 Jun 15)	6	24	24
• Planning Officer (Local Plan) (SO42 July 15)	13	50	37
• Increased Customer Services hours (SO42 July 15)	3	3	3
• Housing Options Officer post retention (Hsg 2 Sep 15)	15	30	30
• Egham Museum Funding (CMC 24 Sep 15)	10	20	10
Revised Net Expenditure on Services	11,958	8,615	6,655

* The 2015/16 Council Tax was increased specifically to fund this scheme.

2.2 The following budgets have also been agreed by Members relating to the investment in capital assets which generate an income for the Council in future years. It is recommended that these be funded from the General Fund Working Balance.

	2015/16	2016/17	2017/18
	£'000	£'000	£'000
• Property works to Chertsey Rec Lodge (CMC 26 Feb 15)	50	-	-
• Orchard Cottage refurbishment (CMC 2 Apr 15)	20	-	-
• Specialist regeneration advice (CMC 28 May 15)	250	-	-
• Ashdene House redevelopment (SO42 Sept 15)**	87	113	-
	407	113	0

** The 2016/17 budget may be capitalised if scheme progresses

2.3 In addition to the supplementary estimates approved above, the Environment and Sustainability Committee at its meeting on 17 September 2015 also recommended that the Corporate Management Committee approve a further £108,900 a year made up as follows:

- A new Street Cleansing post (£23,300)
- Additional Street Cleansing late shift working (£8,500)
- Costs associated with new Street Cleansing equipment (£9,200)
- A new Environmental Health Officer Post (£60,500)
- Environmental Health regrading (£7,400)

2.4 These items at paragraph 2.3 above have yet to be presented to the Corporate Management Committee and therefore have not been included in the table above.

2.5 Elsewhere on this agenda is a Part II exempt report from the Chief Executive on proposed Council reorganisation. This identifies savings of £258k of which £170.5k can be applied to the creation and redesignation of various posts including the two environmental health posts identified in paragraph 2.3 above.

2.6 Following these adjustments the restructure, if approved, still leaves a saving of £88k towards offsetting the cost pressures identified below in paragraph 2.8.

- 2.7 A summary General Fund monitoring report is set out in Appendix 'B' which sets net expenditure at the end of September 2015 against the revised budget at that date. This shows that net expenditure on services to date is £14.626m which is £0.234m more than the profiled budget.
- 2.8 The projected year-end forecast at net expenditure on services level is an overspend of £579,000 against the approved budget. The more significant variances, based on comparing the current budget to the forecast outturn, are as follows:

Revised budget to forecast 2015/16 – Significant variances		
	Expend £000	Income £000
Housing Committee		
• Housing Redundancy costs arising from re-structuring	10	
• Enabling – Deferment of Housing Needs Survey to 2016/17	(35)	
• Enabling – Deferment of private sector stock condition survey	(40)	
• Benefits – Recovery of legal fees	(25)	
Community Services Committee		
• Community Transport – increased cost of wages	14	
• Community Transport – increased cost of transport	49	
• Community Transport – Expected increase income		(17)
• Community Services Admin – Recharge of time to Surrey Heath for the services of the independent Living Manager		(50)
• Day centres – additional income from lettings		(10)
• Parks- Income from parking at Homewood park		8
• Parks – Income from Fields in trust towards the cost of play equipment		(10)
• Parks – Loss of income from residential dwelling at Chertsey Rec		6
• Lettings income at the Hythe centre lower than expected		16
• Meals on Wheels – Reduced income due to less meals being sold, this is partially offset by reduction in the amount spent on food		17
• Community Alarms – Increased rental income		(13)
• Safer Runnymede –Savings on cable rental and control equipment	(28)	
Environment and Sustainability Committee		
• Contaminated Land – consultants budget moved into 2016/17	(5)	
• Local Air Pollution – Air Quality saving on consultants budget	(9)	
• DSO wages – additional cost of casuals	80	
• Recycling initiatives provision reduced	(10)	
• Recycling – electrical waste – new grant and expenditure	30	(30)
• Green waste – decrease in disposal costs, lower recycling credits + increase in annual subscriptions	(3)	(6)
• Lower disposal costs – reduced price and tonnage	(47)	
• Trade waste income – increase in income		(10)
• Trade waste – VAT refund received in 2014/15 rather than 2015/16		44
• Flood mitigation – underspend on special works	(15)	
• Flood mitigation – costs recovered less than estimated		55
• Car parks – Garfield Road – closure delayed	8	(30)
• Car Parks – delay in opening the Woodlands car park –	(10)	100

