



2016/17

**Fourth Quarter
Financial
Review**

1 Background and Introduction

- 1.1 In accordance with the Council's Financial Procedure Rules and recommended good practice, a quarterly financial report is presented to members. This is the final report for 2016/17.
- 1.2 The report summarises overall financial performance for 2016/17 with particular emphasis on the key sources of financial risk to the Council. Specific considerations are as follows:
 - **General Fund Revenue Account (Section 2)** – considers budgetary performance on the General Account by looking at variations in income and expenditure and the funding received by the Council.
 - **Efficiency and Rationalisation Programme (Section 3)** – considers progress in achieving the efficiency and rationalisation savings forecast for 2016/17.
 - **Capital Programme (Section 4)** – provides an update to Members on progress against the Council's capital plan
 - **Treasury Management (Section 5)** – sets out the key statistics in terms of investments and borrowings;
 - **Revenue Collection (Section 6)** – considers progress-to-date in collecting the Council Tax and Business Rates; and

2 General Fund Revenue Account

2.1 This section of the report considers the financial performance of the General Fund Revenue Account against budget by setting out variations in income and expenditure and funding received by the Council.

Service (with staff)	2016/17 Budget	Projected Outturn 2016/17	Variance	Use of Earmarked Reserves
	£	£	£	£
Chief Executive	25,610	21,404	(4,206)	-
Executive Directors	518,060	513,931	(4,129)	-
Audit	94,990	90,670	(4,320)	-
ICT	688,110	646,046	(42,064)	-
Human Resources	66,250	39,458	(26,792)	-
Member Services	312,100	276,537	(35,563)	-
Property Services	1,223,540	1,143,606	(79,934)	-
Benefits	56,300	(12,883)	(69,183)	-
Planning Applications	(16,940)	23,813	40,753	3,689
Building Control	(156,220)	(3,207)	153,013	-
Customer Services	708,480	675,318	(33,162)	-
Legal Services	230,070	251,065	20,995	-
Electoral Services	84,470	(4,397)	(88,867)	(17,831)
Licensing and Land Charges	(219,300)	(194,654)	24,646	18,048
Regeneration	452,890	407,550	(45,340)	(29,645)
Communities and Cultural	414,940	459,836	44,896	96,803
Housing Strategy	28,590	80,653	52,063	54,106
Transformation	214,730	227,086	12,356	-
Community Safety and Enforcement	177,360	168,770	(8,590)	(8,523)
Finance and Procurement	276,940	320,887	43,947	-
Corporate Finance	1,617,210	1,544,599	(72,611)	-
Waste Collection	2,028,980	1,968,106	(60,874)	-
Street Scene	360,000	309,389	(50,611)	-
Leisure Services	610,710	610,658	(52)	-
Horticulture	583,290	576,036	(7,254)	7,313
Visitor Services	(348,850)	(316,666)	32,184	-
Environmental Health	411,130	407,368	(3,762)	-
Net Total of Services	10,443,440	10,230,980	(212,460)	123,959
Net Interest	(387,790)	(393,567)	(5,777)	-
	10,055,650	9,837,413	(218,237)	
Funding - external	(10,148,470)	(10,242,898)	(94,428)	-
Funding - reserves contribution to/(from)	92,820	(7,267)	(100,087)	
Projected (Surplus)/Deficit	-	(412,752)	(412,752)	123,959

** Staff costs were considered a corporate resource in 2016/17 and therefore budgeted and recorded in Finance & Procurement. From 2017/18 In future years all staff will be budgeted at the service level to promote manager accountability. Therefore, the Quarter Four provisional outturn position includes actual costs (and matching budgets) shown at the service level.

2.2 The 2016/17 revenue budget was originally set at £10,014,650. The Chief Finance Officer, in accordance with the Financial Procedure Rules, authorised the roll forward of £41,000 in unused budgets from 2015/16, relating to:-

- Property Services: £10,000 for hearing loop installation at Moorlands House; and £31,000 in support of health and safety works at South Moorlands Leisure Centre.

This brought the 2016/17 budget to £10,055,650 including a net contribution of £92,820 into reserves.

2.3 The provisional outturn on the General Fund Revenue Account for the year is £9,642,898. This represents a surplus of £412,752.

