

# Resources Overview and Scrutiny Panel

Agenda  
Item:  
**A.5**

Meeting Date: 20<sup>th</sup> October 2016  
Portfolio: Finance, Governance and Resources  
Key Decision: No  
Within Policy and Budget Framework YES  
Public / Private Public

Title: REVENUE BUDGET OVERVIEW & MONITORING REPORT:  
APRIL TO JUNE 2016  
Report of: CHIEF FINANCE OFFICER  
Report Number: RD.19/16

## Purpose / Summary:

This report provides an overview of the General Fund revenue budgetary position for the period April to June 2016 and was considered by the Executive on 30 August 2016.

## Questions for / input required from Scrutiny:

Members are asked to note the variances contained within this report.

## Recommendations:

Members of the Resources Overview and Scrutiny Panel are asked to note the overall budgetary position for the period April to June 2016.

## Tracking

|                        |                                     |
|------------------------|-------------------------------------|
| Executive:             | <b>30<sup>th</sup> August 2016</b>  |
| Overview and Scrutiny: | <b>20<sup>th</sup> October 2016</b> |
| Council:               | <b>8<sup>th</sup> November 2016</b> |

# Report to Executive

Agenda  
Item:

Meeting Date: 30<sup>th</sup> August 2016  
Portfolio: Finance, Governance and Resources  
Key Decision: No  
Within Policy and Budget Framework YES  
Public / Private Public

Title: REVENUE BUDGET OVERVIEW & MONITORING REPORT:  
APRIL TO JUNE 2016  
Report of: DIRECTOR OF RESOURCES  
Report Number: RD 19/16

**Purpose / Summary:** This report provides an overview of the Council's overall budgetary position for the period April to June 2016 for revenue schemes only. The revenue report includes details of balance sheet management issues, high-risk budgets and performance management.

## Recommendations:

The Executive is asked to:

- (i) Note the budgetary performance position of the Council to June 2016;
- (ii) Note the action by the Director of Resources to write-off bad debts as detailed in paragraph 6;
- (iii) Consider the proposed virement of £196,000, as set out in paragraph 3.3, in respect of increased Insurance premiums, for recommendation to Council.

## Tracking

|                        |                                |
|------------------------|--------------------------------|
| Executive:             | 30 <sup>th</sup> August 2016   |
| Overview and Scrutiny: | 8 <sup>th</sup> September 2016 |
| Council:               | 8 <sup>th</sup> November 2016  |

## 1. BACKGROUND INFORMATION AND OPTIONS

- 1.1 In accordance with the City Council's Financial Procedure Rules, the Director of Resources is required to report to the Executive on the overall budget position, the monitoring and control of expenditure against budget allocations and the exercise of virement on a regular basis. Further details of virements processed can be found in **Appendix A**. It is the responsibility of individual Directors to control income and expenditure within their service areas and to monitor performance, taking account of financial information provided by the Director of Resources.
- 1.2 All Managers currently receive a monthly budget monitoring report covering their areas of responsibility. Information is collated from the main accounting system and then adjusted to correct any known budget profiling trends, timing differences and commitments. The report has been developed in line with the need to provide sound financial management information to inform the decision making process.
- 1.3 Please note that throughout this report:
- (i) the use of a bracket represents a favourable position i.e. either an underspend or additional income received,
  - (ii) the term 'underspend' is taken to include both reduced expenditure and/or increased income,
  - (iii) the term 'overspend' includes both spending above budget and/or reduced income levels.

## 2. REVENUE BUDGET OVERVIEW

- 2.1 The following statement shows the total annual revenue budget as at June 2016:

| 2016/17 Revenue Budget  | £                 |
|---|-------------------|
| Approved Budget (Council resolution – February 2016)          | 13,091,300        |
| Carry forward requests (2015/16 out-turn)                     | 528,000           |
| <b>Council Resolution 2016/17</b>                             | <b>13,619,300</b> |
| Non-Recurring Transfers to/(From) Reserves:                   |                   |
| IT Renewals Reserve (Enterprise Licences)                     | 48,000            |
| Leisure Reserve   | 6,800             |
| Economic Investment Reserve (Project Officer)                 | 7,700             |
| Cremator Replacement Reserve (Environmental Surcharge Income) | (21,300)          |
| Energy Efficiency Advice Reserve                              | 42,000            |
| <b>Updated Budget 2016/17</b>                                 | <b>13,702,500</b> |

- 2.2 Carry Forward requests relating to 2015/16 totalling £528,000 were approved by Council on 19<sup>th</sup> July 2016.

