

7. BUDGET MONITORING REPORT - APRIL 2016 TO JUNE 2016 (RESOURCES)

Synopsis of report:

To report the latest financial projections for the 2016/17 financial year for General Fund, Housing Revenue Account and Capital Programme.

Recommendation:

For information.

1. Context of report

- 1.1 The Medium Term Financial Strategy (MTFS), the Capital Programme and the detailed General Fund budgets for 2016/17 were approved by the Corporate Management Committee on 21 January 2016 and subsequently by Full Council on 11 February 2016.
- 1.2 The detailed HRA budget for 2016/17 was approved by the Housing Committee on 13 January 2016 and subsequently by Full Council in February 2016.
- 1.3 Starting in July, all budget managers are provided with a monthly budgetary control statement showing total budget, profiled budget and spend to date (including commitments). A full salary listing is also provided on an ad-hoc basis to chief officers. Budget managers then inform the accountancy team of any variations and 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 June 2016.

2 General Fund Revenue Budget

- 2.1 The detailed General Fund budget for 2016/17 was approved in February 2016 along with the MTFS. Since then various changes have occurred and a summary of the current projected use of balances for the General Fund can be seen in table 1 below:

Table 1 – Projected use of General Fund balances			
	Original Budget £'000	Forecast Outturn £'000	
Net Expenditure on Services	11,115	11,790	Paragraph 2.3 below
Transfers and accounting adjustments	(1,978)	(1,978)	
Treasury and financing	1,498	1,660	Paragraph 2.8 below
Government grants	(2,788)	(2,791)	Paragraph 2.11 below
Business rates and Council Tax collection	(6,495)	(6,495)	Paragraph 2.12 below
Projected use of balances in 2016/17	1,352	2,186	

An updated General Fund Summary (in the Budget Book format) setting out these changes is set out at Appendix 'E' and is explored in more detail in the following paragraphs.

- 2.2 Assuming the predictions for the forecast outturn shown in table 1 materialise at the year end, this will reduce the General Fund working balance from £7.981m to £5,795m at 31 March 2017.

Net Expenditure on Services

- 2.3 The General Fund Summary set out in Appendix 'E' provides the net expenditure for each service area against the current budget and the forecast outturn as at 30 June 2016. The

current budget is made up of the original budget amended for any approved budgetary changes. A summary of the more significant changes (over £5,000) at the Net Expenditure on Services level is set out in table 2 below:

Table 2 – Changes in Net Expenditure on Services	
() = reduced expend or increased income	2016/17 £'000
Original Net Expenditure on Services:	11,115
General	
• Salaries (paragraph 2.4)	0
• £300,000 Savings target – Savings not yet identified (paragraph 2.6)	253
• Strategic Maintenance Plan – 2016/17 programme lower than anticipated	(31)
• Vehicles - estimated overspend	25
Housing Committee	
• Home Improvement Agency – increased net costs following the withdrawal of SCC Supporting People grants	34
• Homelessness - P/U - Magna Carta lettings deferred until 1st April	16
• Housing Options – additional post (Hsg Cttee – June 2016)	28
• Housing Register – upgrades to the Locata housing system following changes to the Allocations Policy in June. Revised costings to be reported for approval to the September Housing Committee.	10
Community Services Committee	
• Grant Aid - P/U - Community First employment and skill scheme	25
Environment and Sustainability Committee	
• Wheelie bins estimated overspend	5
• Recycling food waste bins estimated overspend	5
• Recycling – income overestimated in 2015/16	10
• Green waste – increase in recycling credit income offset by additional disposal costs	(8)
• Trade waste – savings target delayed – new rounds to be rolled out in September	7
• Street cleansing – Graffiti removal – SCC contribution ceased	5
• Street cleansing – Graffiti savings target not yet met	12
• Car parks – temporary staff for the summer	6
• Car parks - Garfield road closed one month later than budgeted – additional income	(3)
• Car parks - Addlestone One MSCP – budgets to be removed	(9)
• Car parks – The Bourne – closure – loss of income offset by reduced costs	33
• Car parks – increase in pay and display income	(16)
• Car parks – savings target – additional permit income not fully achieved	4
Corporate Management Committee - General	
• Compliance & Review - P/U - Economic Development Strategy work	5
• Corporate Business Plan - P/U - Provision for consultants	6
• Corporate External Audit – provision reduced	(21)
• Members Allowances increased – (CMC – Feb 2016)	22
• Magna Carta - P/U - Magna Carta Legacy Project	6
• Local land charges – upgrade costs	5
• Local land charges – increased income as VAT deferred	(20)