2.4 There were five significant **overspends** on the General Fund Revenue Account:

- Building Control (£153,013): a reduction in Building Control staff has resulted in alternative delivery utilising a third party on an interim basis which has impacted on income receipts. Future delivery options are currently being explored. There is a saving on staff costs held centrally in Corporate Finance which offsets some of this overspend on the service.
- Housing Strategy (£52,063): A contribution to Arch North Staffordshire for the upkeep of a refuge has been made as part of the Council's homelessness prevention strategy and other housing related expenditure has been incurred which will be funded using contributions previously received from the Department of Communities and Local Government (DCLG) and held in an earmarked reserve (see 2.6)
- Communities & Culture (£44,896) – although the service is showing an overspend, in reality, this relates to various expenditure which is actually funded using prior year contributions held in earmarked reserves (see 2.6)
- Finance & Procurement (£43,947) – the majority of the overspend relates to a reduction in recovery costs charged associated with Council Tax and Business Rates arrears. This is due to a combination of a delay early in 2016/17 in attending court (as a result of the court location changes) and a revision to fees charged from 2016/17 as a result of a recent court case, which requires Authorities to demonstrate cost recovery only in respect of summons and liability order fees.
- Planning Applications (40,753) – Overall planning fee income is £47,000 lower than budgeted, offset slightly by an underspend on professional fees.

2.5 There were eight significant **underspends** on the General Fund Revenue Account:

- Electoral Services (£88,867). - The service budgets to make an annual contribution into an earmarked reserve that is used to smooth the costs of the council's elections over the term of the administration. The budgeted surplus to fund this contribution for 2016/17 was £26,680. The service has also underspent owing to a budget of £32,000 anticipated to cover the increased postage costs of Individual Elector Registration not being required as the costs were covered by grant monies received from Central Government. Further savings resulted from underspends across a number of activities including £7,000 for printing and £6,000 for canvassing.

- Property Services (£79,934) – a £45,000 underspend on repairs and maintenance, £20,000 business rates saving and £13,000 additional income receipts have contributed to the overall underspend
- Corporate Finance (£77,038) - at the Quarter 3 stage, Corporate Finance was forecast to be £385,050 overspend. This was due to a shortfall against the efficiency programme. At the Quarter four stage, there remains a shortfall against the efficiency programme of £431,590 as a result of slippage in some of the projects and a number of one-off in year costs incurred from the implementation of efficiency projects. However, this has been offset by savings on finance lease expenditure and in-year salary savings confirmed after the salary budget exercise (post service review implementation) was undertaken in Quarter 4. A review will be undertaken in 2017/18 to establish what proportion are one off in-year savings and what proportion can be realised against the new Efficiency and Rationalisation Strategy.
- Benefits (£69,183) – additional subsidy grant and new burdens grant has been received during the year to cover additional costs of administering welfare reform and universal credit in addition to other budgetary savings
- Waste Collection (£60,874) – a combination of staff savings, reduced expenditure on recycling (disposal charges and gate fees) and additional trade waste income have contributed to the underspend – offset slightly by reduced recycling income and additional vehicle hire costs
- Street Scene (£50,611) – reduced expenditure on staff (including use of agency staff) have resulted in an overall underspend
- Regeneration (£45,340): Owing to the re-profiling of Local Plan activities there is an underspend against the annual budget
- ICT (£42,064) – the underspend is as a result of various underspends on IT system expenditure arising out of system migration and application rationalisation – to be reviewed to ensure savings are sustainable and then taken against the new Efficiency and Rationalisation programme in 2017/18.

2.6 The actual level of funding achieved in the year was £194,515 above the original estimate owing to variances across the following income streams;

External Funding (£94,428): the most significant variances relate to:

- Rural Services Delivery Grant (£45,150) – An additional £30,040 was received in December, on top of the £15,110 already granted by Central Government, in support of councils providing services in rural areas.
- Transitional Support Grant (£4,800) - Government have awarded additional funding to ease the pace of reductions during the most difficult first 2 years of the settlement for those councils with the sharpest reductions in Revenue Support Grant.
- New Homes Bonus (£5,518) –the Authority received slightly more in the way of bonus that originally anticipated
- Business Rates Retention (£34,810) – additional Business Rates income has been retained in the year compared to the budget owing to an increase in S31 grants receivable following awards of Small Business Rate Relief.