### 3. 2016/17 BUDGET MONITORING

- 3.1 The summarised budgetary position as at June 2016 is shown below:

| Directorate / Appendix                 |    | Annual Net Budget | Net Budget to date | Net Spend to date | Adjusted Variance |
|--|----|-------------------|--------------------|-------------------|-------------------|
|  |    | (£)               | (£)                | (£)               | (£)               |
| Chief Executive's Team                 | B1 | 544,100           | 84,854             | 74,840            | (10,014)          |
| Deputy Chief Executive's Team          | B2 | 3,801,300         | 1,077,698          | 1,059,927         | (17,771)          |
| Economic Development                   | B3 | 1,912,500         | 392,648            | 473,964           | 81,316            |
| Governance                             | B4 | (1,708,400)       | (485,398)          | (473,958)         | 11,440            |
| Local Environment                      | B5 | 5,925,300         | 988,753            | 823,758           | (164,995)         |
| Resources                              | B6 | 1,752,600         | 917,766            | 1,049,780         | 132,014           |
| Corporate <sup>(1)</sup>               | B7 | 1,475,100         | 19,021             | (281,566)         | (300,587)         |
| <b>Sub Total</b>                       |    | <b>13,702,500</b> | <b>2,995,342</b>   | <b>2,726,745</b>  | <b>(268,597)</b>  |
| Flood Expenditure (net) <sup>(2)</sup> | B8 | 0                 | 0                  | 212,245           | 212,245           |
| <b>Total</b>                           |    | <b>13,702,500</b> | <b>2,995,342</b>   | <b>2,938,990</b>  | <b>(56,352)</b>   |

Note 1: Corporate underspends include Salary Turnover Savings, Budget Savings, Inflation Savings, Direct Revenue Financing, Non-Distributed (Pension) costs and corporate management costs (which include bank and audit charges).

Note 2: Net Flooding expenditure relates to costs incurred as a result of the flood, some of which will be able to be claimed back through insurance claims. Non-insured costs will be funded from the £500,000 flood reserve unless the expenditure can be funded from underspends on base budgets.

- 3.2 Further details for each directorate can be found in **Appendices B1 – B8**. Each appendix shows a breakdown of the variance for the Directorate, with comments and a note of any performance issues.

- 3.3 The main income and expenditure variances are summarised below:

#### Under achieved Income

- Shortfall on income of £95,500 at John Street Hostel due to closure from flood damage. Discussions are ongoing with the Council's insurance provider to agree the level of income that can be recovered as part of our insurance claim.
- Shortfall on income of £45,000 from Civic Centre rentals and services charge income due to the accommodation being vacated early as a result of flood

damage. The full year impact will be dealt with as a budget pressure as part of the 2017/18 budget process.

- Underachieved car park ticket income of £33,800 (this is offset by items below).

#### Over achieved Income/Grants & Contributions

- Improved levels of income from property rent reviews of £141,200. These are in advance of the £1m additional income from the Council's assets to be achieved from 2018/19 onwards.
- Improved levels of income from Lanes of £40,500 (subject to finalisation and agreement of the Head Rent Projections for 2015/16)
- Improved levels of income from a further backdated rent review of an Industrial Estate of £68,100 (this is non-recurring).
- Improved Crematorium income of £21,900.
- Improved income levels from Garden Waste of £36,400.
- Improved levels of income from Off Street PCN income of £14,800 and Off Street Contract income of £20,200.

#### Under budget Expenditure

- Underspend on Councillors' small scale community schemes of £11,500.
- Underspend on Minimum Revenue Provision of £156,700 due to a lower CFR at 31<sup>st</sup> March 2016.
- Net underspend position of £55,900 on Revenues and Benefits.
- Additional salary turnover saving achieved of £49,550.
- Savings on inflation of £253,900 from previous years provisions.

