BUDGET MONITORING REPORT - APRIL 2016 TO SEPTEMBER 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 are expected to work with the accountancy team to report any variations and project likely spend to 31 March. Since July 2016 the projected overspend, and corresponding use of balances, has increased.

1.4 Budget managers should constantly monitor their budgets and are accountable for their budget and service performance. The projected outturns shown in this report are managers' best estimates as at 30 September 2016. The report also contains the concerns of the Corporate Head of Resources regarding the ongoing nature of increasing expenditure and loss of income. Some savings, such as the Housing Enabling needs surveys, are deferring expenditure until 2017/18.

1.5 Over the last 5 years the Council has made savings of over £6m which have been invested in service improvements, to meet new cost pressures and reduce the base budget. Therefore the capacity for more efficiency savings is severely reduced.

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	11,233	Paragraph 2.3 below
Transfers and accounting adjustments	(1,978)	(1,978)	

Treasury and financing	1,498	2,268	Paragraph 2.18 below
Government grants	(2,788)	(2,791)	Paragraph 2.21 below
Business rates and Council Tax collection	(6,495)	(6,495)	Paragraph 2.22 below
Projected use of balances in 2016/17	**1,352**	**2,237**	

An updated General Fund Summary (in the Budget Book format) setting out these changes is set out at Annex 1 attached 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 £5,744m at 31 March 2017 - a reduction of £2.237m.

Net Expenditure on Services

2.3 The General Fund Summary set out in Annex 1 sets out the net expenditure for each service area against the current budget and the forecast outturn as at 30 September 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 (paragraph 2.10)	80
• Interest on Development Loans to RBC companies	(35)
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. A report was presented to the September Housing Committee, and subsequently approved at CMC.	25
• Enabling – Needs survey delayed due to local plan slippage	(35)
• Enabling – Private sector stock condition survey	(40)
• Benefits – Ongoing cut in admin subsidy from central government	9
Community Services Committee	
• Cemeteries – increased income from the purchase of Grave space	(30)
• Cemeteries – increased income from memorial fees	(2)

• Halls – Lower income from lettings and hire of facilities	30
• Parks and open spaces – additional staffing costs (includes ARB officer)	15
• Parks – income down from games fees and charges	5
• Safer Runnymede – additional income from Addlestone one and GPS and carecall (net of costs)	(7)
Environment and Sustainability Committee	
• Contaminated land – consultancy provision not required in current year	(16)
• Dog Control – reduced income offset by reduced costs	5
• Recycling/refuse bins additional provision required	18
• Recycling – temporary post from November (Supplementary post CMC July 2016)	12
• Recycling – year end income overestimated in 2015/16	10
• Green waste – increase in recycling credit income offset by additional disposal costs to September 2016	(8)
• Green waste – estimated increase in annual subscriptions	(10)
• Trade waste – savings target delayed – new rounds to be rolled out in September?	7
• Trade waste – reduction in disposal costs – lower tonnage collected (based on estimated price per tonne of £108)	(54)
• Trade waste – income greater than estimated	(20)
• Street cleansing – Graffiti removal – SCC contribution ceased	5
• Flood mitigation – reduced drainage crew reduced costs recovered (including from HRA). Offsetting salary savings included elsewhere.	43
• 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 – replacement parking following The Bourne closure (SO42)	42
• Car parks – increase in pay and display income	(16)
• Runnymede Travel Initiative - Increased cost of bus hire plus lower anticipated income (see paragraph 2.8)	46
Planning Services	
• Planning Policy – Local Plan budget required but not carried forward from 2015/16	40
• Planning Policy – Local Plan - Additional consultancy required for Infrastructure Capacity Study	43
• Planning Policy – Local Plan - Additional consultancy required for Viability assessment	40
• Development Management – Costs recovered relating to the Longcross Judicial Review (DERA Site)	(61)
Licensing Committee	
• Alcohol and related licensing – income less than estimated	7
Corporate Management Committee - Corporate Management	
• Compliance & Review - P/U - Economic Development Strategy work	5
• Corporate External Audit – provision reduced	(21)