September 2016		
• Car Parks – increase in pay and display income		(18)
• On street parking – increase in penalty charge notice income		(20)
• Yellow Bus service – reduced sponsorship and Section 106 monies partially offset by lower bus hire costs (see para 2.5 below).		133
Planning Committee		
• Development Management Fee Earning – increased income from Planning Application Fees		(150)
• Development Management Fee Earning – reduced income from advice service to the public		20
• Development Control Appeals – Counsel Fees	17	
• Local Plan – Consultants’ Fees	(9)	
• Local Plan Costs – delayed until 2016/17	(80)	
• Building Control – reduced consultancy requirement	(15)	
Licensing Committee		
• Alcohol and related licensing – personal licences now valid indefinitely		(7)
Regulatory Committee		
• Taxi licensing – increase in income		(5)
Corporate Management Committee		
• Corporate Management Business Transformation provision not required this year	(10)	
• Business rates – costs recovered		6
• Local land charges – grant received		(96)
• Local land charges – income slow down		20
• Contingencies planning – additional contract costs	5	
• Civic Centre – Strategic maintenance deferred	(41)	
• Salary savings from vacancies	(106)	
• Insurance services – risk provision not required	(15)	
• Procurement services – savings from running costs	(6)	
• Computer services – additional Microsoft costs	10	
• Customer services - additional staffing costs	133	
• Runnymede Web – planned underspend deferred	(21)	
• Runnymede Web – no computer support fee due this year	(6)	
• Energy savings from properties	(50)	
• Vehicle maintenance estimated overspend	124	
• Increase in Council insurance premiums	51	
Sub-total excluding commercial property	(55)	(47)
Corporate Management Committee - Commercial property		
• Corporate property capital – additional staffing costs	150	
• Corporate property capital –staffing costs charged to capital	(50)	
• Commercial property capital – additional budget request	33	
• Corporate property – business rates on empty properties	60	
• Commercial property rental income – variations in rental income (see para 2.11 below)		475
• Civic Centre – additional parking costs	13	

Sub-total for commercial property	206	475
Net increase / (betterment)	151	428
Net variance		579

Yellow buses

- 2.9. In June 2014 this Committee approved funding for this service as follows: “£200,000 be provided (at current rates) from reserves to subsidise the Yellow School Bus Service during 2015/16”. However, when the budgets were drafted it was anticipated that large contributions would be received from Thorpe Park and other developments in the form of planning tariff income and therefore the additional £200,000 was not included in the budget for this year. Unfortunately following difficulties experienced by the Merlin Entertainments Group over the summer, Thorpe Park have pulled out of sponsoring the buses and it is now unlikely that any planning related income will be received.
- 2.10 The current MTFs already assumes that the yellow bus service will be completely funded from taxation in the future as we move from planning tariff income to the Community Infrastructure Levy, where contributions cannot be used to fund existing schemes.

Commercial Property

- 2.11 Some of the bigger variations in the budget relate to corporate property and developments. The 2014/15 budget introduced some challenging investment property acquisition targets along with the borrowing costs of the Addlestone One development. Purchases in 2014/15 and early 2015/16 have not been as per budget due to a lack of appropriate properties becoming available on the market (£16m so far earmarked against a budget of £25m).
- 2.12 This shortfall in available investments has meant that the Council has not needed to borrow to pay for these purchases and therefore interest payments have also reduced. With the timing of borrowings for the Addlestone development also delayed for six months, borrowing costs originally anticipated to be £1.180m in 2015/16 are much lower and are expected to be £0.250m for the year.
- 2.13 Taking all these factors into consideration, and assuming that no further investment properties are available to purchase during the year, the main variations in the Commercial Services division budgets for this year are estimated to be as follows:

	Difference £000
Salaries (net of capitalisation)	100
Other costs	106
Rent / Expected income	475
Costs of Borrowing	(930)
TOTALS	(249)

- 2.14 The revised MTFs will include an increased salary and external advice costs to more realistic levels. The MTFs always assumed that the cost of regeneration would be a call on the General Fund working balance before income from development schemes came on line.
- 2.15 The table set out below shows the performance of the council’s key income drivers. Where these are anticipated to vary significantly from the budget, an estimate of the year end effect has been included in Appendix ‘B’ accordingly.