• Contingencies Planning – Purchase of Hydrosnakes (CMC – Mar 2016)	16
• Contingencies Planning – Vulnerable people data module (CMC – Jun 2016)	7
• Municipal safety – furniture and equipment provision increased	2
• Civic Centre - Staff car parking – rent of spaces in Addlestone Multi-Storey car park (CMC – June 2016)	53
• Financial Services - P/U - VAT review delayed due to staff vacancies	5
• Financial Services – New payment regulations (PCCI) compliance	3
• Computer services – compensation payment	28
• Customer Services - P/U - Consultancy provision required in May 2016	10
• Customer services – Consultancy requirement – further provision required	70
Corporate Management Committee – Property related	
• Bourne Car Park sale – compensation received	(68)
• St Judes – Sale of property to RBCI on long lease - no longer receiving rental income (£1.4m capital receipt received instead along with loan interest)	75
• New rental income – dependant on purchase timing (target of £120,000)	60
Forecast Net Expenditure on Services	11,790

Note: P/U = 2015/16 Planned Underspend. Budget carried forward to be spent in the current year (with corresponding saving shown in the 2015/16 financial year).

This shows that net expenditure on services is forecast to be £0.675m more than the original budget.

- 2.4 Employee costs are by far the major cost item in the Council's overall budget. This budget is controlled centrally and quarterly Salary Control reports are distributed to the Corporate Leadership Team for them to monitor their staffing budgets. Since this target was introduced, additional staff commitments have been approved for the current year, some of which are to be met from savings/additional income generation. All additional net costs from these posts have been included in table 2 against the relevant service areas.
- 2.5 The 2016/17 budget included a staff turnover/vacancy savings target of £290,000 plus a further £50,000 from the resources restructure (reported to this Committee in June 2016). The turnover/vacancy savings target was set against the salary budget for all officers with the exception of some frontline services where filling vacancies with agency or temporary staff is imperative in order to keep the service running (e.g. refuse collection, street cleansing, day centre transport etc). These targets have been built into the Current Budget column in table 3 below, which monitors the current staffing spend against the expected budget spend for the period to date. This shows that as at the 30 June, the salary budget is overspent by £11,000 (excluding employer's costs). It is assumed in Table 2 above that this will be saved by the year end.

Table 3 – Current salary budget performance				
	Current Budget £000	Profiled Budget £000	Actual to Date £000	Variation to Date £000
Corporate Office	492	122	121	(1)
Law & Governance	747	185	197	12
Resources	2,691	666	684	18
Planning & Environmental	2,735	677	640	(37)
Housing & Community Development	2,845	705	724	19
Total	9,510	2,355	2,366	11

- 2.6 In order to make up the shortfall in Government funding, the original budget for 2016/17 included some challenging service related savings targets as well as a more general

savings target of £300,000 (£600,000 in a full year from 2017/18). Officers have held preliminary discussions on how to meet these targets, with the following savings already being identified and reported to Committee:

Table 4 – Progress against Savings Target		
	2016/17 £'000	Full Year £'000
Savings Target as per 2016/17 Budget Book	300	600
Ashford Locality Hub (CS Cttee – June 2016)	(10)	(22)
Surrey Heath Partnership (CS Cttee – June 2016)	(36)	(78)
Recycling – phased closure of bring sites (ES Cttee – June 2016)	(1)	(11)
Savings still to be identified	253	489

Other savings to meet the full £600,000 full year target have been identified and officers are currently working up plans on how to bring these to fruition.

- 2.7 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 table 2 above accordingly.

Table 5 - Performance of key income drivers 2016/17			
	Original Budget £000	Profiled Budget £000	Actual to Date £000
Halls income	169	53	50
Cemetery income	177	33	55
Community meals	164	27	39
Trade waste income	450	336	339
Off street parking ticket income	458	103	124
Planning fees	700	175	188
Local land charge search fees	251	64	72
TOTALS	2,369	791	867

Treasury and Financing

- 2.8 The 2016/17 Treasury Management Strategy report was presented to this Committee at the end of February 2016, after the annual budget had been agreed by full Council. In this report it was noted that the estimate for returns on investments had been reduced from 0.9% to 0.6% following revised forecasts and advice after turmoil in the financial markets at the end of January. Unfortunately following the EU Referendum, the base rate has fallen to 0.25% and on the advice of the Council's treasury management advisors we should plan for investment income of no more than 0.25% for the next two years.
- 2.9 During 2015/16, Officers managed to delay much of the planned external borrowing by utilising positive cashflows (creditors, receipts in advance etc) and borrowing internally (collection fund balances etc). This has meant that the level of money available for future investment has reduced significantly as surplus cash has been used to finance capital projects in the short term. However, whilst this will further reduce the level of investment income to the Council, this should be offset by lower borrowing costs.
- 2.10 A full report on all treasury activity during the first six months of the year will be reported to both this Committee and the Overview and Scrutiny Select Committee in the autumn.