#### Over budget Expenditure

- Overspend of £204,200 on Municipal Election expenditure. Income is expected from Central Government to cover the majority of the expenditure and budgets will be updated once the amounts to be received are known.
- Overspend of £91,400 in relation to NNDR payments for properties earmarked for demolition. The demolition has been delayed due to the December 2015 flood.
- Overspend on Off Street Car Parking and Other Parking Contracts mainly due to higher than budgeted levels of NNDR.
- Overspend of £152,200 in relation to the implementation of DIS Digital Strategy. The Executive have approved the release of funds from the repair and renewals reserve to fund these costs, the split of funding between revenue and capital is being updated before being reported.

- Overspend of £195,800 on insurance renewals due to increased premiums as a result of the December 2015 flood.

**Members of the Executive are asked to consider, and recommend to Council, a proposed recurring virement of £196,000 to fund the increased Insurance Premiums which have been incurred as a result of the December 2015 flood. This can be funded from the budget provision earmarked for inflation which is no longer required.**

- 3.4 A subjective analysis of the summarised budgetary position as at June 2016 is shown below:

| Subjective Analysis                   | Annual Budget       | Budget to date      | Actual to date      | Adjusted Variance |
|---------------------------------------|---------------------|---------------------|---------------------|-------------------|
|                                       | (£)                 | (£)                 | (£)                 | (£)               |
| Employee Related                      | 14,808,100          | 3,946,532           | 3,847,840           | (98,692)          |
| Premises Related                      | 3,429,800           | 1,338,510           | 1,669,587           | 331,077           |
| Transport Related                     | 1,302,100           | 320,575             | 323,463             | 2,888             |
| Supplies and Services                 | 5,070,000           | 1,940,919           | 2,282,625           | 341,706           |
| Third Party Payments                  | 2,806,400           | 708,810             | 898,454             | 189,644           |
| Other e.g. Housing Benefits           | 31,008,200          | 7,151,233           | 7,029,154           | (122,079)         |
| <b>Total Expenditure</b>              | <b>58,424,600</b>   | <b>15,406,579</b>   | <b>16,051,123</b>   | <b>644,544</b>    |
| Grants and Contributions              | (4,554,100)         | (1,908,997)         | (2,476,544)         | (567,547)         |
| Specific Grants e.g. Housing Benefits | (29,211,000)        | (7,388,963)         | (7,393,543)         | (4,580)           |
| Customer & Client Receipts            | (10,700,800)        | (3,049,275)         | (3,161,391)         | (112,116)         |
| Other Income                          | (256,200)           | (64,002)            | (80,655)            | (16,653)          |
| <b>Total Income</b>                   | <b>(44,722,100)</b> | <b>(12,411,237)</b> | <b>(13,112,133)</b> | <b>(700,896)</b>  |
| <b>Total</b>                          | <b>13,702,500</b>   | <b>2,995,342</b>    | <b>2,938,990</b>    | <b>(56,352)</b>   |

#### 4. FORECAST OUTTURN POSITION 2016/17

- 4.1 The Council's financial position is affected by a number of external factors that have a financial impact during the course of the year and ultimately at the year end. These include:

- The general effect of local economic activity on the Council's income streams e.g. car parking, tourism and leisure activities.
- Fuel prices, energy costs and other inflationary issues.

- The effects of the housing market and property prices, especially with regard to income from land charges, rents and building and development control.

- 4.2 The Council's financial position will continue to be closely monitored and likely year end position will be reported more fully in the Quarter 3 report to the end of December 2016. It will be important to maintain a prudent approach so as to ensure a sustainable budget position for future years to avoid any significant variance at the year end.
- 4.3 Members are also asked to note that a full review of the profiling of budgets continue to be undertaken to allow better year end forecasting to be incorporated into the budget monitoring process and 2017/18 budget process.
- 4.4 The areas of significant variance noted in this report will also be scrutinised fully and incorporated into the 2017/18 budget process if the position is deemed to be recurring.