• Media training	3
• Chief Executive's New Initiative Fund (NIF) (CMC - July 2016) (reduced from £34,000)	10
• Runnymede Pleasure Ground – consultancy (virement from NIF)	11
• Public Acc - Business engagement (virement from NIF)	5
• Public Acc - Corporate Business Plan - P/U - Provision for consultants	6
• Public Acc - Enterprise Zone (Supplementary Estimate CMC – Aug 2016)	34
Corporate Management Committee - Other	
• Members Allowances increased (CMC – Feb 2016)	22
• Elections boundary review	5
• Public Relations – Freedom of the Borough	7
• Register of electors – additional grant funding	(12)
• Local land charges – upgrade costs	5
• Council Tax – redundancy costs (CMC June 2016)	146
• Contingencies Planning – Purchase of Hydrosnakes (CMC – Mar 2016)	16
• Contingencies Planning – Vulnerable people data module (CMC – Jun 2016)	7
• Contingencies Planning – Dividends no longer expected in 2016/17	6
• 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	5
• Financial services - Insurance levy	36
• Computer services – compensation payment	28
• Customer Services - P/U - Consultancy provision required in May 2016	10
• Customer services – additional consultancy requirement (CMC July 2016)	70
• GIS – changes to service	(4)
• Building services – additional costs recovered	(8)
Sub Total – General Fund net growth (Excluding Commercial Property)	**922**
Corporate Management Committee – Commercial Property related	
• Bourne Car Park sale – compensation received	(68)
• Addlestone One Flats – costs of selling to be capitalised in 2017/18 to offset capital receipt (assuming External Audit approval)	160
• Ashdene and Marshall Place – preliminary costs of schemes to be capitalised in 2017/18 (assuming schemes progress and External Audit approval)	113
• Rental income – variation in current portfolio including target income of £120k	169
• New rental income to cover target above – various properties	(1,178)
Sub Total – Commercial Property	**(804)**
Forecast Net Expenditure on Services	**11,233**

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).

Table 2 above shows that net expenditure on services is forecast to be £11.233m, an increase of £0.118m on the original budget as seen at Annex 1, however as can be seen from the table, the inclusion of additional investment property income is masking general growth in expenditure, some of which will continue into 2017/18, which has not been factored into the MTFS approved by Members in February 2016. Excluding property the net expenditure on services has increased by £922.000 of which £345,000 relates to one off expenditure that will not occur again in the future. In addition to this, some of the additional costs being incurred are necessary to alleviate additional costs in future years, or are the first steps towards greater income generation. This will be highlighted in the revised MTFS to be presented to the Council in the New Year.

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. In Council tax two officers have agreed to take voluntary redundancy as part of the resources restructure. Although they will not leave the Councils employment until 2017/18, their costs are known and accounting regulations require us to account for the costs in this financial year

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 underspent by £17,000. It is assumed in Table 2 above that the salaries will be in balance 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 Services	492	245	242	(3)
Law & Governance	771	396	404	8
Resources	2,691	1,344	1,346	2
Planning & Environmental	2,720	1,351	1,285	(66)
Housing & Community Development	2,851	1,418	1,463	45
Employers costs	-	-	-	(3)
Total	**9,524**	**4,754**	**4,740**	**(17)**

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 a more general savings target of £300,000 (£600,000 in a full year from 2017/18). CLT have identified savings intended to meet these targets, some of which will be more difficult to generate than others, 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**

Due to the sensitivity of some of the identified savings, additional investment properties have been purchased in the year to help produce immediate savings whilst the CLT list is developed more fully.

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	100	75
Cemetery income	177	72	135
Community meals	164	73	77
Trade waste income	450	371	391
Off street parking ticket income	458	245	235
Planning fees	700	350	397
Local land charge search fees	251	128	128
TOTALS	**2,369**	**1,319**	**1,438**

Major concerns for the Corporate Head of Resources

2.8 Members have been alerted to the fact that business contributions to the Yellow Bus Scheme have been diminishing as have Section 106 contributions. Members decided to continue with the service in the knowledge that there were additional Section 106 contributions forthcoming over the next 3-4 years. As yet, only £40,000 of contributions are available. This is causing pressure on the General Fund. The latest forecast for receipt of S 106 contributions is:

