

**FINANCIAL POLICY PANEL
1 DECEMBER 2015**

FINANCE UPDATE REPORT

<u>Report of the:</u>	Director of Finance & Resources
<u>Contact:</u>	Lee Duffy
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
<u>Annexes/Appendices</u> (attached):	Annexe 1 – Venues Service Review Terms of Reference
<u>Other available papers</u> (not attached):	Quarter 2 Revenue and Capital monitoring reports circulated separately to members

REPORT SUMMARY

This report asks the Panel to note the forecast financial position on revenue and capital for 2015/16 as at the end of Quarter 2 and provide comments on the work being carried out to address the deficit forecast over the next 4 financial years.

RECOMMENDATION (S)

- (1) That the Panel notes the Council’s 2015/16 second Quarter’s forecast financial position for revenue and capital and provides any further comments.**
- (2) That the Panel provides any comments on the workstreams being undertaken to deliver the savings required to address the forecast budget deficit for 2016/17 to 2019/20.**
- (3) That the Panel notes the terms of reference set out in Annexe 1 with any subsequent amendments to be authorised by the Director of Finance and Resources.**

Notes

1 Implications for the Council’s Key Priorities, Service Plans and Sustainable Community Strategy

- 1.1 The Medium Term Financial Strategy aims to maintain the financial health of the Council whilst delivering the priorities in the Corporate Plan.
- 1.2 The Service Plan for the Corporate Priority “Managing Resources” includes service targets designed to maintain a balanced budget.

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2 Background

- 2.1 Councillors have received financial performance updates every quarter for both revenue and capital, inviting members to query any information contained within the reports.
- 2.2 The aim of this report is to summarise the current positions for both capital and revenue as circulated in detailed reports to Councillors the week commencing 23 November 2015.
- 2.3 Provide an update on the work being carried out on producing the 2016/17 budget and the new 'Medium Term Financial Strategy'.

3 2015/16 Revenue Budget Monitoring

- 3.1 The net revenue budget for 2015/16 is £7,873,000 with a contribution from general fund reserves of £229,000.
- 3.2 The forecast revenue position at the end of the second quarter is £8,285,000, an over spend of £412,000 against budget. This would result in a contribution from general fund reserves of £641,000.
- 3.3 The projected overspend would require a contribution from the General Fund which would take the remaining balance close to the £2,500,000 minimum threshold under the Council's Medium Term Financial Strategy.
- 3.4 A summary of the forecast outturn position by committee is shown below:

	Current Approved Budget £'000	Forecast £'000	Variance £'000
Strategy and Resources	2,370	1,953	(417)
Asset Rent Landlord Account	(2,376)	(2,736)	0
Environment	2,447	2,765	318
Social	2,395	2,833	438
Leisure	3,397	3,470	73
Total Net Requirement	7,873	8,285	412
Contribution to (from) General Fund Reserve	(229)	(641)	(412)
Total Budget Requirement	7,644	7,644	0

- 3.5 The main reasons for this variance are as follows:

- 3.5.1 **Homelessness (£504,000 adverse)** – The budget for this year was set at on basis of accommodating on average 50 households, the

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figures as at 30 September had this close to 60 households and during the year had been as high as 90 households. Another contributing factor is the increasing cost of housing each household in B&B this has risen from £390 to £525 per week.

3.5.2 **Salaries (£175,000 favourable)** –as a result of savings produced from the DMA a **review**

3.5.3 **General Expenses (£163,000 favourable)** – General contingency (£200k) has been committed to offset additional costs on homelessness, the provision for savings on utilities of £35,000 has been removed

3.5.4 **Parking (£156,000 adverse)** – The variance relates to a downturn in PCN tickets being issued for the On Street and Off Street accounts. The On Street account has had a 25% drop from the beginning of the year to Q2. This forecast also recognises the introduction of barrier control parking in Town Hall and Hope Lodge

3.5.5 **Refuse Collection (£123,000 adverse)** – This variance is due a significant downward movement in the income we receive per tonne of paper as a result in a drop in the market price for these materials

3.5.6 **Planning (£104,000 adverse)** – The budget for this year anticipated a number of fees from larger planning applications, it appears unlikely that these are all going to materialise this year and the forecast reflect the reduction in the number of large applications

3.6 The projected use of use of general fund reserves will reduce the balance on this reserve from £3,333,000 down to £2,692,000 as at end of this financial year.

4 Mitigating Action being taken

4.1 A number of actions are being implemented to address the projected deficit of £412k, an email from Director of Finance & Resources was sent on 11 November to the Leadership Team highlighting the restrictions being put in place for the remainder of this financial year. These are;

4.1.1 A freeze on recruitment

4.1.2 A capping on overtime

4.1.3 No further agency/consultants to be employed

4.1.4 A review of unspent “discretionary spend” budgets (i.e. budgets which are not deemed as essential spend)

4.1.5 The Finance Team to review monies that are currently being “held” outside the general fund and if any can be released to help reduce the projected overspend

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- 4.2 In addition, individual savings targets have been assigned to Service Managers to find the required cost reductions needed to remain within budget by year end.

5 2015/16 Capital Budget Monitoring

- 5.1 The forecast capital expenditure of £3,502,000 for 2015/16 is £2,033,000 less than the current approved budget; this represents 37% of the approved budget (comparing brought forward schemes and schemes approved for this year).

- 5.2 The following projects account for a significant proportion of the amount likely to be underspent, these are:

5.2.1 **Demolition of 1-3 Blenheim Road (£163k)** – Currently investigating alternatives to bring flats back into operation for temporary homeless housing.

5.2.2 **Horton Chapel (£490k)** – Project not proceeding as previously planned due to lack of current partner.