Performance of key income drivers 2015/16			
	Revised Budget £000	Profiled Budget £000	Actual To Date £000
Halls income	163	105	106
Cemetery income	173	81	139
Community meals	189	94	81
Trade waste income	432	357	374
Off street parking ticket income	524	245	226
Planning Fees	550	275	434
Local land charge search fees	310	173	164
TOTALS	2,341	1,280	1,461

Business Rates and Council Tax Collection

2.16 A significant income stream for the Council is the income from taxation. Collection rates for both business rates and council tax are monitored on a weekly basis by the Corporate Head of Resources. Collection rates for the period (as at 28 August) were as follows:

	Council Tax £'000	Business Rates £'000
Collectable debit for the year	52,078	45,291
Cash received to 1 October 2015	34,840	28,733
% of cash received to date – Target	66.90%	63.44%
% of cash received to date – Actual	66.90%	63.44%
% of cash received - Year End Target	99.00%	99.90%
% of collectable debit written off	0.00%	0.00%

Projected working balances

2.17 Taking account of all factors, the projected use of General Fund working balances for 2015/16 is now expected to be as follows:

Use of General Fund working balance	£'000	
Planned use of resources (Council February 2015)	1,697	Budget Book
Planned Underspends carried forward from 2014/15	646	Para 2.1
Supplementary Estimates approved	836	Para 2.1
Projected year-end budget variances	579	Para 2.8
Lower capital financing costs	(930)	Para 2.13
Projected contribution from balances in 2015/16	2,828	

2.18 The changes highlighted in the above table will reduce the General Fund Working Balance from £9.421m at 1 April 2015 to £6.593m at 31 March 2016. However, on top of this there is Runnymede's share of the 2014/15 Collection Fund deficit of £2.246m which will be taken from balances in 2016/17. This deficit was mainly due to an increase in the level of provision made for appeals and with £870,000 having

been paid out in refunds so far this year, it is looking likely that the full provision will be required. Factoring in this known expense means that the true available working balance at the end of the year will be £4.347m.

3 Housing Revenue Account

3.1 The detailed Housing Revenue Account budget for 2015/16 was approved in February 2015. Since then various changes have occurred to the budgets and updated figures for the current year can be seen in the table below.

	2015/16 £'000
(Surplus) / Deficit in the year:	(3,965)
Planned underspends carried forward from 2014/15:	5
Supplementary Estimates:	
• Discretionary Housing Payments (CMC 2 Apr 15)	50
• Housing staff restructuring (net) (CMC 2 Apr 15)	13
• SurreySave (Hsg 10 Jun 15)	7
Revised Net Expenditure on Services	(3,890)

3.2 The projected year-end accumulated surplus for the HRA is now expected to be £13.7m an increase of £0.75m over the original budget for the year. (This increase includes the increased balance brought forward at 1 April 2015 of £825k.) The more significant variances, based on comparing the current budget to the forecast outturn, are as follows:

Revised budget to forecast 2015/16 – Significant variances		
	Expend £000	Income £000
Housing Repairs budget		
• Reduction in the estimated costs of the external decoration programme for 2015/16	(30)	
• Increase in void repairs numbers and costs as tenants decant to the new Franklands Drive properties	30	
General Management		
• Reduced debt charges following the appropriation of Ashdene & Middlesex Court (1-12) to the General Fund. (date not yet agreed)	Not yet known	
Net increase / (betterment)	0	0

4. Capital Expenditure and Receipts

4.1 The detailed Capital budget for 2015/16 was approved in February 2015. Since then various changes have occurred to the budgets and updated figures for the current year can be seen from the table below.

	2015/16 £'000
Capital Programme:	40,911
Slippage in Capital schemes carried forward from 2014/15:	12,051

Supplementary Estimates:	
• Risk and Resilience – share purchase (CMC 2 Apr 15)	10
• Right-to-buy Mobility Fund (Housing 10 Jun 2015)	60
• Improvements to Victory Park Car Park, Addlestone	50
• Improvements to Food Waste/ Recycling Vehicles	30
Other Changes:	
• Fernlands open space footpath (funded by s106 income)	21
Revised Capital Programme	53,133

4.2 Appendix 'C' summarises capital spend and receipts. For capital expenditure, the Appendix reports the original budget (as per the 2015/16 Budget Book), the current capital budget and a prediction for the year-end outturn.