Government Grants

- 2.11 Government Grants encompass the Revenue Support Grant, New Homes Bonus Grant and

any other non-service specific grants that the government release during the year. At the current time there is no change to the original estimate for these grants other than a small increase in the New Homes Bonus.

Business Rates and Council Tax Collection

- 2.12 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 1 July) were as follows:

Table 6 – Collection rates		
	Council Tax £'000	Business Rates £'000
Collectable debit for the year	54,731	47,043
Cash received for period	21,456	17,026
% of cash received to date – Target	39.20%	36.19%
% of cash received to date – Actual	38.90%	36.20%
% of cash received for the year – Target	99.00%	99.00%
% of collectable debit written off	0.00%	0.00%

3 Housing Revenue Account (HRA)

- 3.1 The detailed Housing Revenue Account budget for 2016/17 was approved by in February 2016 showing a surplus for the year of £3.681m. The projected year-end surplus for the HRA is now expected to be £3.634m a reduction of £0.047m. The more significant variances are listed in table 7 below:

Table 7 – Predicted HRA surplus for 2016/17	
	2016/17 £'000
Original (Surplus) / Deficit in the year:	(3,681)
General Management	
• Reduction in investment income (see para 2.8)	89
• Estates Improvements – P/U Delay to upgrading Parking arrangements in Pooley Green Close	7
Projected (surplus) / Deficit in the year:	(3,585)

Note: P/U = 2015/16 Planned Underspend. Budget carried forward to be spent in the current year

- 3.2 Taking into account the better than expected increase in working balances during 2015/16 of £0.5m, and assuming the predictions for the projected outturn shown in table 7 materialise at the year end, this will increase the HRA balance from the opening balance of £14.089m to £17,675m at 31 March 2017

4 Capital Expenditure and Receipts

Capital expenditure

- 4.1 The detailed Capital budget for 2016/17 was approved in February 2016. Since then various changes have occurred to the budgets and updated figures for the current year can be seen from the table below.

Table 8 – Capital Expenditure

	2016/17 £'000
Original Capital expenditure budget:	54,407
Slippage in Capital schemes carried forward from 2015/16:	385
Supplementary Estimates:	
• Development Loan RBCS (CMC – May 2016)	1,400
• Rusham Road (CMC – June 2016)	50
• Marshall Place (CMC – June 2016)	1,425
Current Capital Programme budget	57,667

- 4.2 It is important to remember that the timing of capital expenditure can sometimes be difficult to predict and can be spread over several financial years. Appendix 'F' summarises capital spend and receipts to the end of June 2016. For capital expenditure, the Appendix 'F' reports the original budget (as per the 2016/17 Budget Book), the current capital budget and a prediction for the year-end outturn. Details on how this expenditure is to be financed is also included in Appendix 'F'.

Capital receipts

- 4.3 The Council started the year with £3.942m in available capital receipts which can be used to fund future acquisition of assets. However, all of these receipts have been generated from the sale of dwellings under right-to-buy legislation or sales of land and legislation requires this is set aside for specific purposes. In Runnymede's case this is principally:
- Future funding of new affordable housing
 - Repayment of housing debt over the next 30 years
- 4.4 Capital receipts can be used to pay for capital expenditure and, until they are spent, they also generate investment income. The Capital Strategy approved by the Council in February 2016 assumed capital receipts of £13.916m would be generated in 2016/17. It is now anticipated that in the current year, receipts of £15,671m will be generated.
- 4.5 Table 8 sets out the anticipated capital receipts position as at the 31 March 2017 based on the current forecast outturn in capital spend and receipts as set out in Appendix 'F':

Table 9 – Capital receipts				
	Debt Repayment £'000	Housing Replacement £'000	General Use £'000	Total Receipts £'000
Total Capital Receipts at 1 April 2016	1,722	2,220	0	3,942
Capital Receipts generated in the Year	750	2,110	12,811	15,671
Use of Receipts in year	0	(540)	(12,811)	(13,351)
Projected Receipts at 31 March 2017	2,472	3,790	0	6,262

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 The projected use of balances shown in Table 1 of the report shows an increase use of £834,000 based on information at 30 June 2016. A large proportion of this is due to savings

targets not yet being identified (£253,000) and suitable investment properties not being identified (£60,000 in total). It should also be noted that this represents the forecast position of the Council three months into the year and there is still time for corrective action to be implemented.

- 6.2 Also included in this increase is lost investment income of £162,000. A full report on all treasury activity during the first six months of the year, including any changes in the Council's borrowing requirement, will be reported to both this Committee and the Overview and Scrutiny Select Committee in the autumn.
- 6.3 The Corporate Leadership Team is addressing options to identify full year savings and/or income generation of £600,000 as directed by Members in February 2016. Reports on this agenda identify further asset acquisitions which increase income to the General Fund. As long term borrowing rates are currently below 2% this will improve the General Fund financial position.

Background Papers

None stated