Table 6

Anticipated receipt date	S106 Contribution anticipated	Source
Q2 17/18	£83,715	RU.11/0207 Former Brunel Campus – payment due Prior to Occupation of first Open Market Unit
Q3 17/18	£69,985	RU.14/0435 Addlestone ONE – payment due Prior to Occupation of last dwelling of Phase 1
Q3 17/18	£48,930	RU.13/0770 Aviator Park – payment due Prior to occupation of 100th Dwelling
Q4 17/18	£65,000	RU.15/0934 Thorpe Park Hotel – payment due before Practical completion of Phase 1

Q1 18/19	£150,000	RU.13/0856 DERA North – payment due Prior to Occupation of 25,000 sqm B1 Floorspace
Q2 18/19	£100,000	RU.15/0934 Thorpe Park Hotel – payment due before Opening to the public of Phase 1
Q3 18/19	£53,675	RU.14/0435 Addlestone ONE – payment due Prior to Occupation of last dwelling of Phase 2
Q1 19/20	£48,930	RU.13/0770 Aviator Park – payment due Prior to occupation of final dwelling

2.9 However, there can be no certainty over the receipt of some or all of these monies. Therefore the Yellow Bus Scheme will continue to be a drain on General Fund resources if Members decide to continue to operate the scheme through to the review date of 2019/20.

2.10 Another area of significant expenditure where the Corporate Head of Resources believes the budget forecasting may be showing a significant understatement of expenditure is the Vehicle Maintenance budget. Since 2013 the direct cost of recycling, green waste, trade waste, refuse collection and street cleansing has increased by more than inflation each year. One of the major concerns is the escalating cost of vehicle maintenance. A challenging savings target against the costs of maintenance has been set for the DSO. With changes in economic conditions forcing up the price of fuel, this problem may get worse and the savings target is currently not being met with a current £35,000 overspend on this budget at the end of September. The Corporate Head of Planning and Environmental Services is confident that the overspend will not exceed £80,000 at the end of the year, and this has been factored into Table 2 accordingly.

2.11 A further issue of concern relates to the uncertainty regarding New Homes Bonus (NHB) payments. The Government has consulted on the NHB reward grant and while the Council's tax base has, and will increase, with 275 units identified in the September base data by Government no new NHB has been anticipated in the MTFS. The awaited consultation includes potential reductions in NHB payments through a reduction in the legacy payment periods from six years to four, or potentially even to two. Further reductions are also likely associated with the introduction of a 'deadweight' estimate to new home numbers. The anticipated delay in the Local Plan is also one of the NHB areas of uncertainty with a risk of no additional payments while a plan remains unpublished, which could account for as much as £350k in 2017/18. Dependent on the outcome of the consultation which contains a range of methods for reducing the payment by central government and the method of calculation the assumed £1.580 million could be a risk.

2.12 The delay in the Local Plan is associated with the need to examine consultations and late submissions which could have a profound impact on the Local Plan, as well as a consideration for the Government's current intention to publish a National Planning Policy Statement on Aviation. The need to examine these consultations has resulted in the requirement for some additional consultancy, the costs of which have been factored into Table 2 above. The Government's imposed deadline was always ambitious and the Local Plan is expected to be ready for submission between November and Christmas 2017.

2.13 A final pressure results from the Resources restructure. On the 1st April 2016 the Customer Services section was transferred to the Resources division. A full report on the progress made towards achieving the efficiency savings and service improvements is in production for the December meeting, following a staff assessment centre to appoint staff in November. However the timescale for reducing the base budget will take longer and the set up costs will not be fully known until April 2017. One reason is that on reviewing the operational needs of the "back office" a number of posts have been transferred from Customer Services to two other Corporate Heads. This does reduce the capacity for savings in the short term, following the assessment centre and the appointment of a new Head of Customer Services, Revenues and Benefits the project plan will be updated.

Mitigating actions taken to date

2.14 Officers will shortly be reporting a revised Property Investment Strategy to Members geared to generating more investment income. Officers will also shortly present a review of the Commercial Services division with a view of generating savings of approximately £160,000. The Chief Executive has also identified savings of £30,000 in the Corporate budget in the current year.