Use of Reserves (£100,087):

- There was a £115,500 contribution to reserves included in the 2016/17 budget (£156,500 contribution offset by a £41,000 drawdown to account for the £41,000 approved carry forward requests from 2015/16). The actual amount contributed was £116,692 - as detailed in 2.8.
- In addition, £22,680 was budgeted to be drawn from earmarked reserves – the actual amount drawn from earmarked reserves in 2016/17 was £123,959 (as shown in the table in 2.1):-
 - Planning Applications (use of reserves £3,689) – reflects the expenditure incurred as a result of defending planning appeals
 - Electoral Services (net contribution to reserves £17,831) – annual budgeted underspend of £26,680 to be transferred to the equalisation to smooth the costs of the Council's election over the term of the administration, offset by the use of £8,849 towards the costs of Individual Elector Registration.
 - Land Charges Earmarked Reserve (use of reserves £18,048) – personal searches litigation costs to be met out of reserve.
 - Regeneration (contribution to reserves £29,645) – grant funding (Custom Build grant and Brownfield Regulations Grant) received to fund future year expenditure
 - Communities & Cultural (use of reserves £96,803) £102,680 of prior year grants and contributions used to fund expenditure incurred in 2017/18 in relation to for example; the food cooperative, work clubs, family intervention office post, and Moorlands together. Offset by a contribution to reserves of £5,877 work club funding to be applied in future years.
 - Housing Strategy (use of reserves £54,106) – use of grant funding received in 2015/16 to fund expenditure relating to domestic abuse and housing
 - Community Safety (contribution to reserves £8,523) contributions received to fund community safety partnership expenditure in 2017/18
 - Horticulture (net use of reserves £7,313) – the Horticulture service is to draw down £11,222 from the section 106 reserve to support spend on Play and Open Space maintenance in the areas of former contributions in the District. £2,500 contribution to the fund for the future replacement of the artificial surface of the bowling green at St Lawrence Recreation Ground and a £1,409 contribution to the Ladderedge Country Park fund relating to contributions from the Rural Payments Agency which will be drawn down to support activities/ works in future years.

General Fund Revenue Reserves

- 2.7 The provisional outturn for the year on the General Fund Revenue Account was £412,752 surplus.
- 2.8 It is proposed that the £412,752 surplus be fully allocated to the General Fund Contingency reserve to fund future years revenue expenditure (as planned to do in the latest version of the MTFP).

2.9 Additionally, the £116,692 contribution to reserves (as per paragraph 2.6) and the balance of £56,308 on the Land Charges earmarked reserve which is no longer required – total £173,000 – has been allocated as follows:

- £100,000 added to an earmarked reserve to cover the cost of implementing the IT Strategy and Infrastructure upgrade
- £73,000 added to an earmarked reserve set aside to fund capital expenditure and reduce the overall cost of borrowing

Fees and Charges

2.10 In February, as part of the Council's fees and charges setting process it was agreed to commence charging for a set of wheeled bins for newly built properties. The cost of such bins has traditionally been met by the Council totalling some £14,000 p.a., therefore charging for these properties would help offset these costs and assist with balancing the Council's budget. The charge agreed being £30 per bin, amounting to £90 for a full set per property. The Portfolio Holder for Environment Services has asked that this charge be revisited with a view to delivering the first set of bins to new properties free of charge. It is proposed that this is implemented and the Head of Operational Services is requested to identify other budget savings to cover for the loss in projected income.

