

Financial Position Quarter Three 2016/17

1. General Fund Revenue Budget

- 1.1 The Council approved a General Fund Revenue Budget of £14,138,550 on 24 February 2016. The actual position compared to this budget is monitored by managers, EMT and Portfolio Holders in order to detect any significant variances of expenditure or income from the approved amounts contained in the budget.
- 1.2 At this point in the financial year, we would have expected to have spent approximately £10,603,910; we have actually spent £10,857,645. Therefore, as at the end of the second quarter, the general fund budget shows an adverse variance of £253,735.
- 1.3 The main reasons for the overall adverse variance to date are:
 - a. Income from car parking is significantly below the amount budgeted for. A review of options to increase income has been undertaken. A report was presented to cabinet on 19th October which included a number of recommendations to partly address this income shortfall. In addition, a £100k budget pressure has been included in the 2017/18 budget to help address the issue. Further work is also being undertaken to review both income and expenditure in respect of the Council's car parks and a report on this will be submitted to a future cabinet meeting.
 - b. Kidsgrove Sports Centre is operating at a net overspend primarily due to income shortfall. Officers have looked at ways to both retain current income levels and pursue additional income to eradicate the current shortfalls. It is pleasing to report that income is £26k (13%) higher as at the third quarter compared to the same period in the last financial year.
 - c. The introduction of the new Household Waste and Recycling service has incurred additional costs relating to staffing overtime, agency staff and the short term hire of vehicles in order to meet the demands faced by the establishment of the new service. A plan has been put in place to limit these additional costs which involves limitations on overtime, daily monitoring of agency staff and optimising income from sale of recycled materials. In addition the replacement Waste Collection Vehicle Fleet will be delivered during February and March; this will reduce short-term hire costs, save on fuel costs and also reduce vehicle repair costs which are currently being incurred with regards to the current Waste Collection Vehicle Fleet. Despite the initial difficulties it is pleasing to report that the service still anticipates making a saving of £500k in the next financial year.

There are also a number of favourable variances, the main variance being:

- a. Employee costs in respect of a number of vacant posts and flexible retirements that have taken place across the Council.

- b. The Streetscene service has operated without reductions in service standards with significant underspends in staff overtime and fuel costs. The service has also managed to generate additional income for the Council from external organisations.
- c. Additional planning application income has been received due to the receipt of a larger application.

Despite the current adverse variance, every effort is being made, and measures are being put in place to ensure the final outturn is in line with the budget.

2. Capital Programme

2.1 The Capital Programme approved by Council in February 2016 has been updated to take account of slippage in 2015/16. Where planned expenditure did not occur last year, this has been added to the budget for 2016/17 (apart from any cases where costs have been reduced or expenditure will no longer be incurred). The revised budget for capital projects in 2016/17 as shown in the Revenue and Capital Budgets report approved by Cabinet in January totals £11,744,000.

2.2 Due to the fact that the capital receipts to finance the programme are not likely to be received until 2017/18 a number of capital projects that were included in the 2016/17 capital programme have had to be put on hold as the Council would have to incur prudential borrowing costs which would have a significant effect on the General Fund and the future provision of services. Therefore, capital expenditure is only being incurred in the following areas:

- a. The new recycling and waste service;
- b. The Public Sector Hub project;
- c. Disabled Facilities Grants;
- d. If a contractual commitment already exists;
- e. Any matters of a health and safety nature; and,
- f. Schemes wholly funded from external sources eg Section 106 agreements.

2.3 Taking this into account, £6,393,057 of the revised budget was expected to be spent by 31 December; the actual amount spent was £6,302,459 resulting in a variance at the end of quarter three of £90,598. This is mainly due to timing issues in respect of expenditure on disabled facilities grants.

2.4 It is imperative that the sites earmarked for disposal within the Asset Management Strategy are progressed as soon as possible as any delays will only worsen the Council's overall financial position.

3. Investment Counterparties

3.1 Investment counterparties with whom money is invested, as at 31 December 2016 are as follows (with the parent company shown in brackets, where applicable):

Nationwide Building Society
Santander
Heritable Bank (*Landsbanki*)

3.2 With regard to the Council's frozen investment in Heritable Bank the total amount repaid now totals £2,457,623, which is 98% of the total that was frozen.