5.2.3 **IT (£233k)** – likely slippage of schemes within the capital programme into 2016/17

5.2.4 **Lower Mill Weir Repairs (£100k)** - Funds will likely need to be carried over till 2016/17 as work should be carried out in summer months when water levels are lower.

5.2.5 **Affordable Housing (£344k)** – funding to be carried forward into 2016/17 for financing of future projects.

5.2.6 **Plan E (£164k)** – EEBC's share of funding for this project now expected to be made in 2016/17.

- 5.3 To the end of September 2015 the Council had spent 19% (£1,054k) of the approved Capital Programme.

Committee	Original Budget	Total Current Approved Schemes	Predicted Expenditure at Year End	Variance
	£'000	£'000	£'000	£'000
Strategy Resources	490	1,141	598	(543)
Environment	2,799	635	232	(403)
Social	801	875	514	(361)
Leisure	210	2,389	2,154	(235)
Hospital Cluster	0	495	4	(491)
Net Total	4,400	5,535	3,502	(2,033)

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Capital Receipts

- 5.4 We have received a single capital receipt this year from the sale of Downs House.

	£'000
Housing Receipts 2015/16	0
Receipts from Disposals	989
Total New Capital Receipts	989

Capital Reserves

- 5.5 The expected balance of capital reserves, grants and contributions unapplied as at 31 March 2016 is as follows:-

Reserves	2015/16 Opening Balance £'000	2015/16 Forecast Use of Funds £'000	2015/16 Forecast Receipts £'000	2013/14 Forecast £'000
General Fund Capital Reserves	3,499	(1,089)	989	3,399
Hospital Cluster Capital Reserves	584	(4)	0	580
Capital Contributions including S106 *	2,839	(756)	1,274	3,357
Total	6,922	(1,849)	2,263	8,813

** Balance reflects monies invoiced rather than cash received*

6 2016/17 Budget Update

- 6.1 A report was presented to this Panel in September highlighting the overall financial position of the Council's revenue budget of the next four years. This showed that the Council will need to find £2.5 million of savings in this period to be able to maintain a sustainable level of services.
- 6.2 To address projected future year deficits, a number of workstreams were agreed by Members. These included:-
- 6.2.1 A base review, this entails reviewing the year end position for 2014/15, identifying any potential savings, additional cost pressures and areas where savings can be developed. These will be used to update the four year financial plan.

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- 6.2.2 A 'Star Chamber' exercise where Service Heads will present options for their services on how savings to the Council can be generated over the next four years.
- 6.2.3 A number of Service Reviews phased over the next four years.
- 6.2.4 'Doing Business Better' reviews to be undertaken over the next four years for services with the aim of increasing efficiency, effectiveness and cost.
- 6.2.5 Property Related Review – to realise cost reduction of Council operational buildings, increase income from investment properties and generate new receipts from surplus buildings/land.
- 6.2.6 Income Generation Review – to include analysis of charging powers and service utilisation and identify options for income generation.
- 6.3 Whilst there still remains a projected deficit in future years, significant progress has been made in reducing the deficit. Progress against each workstream is outlined below:
- 6.3.1 Base Review – Savings of £40,000 have been identified and incorporated within the MTFS to assist with reducing the projected deficit.
- 6.3.2 Star Chambers - Meetings took place with all service areas in September and identified savings/additional income. These savings proposals have subsequently been reported to Members during October/November 2015 within the Budget Target reports for each Policy Committee. Further opportunities to make savings/generate income have also been identified and officers will continue to work on these proposals for future member consideration.
- 6.3.3 Service Reviews – The progress of the four service reviews are shown below:

Review	Reviewer	Status
Route Call	Scrutiny Committee	Completed
Social Centres	Scrutiny Committee	Completed
Highway Verges	Head of Operations	Included within star chamber savings proposals – Further report to Members following conclusion of the SCC Highway Verge and Tree Maintenance Tender.
Tree Contract	Head of Place Development	Delayed – Report to Policy Committee in Dec/Jan following conclusion of the SCC Highway Verge and Tree Maintenance Tender.

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- 6.4 Members of the Panel were keen to see the Venues Review originally scheduled for 2016/17 to be undertaken as soon as possible after the conclusion of the Social Centres Review. Following discussions with the Chairman and Vice Chairman of Audit and Scrutiny Committee, it is proposed to commence the review in February 2016. The proposed terms of reference for the review are included within Annexe 1.
- 6.5 Doing Business Better – The pilot for streamlining our processes and maximising the use of IT is currently underway within Homelessness.
- 6.6 Property Related Reviews and Income Generating Proposals – Proposals to create a Property Acquisition Fund will be considered by Members in January 2016. The aim of this fund will be to enable the Council to purchase accommodation within the Borough which can be used as temporary accommodation.

7 Proposals

- 7.1 It is requested that the Panel gives any comments on the second quarters budget monitoring for 2015/16.
- 7.2 That the Panel provides any comments on the workstreams being undertaken to deliver the savings required to address the forecast budget deficit for 2016/17 to 2019/20.
- 7.3 That the terms of reference set out in Annexe 1 with any subsequent amendments be authorised by the Director of Finance and Resources.

8 Financial and Manpower Implications

- 8.1 The forecast financial position for 2015/16 is set out in this report.

9 Risk Assessment and Conclusions

- 9.1 The overall forecast position on revenue for 2015/16 is excess of budget by £412,000.
- 9.2 Measures have been put in place to reduce the deficit to bring the overall net spend of the Council within budget by the end of the financial year.
- 9.3 The main risks within revenue are that (a) the cost of temporary accommodation increases, or (b) income may not attain the levels built into the current forecast.
- 9.4 A significant element of the capital program is expected to slip into 2016/17.
- 9.5 That workstreams are unable to deliver the savings required to deliver a balanced budget.

WARD(S) AFFECTED: N/A