## 5. BALANCE SHEET MANAGEMENT

- 5.1 In line with CIPFA guidance and good practice, information relating to significant items on the Council's balance sheet is shown below. The information concentrates on those items that may have a material impact on the Council if not reviewed on a regular basis.

| Balance Sheet item | Balance at 31/03/2016 | Balance at Jun 2016 | Note  |
|--------------------|-----------------------|---------------------|-------|
| Investments        | £16.1m                | £25.6m              | (i)   |
| Loans              | £15.0m                | £15.0m              | (ii)  |
| Debtors            | £0.09m                | £1.23m              | (iii) |
| Creditors          | £0.02m                | £0.18m              |       |

- (i) The anticipated return on these investments is estimated at £255,700 for 2016/17 with current forecasts anticipated to be in line with these projections.
- (ii) The cost of managing this debt, in terms of interest payable, is budgeted at £1,319,700 in 2016/17 with costs currently on target.
- (iii) There may be a significant impact on the cash flow of the Council if outstanding debts are not received. Any debts deemed to be irrecoverable are written off against a bad debt provision set up specifically for this purpose. Other significant debts relate to Council Tax, NNDR, and Housing Benefit overpayments.

- (iv) The Council's VAT partial exemption calculation for the period ending June 2016 has been calculated and is well below the 5% limit set by HMRC at 1.85%.

## 6. BAD DEBT WRITE-OFFS

- 6.1 The Director of Resources has delegated authority for the write-off of outstanding debts for NNDR (not available at the time of writing this report), Council Tax and Debtors (including Penalty Charge Notices). In accordance with this, the Executive is asked to note that debts totalling £116,444.48 have been written off during Quarter 1 to the end of June 2016. A summary of bad debts is given in Table 1, **Appendix C** of this report and these costs will fall against the following:

|                               | £          |
|-------------------------------|------------|
| General Fund                  | 74,271.21  |
| Council Tax (Collection Fund) | 42,173.27  |
| NNDR                          | 0.00       |
| Total Write-offs              | 116,444.48 |

- 6.2 The "write-ons" itemised in Table 2, **Appendix C**, totalling £2,944.28, are in respect of balances originally written off that have since been paid, credit write-offs for the Quarter 1 to the end of June 2016. The write-ons will be credited as follows:

|                               | £        |
|-------------------------------|----------|
| General Fund                  | 650.42   |
| Council Tax (Collection Fund) | 2,293.86 |
| NNDR                          | 0.00     |
| Total Write-ons               | 2,944.28 |

- 6.3 In the case of the General Fund, the write-offs will be charged against provisions for bad debts. However VAT, which has been identified separately, will be recouped in future VAT returns. HRA debts and provisions have transferred to the General Fund and any write-off/write-on of Council Tax will fall against the pool provisions within these accounts. Any Council Tax court costs written off will be charged against the Bad Debt Provision within the General Fund.
- 6.4 At this stage of the year, the level of bad debts is broadly in line with expectations and at this level will be within the scope of the current provisions to fund the bad debts. However, this situation is continuously under review and any major deviations will be the subject of future reports.

## **7. CONSULTATION**

### **7.1 Consultation to date.**

SMT and JMT have considered the issues raised in this report.

### **7.2 Consultation Proposed**

Resources Overview and Scrutiny Panel will consider the report on 8<sup>th</sup> September 2016.

## **8. CONCLUSION AND REASONS FOR RECOMMENDATIONS**

### **8.1 The Executive is asked to:**

- (i) Note the budgetary performance position of the Council to June 2016;
- (ii) Note the action by the Director of Resources to write-off bad debts as detailed in paragraph 6;
- (iii) Consider the proposed virement of £196,000, as set out in paragraph 3.3, in respect of increased Insurance premiums, for recommendation to Council.

## **9. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES**

### **9.1 The Council's revenue budget is set in accordance with the priorities of the Carlisle Plan and the position for the first quarter of 2016/17 shows the delivery of these priorities within budget.**

**Contact Officer: Emma Gillespie**

**Ext: 7289**

**Appendices A, B1 to B8, C.  
attached to report:**

**Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:**

- **None**

**CORPORATE IMPLICATIONS/RISKS:** SMT and JMT have been involved in the preparation of this report. Risks to budgets and development of ongoing impact of issues identified are monitored carefully and appropriate action taken.