3. Efficiency and Rationalisation Programme

- 3.1 This section of the report considers the financial performance of the Council's Efficiency and Rationalisation Programme in 2016/17.
- 3.2 The Council's Medium-Term Financial Plan includes a three-year (2014/15 – 2016/17) Efficiency and Rationalisation Strategy targeting savings of £2.26 million.
- 3.3 The 2016/17 budget provides for the achievement of £613,760 of such savings in year. In addition, there is a requirement to realise £706,750 in savings, which were unachieved in 2014/15 and 2015/16 and consequently rolled forward into 2016/17.
- 3.4 In quarter four, staff budgets have been reduced in line with service review outcomes, with £535,000 targeted savings being achieved. Additionally, £240,000 in Procurement related savings (reduced spend as a result of procurement activity/expenditure being challenged/increased on contract spend etc.) were identified as part of the 2016/17 budget setting process. These savings have been taken to the benefit of the efficiency plan.
- 3.5 Focus has subsequently turned to other efficiency projects; for example income generation, asset management and further sharing of services; to deliver the remaining savings. However, at year end, there is a £431,590 shortfall in the delivery of the Efficiency Plan savings in-year. This is due to slippage of some of the remaining projects and the payment of some short-term/one-off costs emerging out of the implementation of efficiency programme (e.g. staff related costs and IT system improvements etc.).
- 3.6 This shortfall is offset in 2016/17 by in-year underspends – some one-off, but others will be reviewed to ascertain if they are sustainable.
- 3.7 As part of the 2017/18 budget setting process, a new Efficiency and Rationalisation Plan has been created taking into account the saving requirements for the next four years and a revised profile of savings outstanding from the existing Efficiency Programme. This was approved as part of the Medium Term Financial Plan in February 2017.
- 3.8 The Authority carries a reserve of £493,000 earmarked to support the Efficiency Programme, however, as there is an in-year underspend against the revenue budget, nothing has been drawn and therefore this reserve remains in place.

4 Capital Programme

- 4.1 This section of the report provides an update to members on the Council's Capital Programme
- 4.2 The revised General Fund Capital Programme for 2016/17, as updated and approved in February, was set at £1,268,830
- 4.3 The 2016/17 provisional outturn at 31 March 2017 is summarised in the table below, with further detail provided at Annex A:

Service	2016/17 Approved Budget	Outturn 2016/17	Variance
	£	£	£
EH- Housing Standards	532,060	413,838	(118,222)
Property Services	105,270	76,984	(28,286)
ICT	281,000	329,755	48,755
Leisure Services	152,000	114,177	(37,823)
Regeneration	44,500	37,244	(7,256)
Horticulture	154,000	105,000	(49,000)
	1,268,830	1,076,998	(191,832)
Funding			
Grants External Contributions	685,950	424,103	(261,847)
Capital Reserve	482,880	552,895	70,015
Planning obligations	100,000	100,000	-
Borrowing	-	-	-
	1,268,830	1,076,998	(191,832)

- 4.4 The Council incurred Capital Expenditure of £1,076,998 during the year against the revised budget of £1,268,830. This represents an underspend of £191,832. The underspend reflects the impact of capital programme projects which are either behind schedule or have progressed quicker than expected with the most significant variances being:

- Housing Standards (£118,222 underspend) - The forecast of Disabled Facilities grants (DFG's) that were expected to be processed during the final quarter was overly optimistic and the actual value of grants processed was £86,596 below the forecast made at the Quarter 3 stage. The payment of these grants are mandatory and in year budgets are monitored and adjusted to reflect anticipated levels of grant completions. A separate report is to be presented to the next Resources Committee meeting in July which provides more detail on the funding allocation arrangements for DFG's.
- ICT – (£48,755 overspend)- following financial assessment, ICT license renewals were capitalised and purchased outright. The licenses cover the Windows Server operating systems, the entitlement to backup and manage the servers and the ability to access server desktops and applications from terminals and PC's. The licenses are owned outright by the Alliance and are expected to have a useful lifespan of between 6 and 9 years. The cost is being met from within the capital programme and the overspend deducted from the 2017-18 ICT provision

- Horticulture (£49,000 underspend) Refurbishment of Play Areas - Leek projects were all completed in the year. Additional resurfacing works were carried out to Ball Haye Play Area costing £5,000 this unbudgeted cost was funded by the owners of the play area (Leek Town Council). Due to unforeseen circumstances, Hot Lane Biddulph play project was delayed; £54,000 will be carried forward to 2017/18 to fund completion with an anticipated finish date of July 2017

4.5 Consequently, capital funding applied to the 2016/17 Capital Programme is lower than forecast, reflecting the incidence and timing of capital spend.

4.6 As a result of the variances detailed above, approval is sought to increase the capital budgets for 2017/18 as shown in the table below:

Service	Variance	Carry Forward to 2017/18 Over/(Under) Spend	Over/ (Under)spend Completed Projects
	£	£	£
Housing	(118,222)	(31,626)	(86,596)
Property Services	(28,286)	(28,286)	-
ICT	48,755	48,755	-
Leisure Services	(37,823)	(20,958)	(16,865)
Regeneration	(7,256)	(7,256)	-
Horticulture	(49,000)	(54,000)	5,000
Total	(191,832)	(93,371)	(98,461)

5. Treasury Management

- 5.1 This section of the report sets out the key treasury management statistics in relation to the Council's investments and borrowings. This report comprises a high level treasury management summary. The Audit and Accounts Committee receives detailed operational updates on treasury management.