4.3 The revised Capital Strategy approved by the Council in February 2015 assumed capital receipts of £9.605m in 2015/16. It is now anticipated that in the current year, receipts of £2.528m will be generated.

4.4 The following table sets out the anticipated capital receipts position as at the 31 March 2016 based on the current forecast outturn in capital spend and receipts as set out in Appendix 'C':

	£'000	
Total Capital Receipts at 1 April 2015	2,485	
Less set aside for debt repayment	(1,032)	
Usable Capital Receipts at 1 April	1,453	
Capital Receipts generated in the Year	2,528	Appendix 'C'
Less set aside for debt repayment	(276)	
Use of Capital Receipts to Finance Capital Expenditure	(3,705)	Appendix 'C'
Anticipated Usable Capital Receipts at 31 March 2016	-	

4.5 The Capital Strategy assumed that all Capital receipts would be used in the year. However, it had also included a sum for the sale of Marshall Place which is now being developed for private sale housing as agreed at this Committee's last meeting. This means that there will be less capital receipts available in the year and part of the existing programme will need to be funded by other means. Officers are currently working on a revised Capital Strategy to take account of this, along with the changes in the Council's property acquisitions and developments.

5 Legal Implications

5.1 Section 28 of the Local Government Act 2003 requires authorities to monitor their income and expenditure against their budget, and be ready to take action if overspends or shortfalls in income emerge. If monitoring establishes that the budgetary situation has deteriorated, authorities are required to take such action as they consider necessary. This might include, for instance, action to reduce spending in the rest of the year, or to increase income, or the authority might decide to take no action but to finance the shortfall from reserves.

6 Conclusion

- 6.1 It was always envisaged that there would be a large use of balances in the current year as the Council's property investment strategy kicked in.
- 6.2 Officers are currently in the process of drafting the budgets for 2016/17 and will attempt to claw as much of the predicted deficit back in the current year as possible whilst at the same time ensuring the services remain fit for purpose.
- 6.3 The Local Government Act 2003 requires the Chief Finance Officer to report on the adequacy of financial reserves when consideration is given to the General Fund budget requirement for the year. The minimum recommended level of unallocated General Fund reserves is based on an assessment of risks and uncertainties and was set at £2.118m for 2015/16. The current prediction of usable working balances at the end of the year (taking into account the 2014/15 Collection Fund deficit) is £4.347m.
- 6.4 The MTFS planned to use reserves in 2015/16 to progress the Council's regeneration schemes. The income from the projects would contribute to the General Fund working balance to enable further pump priming work to be undertaken. The following table shows the predicted movement in balances at the start of the year:

MTFS approved February 2015	
	£'000
Use of balances 2015/16	(1,698)
Contribution to balances 2016/17	759
Contribution to balances 2017/18	918
	(21)

- 6.5 In the first quarter of 2015/16 a number of supplementary estimates totaling £836,000 have been agreed. In March 2016 some of these items may be classed as capital expenditure e.g. Ashdene and specialist regeneration advice, provided we have a tangible asset to hold them against. It may also be possible to capitalise the cost of Members' IT depending on the level of Capital Receipts available at the year end.
- 6.6 Paragraph 2.8 shows the variations known and reported to October 2015; most of these variations are relatively small apart from the sponsorship of Yellow Buses. This will be a full year cost pressure going forward of £200,000 once the Community Infrastructure Levy (CIL) begins.
- 6.7 Although the expenses relating to commercial investment have increased paragraph 2.13 shows this is more than offset by the financing costs of the Addlestone and Egham schemes. Both projects will be contributing to the replenishment of the working balance in future years. The costs of borrowing remain low and it is likely further savings can be made in 2016/17.
- 6.8 Paragraphs 2.15 and 2.16 show our income budgets are on course to achieve their income target and income collection rates for council tax and business rates are performing well.
- 6.9 Officers are preparing budgets for Members to consider in early January following Government announcements on the finance of local government. At this stage it is anticipated that the Medium Term Financial Strategy will show an increase in the General Fund Working Balance over the next planning period.

(To resolve)

Background papers

None stated