2.15 In addition to the above measures, in order to reduce the size of the current overspend before the end of the year, the Corporate Leadership Team are actively:

a) Monitoring and reviewing all areas of income generation and actively seeking out new income generating opportunities
b) Only agreeing additional costs on an “invest to save” or “invest to generate more income” basis
c) Curtailing expenditure wherever possible and reviewing all expenditure budgets with middle managers
d) Considering a recruitment freeze until the end of the financial year
e) Preparing a series of service reviews which will be reported back to the appropriate Council Committee

Treasury and Financing

2.16 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, base rate fell to 0.25% and is anticipated to reduce further in the coming months. The Council’s treasury management advisors have said we should now plan for investment income of no more than 0.25% in the current year.

2.17 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.

2.18 A full report on all treasury activity during the first six months of the year is set out elsewhere on this agenda. Significant reductions in the General Fund working balance will further reduce the investment income the Council enjoys.

Government Grants

2.19 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 in the current year for unused grant recycled to authorities.

Business Rates and Council Tax Collection

2.20 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 3 October) were as follows:

Table 10 – Collection rates		
	Council Tax £'000	**Business Rates £'000**
Collectable debit for the year	54.588	46,923
Cash received for period	36,636	29,406
% of cash received to date – Target	67.11%	62.67%
% of cash received to date – Actual	67.11%	62.67%
% of cash received for the year – Target	99.00%	99.00%
% of collectable debit written off	0.00%	0.00%

2.21 Surrey Councils have formed a business rates pool with the London Borough of Croydon. The system of paying "levies" to government for resources to be distributed nationally is complex. But Surrey County Council and LB Croydon receive "top ups" from the national pool. If a "tariff" council joins the pool, and all of the districts and boroughs in Surrey are Tariff councils, then the pool pays no additional tariffs to government, the business rates pool receives additional income which is shared between pool members.

2.22 Each year the Surrey Treasurers and the LB Croydon Chief Finance Officer recalculate the various combinations of pool membership to gain the maximum advantage on business rates we can retain. Due to the revaluation exercise Runnymede being in the pool in 2017/18 would increase the tariff paid by the pool by around 11% as it would exceed the "top up" needed by Surrey CC and LB Croydon so we will not be in the pool next year. For the first two years of the scheme Runnymede BC was not in the pool, but did join in 2016/17 to give an additional £300k of income to the Generals Fund this financial year.

2.23 The deadline for submissions to dissolve a pool and create a new pool for 2017/18 was in October 2016. Surrey Treasurers and LB Croydon met on 21 October and the make-up of the new pool is as follows:

Surrey Business Rates Pool		
	2016/17	2017/18
Top up Councils	Surrey CC	Surrey CC
	LB Croydon	LB Croydon
Tariff Councils		
	Guildford	Guildford
	Runnymede	
	Spelthorne	Spelthorne
	Waverley	
	Woking	
		Elmbridge
		Mole Valley
		Surrey Heath

3 Housing Revenue Account (HRA)

3.1 The detailed Housing Revenue Account budget for 2016/17 was approved by Housing Committee 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 £4.437m an increase of £0.756m. The more significant variances are listed in table 11 below:

Table 11 – 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
• ASBO post – Trial 12 month extension of hours, approved at the September 2016 Housing Committee.	8
Major Works	
• Slippage in the proposed development of new Council housing on former garage sites. (Costs now deferred to 2017/18)	(860)
Projected (surplus) / Deficit in the year:	**(4,437)**

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 6 materialise at the year end, this will increase the HRA balance from the opening balance of £14.089m to £18.526m at 31 March 2017. However it should be noted that the likely costs in 2017/18 will increase by around £0.86m as a consequence of the deferral of the provision of new houses, as detailed in table 6.

4 Capital Expenditure and Receipts

Capital expenditure

4.1 The detailed Capital budget for 2016/17 was approved in February 2016. 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. Exempt Appendix '4' (circulated separately) summarises the current capital programme to the end of September 2016 updated for predicted movements in payment profiles and forecast under/overspends on the schemes as a whole.

Capital receipts

4.2 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

4.3 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 £10,488m will be generated.

4.4 Table 12 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 Exempt Appendix '4':

Table 12 – 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	1,796	7,942	**10,488**
Use of Receipts in year	0	(909)	(7,942)	**(8,851)**
Projected Receipts at 31 March 2017	**2,472**	**3,107**	**0**	**5,579**

4.5 Section 2 of this report highlights the concerns on the revenue budget overspending. Short life assets have been funded from capital receipts for a number of years. The aspiration has been to fund these assets from revenue as the Council's property portfolio expanded and the cost pressures are brought under control. In the table above the General Fund capital receipts where to be used to reduce borrowing costs and improve the Councils financial position.