Investments

- 5.2 Cash Investments held on the 31st March 2017 totalled £4.9 million. Interest earned on these investments in the year totalled £46,630. The average level of funds available for investment during this period was £11.5 million.
- 5.3 The Council has budgeted to receive £56,690 in investment income in 2016/17. The interest which could be earned on investments during the year was adversely affected by the reduction in the Base Rate at the Bank of England to 0.25% on 4th August. Therefore there was a shortfall of £10,060 on this budget at the end of the year.

Ascent Joint Venture

- 5.4 Ascent (the joint venture company set up to deliver affordable housing across the District) had drawn the full £5 million debenture facility by the end of 2014/15. Interest is charged at 2%, therefore the budgeted interest income for the year is £100,000; this was achieved.
- 5.5 There were no further drawdowns of the loan during 2016/17, as anticipated. Therefore the total loan balance remains at £14 million. Interest charged is based on the 5 year PWLB rate on the date of the drawdown plus a 1.25% risk premium. The budget of interest income related to the loan was set at £490,100 and was achieved.

Borrowing

- 5.6 The debt outstanding as at 31st March 2017 totalled £13.2 million. £12 million has been used to fund the Ascent Loan, the remaining £1.2 million relates to finance leases.
- 5.7 The Council budgeted to incur £259,000 in interest charges in 2016/17. This was based on the existing Ascent Loan balance of £14million and a £1.5million general fund borrowing requirement in the current year capital programme. There was no new borrowing during the year to support the general fund capital programme and an existing loan of £2million to support the Ascent Loan balance which matured in March was not refinanced during the year; this is currently temporarily funded using internal borrowing, i.e. the Council's internal reserves. Therefore, an underspend of £15,840 has been achieved against the budget.

6 Revenue Collection

6.1 This section of the report details progress to date in collecting the Council Tax, Business Rates and Sundry Debt.

6.2 The collection rate outturn for the year 2016/17 was as follows:

- Council Tax – 98.70% of Council Tax was collected by 31st March 2017, compared to 98.66% for the same period last year.
- Business Rates – 98.76% of Business Rates was collected by 31st March 2017 compared with 98.5% for the same period last year.

6.3 At the end of Quarter Four the value of sundry debt that was over 60 days old was £127,221 which compares with £294,384 at 31st March 2016.

ANNEX A

Capital Programme Out-Turn 2017-2018					
Capital Schemes	2016/17 Approved Budget Feb 17 £	Out-Turn 2016/17 £	Variance £	C/Fwd to 2017/2018 £	Over/(Under spend) Completed Projects £
<u>Environmental Health Housing Standards</u>					
Private Sector Grants	502,060	413,838	(88,222)	(1,626)	(86,596)
Landlord Accreditation Scheme	30,000	-	(30,000)	(30,000)	-
Total Environmental Health	532,060	413,838	(118,222)	(31,626)	(86,596)
<u>Property Services</u>					
Asset Management Plan	105,270	76,984	(28,286)	(28,286)	-
Total Property	105,270	76,984	(28,286)	(28,286)	-
<u>ICT</u>	281,000	329,755	48,755	48,755	-
Total ICT	281,000	329,755	48,755	48,755	-
<u>Leisure Services</u>					
Sports - Small Schemes	55,480	30,322	(25,158)	(20,958)	(4,200)
Leek Sports Village	-	(12,301)	(12,301)	-	(12,301)
Biddulph Sports Village	96,520	96,156	(364)	-	(364)
Total Leisure Services	152,000	114,177	(37,823)	(20,958)	(16,865)
<u>Regeneration</u>					
Moorlands Partnership Grants	44,500	37,244	(7,256)	(7,256)	-
Total Regeneration	44,500	37,244	(7,256)	(7,256)	-
<u>Horticulture</u>					
Play - Projects	154,000	105,000	(49,000)	(54,000)	5,000
Total Horticulture	154,000	105,000	(49,000)	(54,000)	5,000
Total Programme	1,268,830	1,076,998	(191,832)	(93,371)	(98,461)