**Chief Executive's – N/A**

**Deputy Chief Executive's – N/A**

**Economic Development – N/A**

**Governance** – The Council has a fiduciary duty to manage its finances properly and the proper reporting of budget monitoring is part of this process.

**Local Environment** – N/A

**Resources** – Financial implications are contained within the main body of the report.

## REVENUE BUDGET MONITORING 2016/17

## VIREMENTS PROCESSED FOR PERIOD APRIL TO JUNE 2016

| Date  | Virement Details   | Permanent/<br>Temporary | Value            | Authorised By                    |
|---|--|-------------------------|------------------|----------------------------------|
| <b>Requested by Officers (under £35,000)</b>      |  |                         |                  |                                  |
| 25/09/2015  | Extension of existing Project Manager's post funded from Economic Investment Reserve   | Temporary               | 7,700            | OD 128/15 Chief Executive        |
| 21/12/2015  | Appointment of Leisure Contract Retender Advisor (up to £125,000)                      | Temporary               | 6,800            | OD 184/15 Deputy Chief Executive |
| 04/05/2016  | Provision of budget from Revenues and Benefits for temporary post in Customer Services | Temporary               | 10,100           | OSA 10/16 Director of Resources  |
| <b>Approved by Executive (£35,000 to £70,000)</b> |  |                         |                  |                                  |
| 01/06/2015  | Provision of budget for Microsoft Licences from Renewals Reserve                       | Temporary for 3 years   | £48,000 per year | Executive 01/06/15               |
| <b>Approved by Council (over £70,000)</b>         |  |                         |                  |                                  |
| 19/07/2016  | Carry forward from 2015/16 into 2016/17  | Temporary               | 558,000          | Council 19/07/16                 |

---

## **EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 30 AUGUST 2016**

---

**EX.79/16      REVENUE BUDGET OVERVIEW AND MONITORING REPORT – APRIL  
TO JUNE 2016**  
(Non Key Decision)

**Portfolio**      Finance, Governance and Resources

**Relevant Overview and Scrutiny Panel**      Resources

**Subject Matter**

In the absence of the Deputy Leader, and Finance, Governance and Resources Portfolio Holder, the Leader presented report RD.19/16 providing an overview of the Council's overall budgetary position for the period April to June 2016 for revenue schemes only.

He summarised the budgetary position as at June 2016 which showed an updated Budget 2016/17 totalling £13,702,500; and highlighted the main income and expenditure variances as summarised at Section 3.3 of the report.

Members of the Executive were asked to consider, and recommend to Council, a proposed recurring virement of £196,000 to fund the increased Insurance Premiums which had been incurred as a result of the December 2015 flood. That could be funded from the budget provision earmarked for inflation which was no longer required.

Section 4 recorded that the Council's financial position was affected by a number of external factors which would have a financial impact during the course of the year and ultimately at the year-end, including the general effect of local economic activity on the Council's income streams (e.g. car parking, tourism and leisure facilities); fuel prices, energy costs and other inflationary issues; and the effects of the housing market and property prices, especially with regard to income from land charges, rents and building and development control.

The Leader added that the Council's financial position would continue to be closely monitored and the likely year end position would be reported more fully in the Quarter 3 report to the end of December 2016. It would be important to maintain a prudent approach so as to ensure a sustainable budget position for future years and to avoid any significant variance at the year end.

Attention was further drawn to the details of the Council's balance sheet management and action taken by the Director of Resources in writing off bad debts.

In conclusion the Leader moved the recommendations set out in the report, which were seconded by the Economy, Enterprise and Housing Portfolio Holder.

**Summary of options rejected**    None

## **DECISION**

That the Executive:

1.      Noted the budgetary performance position of the Council to June 2016.
2.      Noted the action by the Director of Resources to write-off bad debts as detailed in paragraph 6 of Report RD.19/16.
3.      Agreed the proposed virement of £196,000, as set out in paragraph 3.3, in respect of increased Insurance premiums, for recommendation to Council in November 2016.

## **Reasons for Decision**

To show that the Executive had been informed of the Council's actual financial position compared with the budgeted position and to bring to their attention any areas of concern