4.6 The Corporate Head of Resources feels this strategy is too high a risk for the next two financial years as the scope for using revenue resources to fund short life assets will increase spending in the revenue account. For that reason Members will be asked in the next version of the Capital Strategy and MTFS, to increase borrowing by £7.9 million and to retain capital receipts to fund the acquisition of plant and equipment through to 2020.

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 of £885,000 to over £2.2 million based on information at 30 September 2016. Of this sum

£442,000 relates to feasibility schemes / preliminary works on capital schemes that will be recovered in future years.

6.2 Also included in this increase is lost investment income of £155,000. A full report on all treasury activity during the first six months of the year is set out elsewhere on this agenda.

6.3 Officers are still preparing the detailed budget and Council Committees will be considering the fees and charges to be used from January 2017 or later. This will fill in some of the gaps in the detailed budget. However there is likely to be significant changes to the tone of the MTFS to deal with the difficulties highlighted above.

7 Actions being taken to reduce the current overspend

7.1 In order to address the cost pressures currently being faced as set out in this report the Corporate Leadership Team are taking the following actions:

1. Senior managers to concentrate spending on front line services and delay expenditure where possible – this tactic was implemented part way through 2012/13 – the original budget set showed a call on the General Fund working balance of £999k. The outturn showed a contribution to the balance of £279k. The Council's own "austerity programme". Officers will be looking for one off savings to reduce the over spends listed above and to curtail unnecessary expenditure

2. Growth will be constrained, as far as possible, to "invest to save".

3. Potentially a recruitment freeze for the next four months with any recruitment needing the specific approval of the Chief Executive.

4. Retain capital receipts at their maximum level at the expense of increased borrowing to fund short life assets in the future or Capital schemes where prudential borrowing would not be appropriate.

5. Members note the risks to future Government funding which will not become clear until December 2016. The main risks are the sums we retain from business rates and any significant reduction in the New Homes Bonus grant. "Negative" Revenue Support grant has not been ruled out by Government. Officers have submitted the Councils "Efficiency Plan" to 2020 and have received no comment of challenge from Government.

6. Runnymede will not be in the pool for 2017/18, adding a cost pressure of a further £300k in 2017/18 and potentially future years. However final budgets for the business rates retained will not be available until the detail behind the Autumn Statement from the Chancellor of the Exchequer is available.

7. A further risk to the budget in 2017/18 onwards was anticipated to be the pension fund. It has been widely reported that a number of pension funds are experiencing increased deficits due to lower than expected returns on investments. Early indications from the fund actuaries have confirmed that no additional contributions will be required from the Council in 2017/18 and that the employer's contribution rate will remain unchanged.

8. Undertake some strategic service reviews which will be reported back to the appropriate Committee (the review list is currently being prepared).

9. Examine more areas for income generation.

10 Offer Value for Money on existing contracts to maintain income and seek out new contracts.

11 The Corporate Investment Strategy is yielding results. That programme can be expanded to enhance our commercial income stream with further reports coming to the December meeting.

12 A review of Commercial Services will be presented to Members in December with a recommendation to save £160k in a full year.

13 All Corporate Heads departmental management team meetings, starting in December 2016 will have an accountant present to discuss and finalise the budget monitoring submissions from Corporate Heads. This will make the budget monitoring systems more robust.

14 The number of SO42 / Supplementary Revenue Requests will be reserved for severe cost pressures affecting front line service provision.

7.2 One of the reasons for the last two actions is driven by the appointed auditor’s statements in the latest Annual Audit letter 2015/16. Two quotes are included below for Members’ information.

“The Authority is operating in a challenging financial environment. It is important that financial monitoring and forecasting processes are robust. This enables effective decision making and sustainable resource deployment. In response we reviewed the Authority’s process for monitoring financial outturn against budget; and the process for preparing the Medium Term Financial Strategy. Our procedures did not identify any issues to report.”

And

“Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. This year we reviewed the Annual Governance Statement and Narrative Report. We concluded that they were consistent with our understanding and did not identify any issues.”

(For information)

Background Papers - None stated