

19 September 2017

Policy, Projects & Resources Committee

**2017/18 General Fund Revenue and Housing Revenue
Account Budget Monitoring Update.**

Report of: *John Chance – Finance Director*

Wards Affected: *All*

This report is: *Public*

1. Executive Summary

- 1.1 This report provides the Policy, Projects & Resources Committee with an update to the 2017/18 General Fund Revenue Budget and Housing Revenue Account that was agreed at committee on 1st March 2017. Reporting the current projected outturn for both accounts.
- 1.2 The report reviews the Treasury Management & Investment strategy for 2017/18.
- 1.3 Capital monitoring will be reported at the next Policy, Projects & Resources committee for a more detailed update.

2. Recommendations

- 2.1 Agree the projected outturn position for 2017/18 of the Council's General Fund Revenue budget as at 31 August 2017, as detailed in Table A of the report.**
- 2.2 Agree the projected outturn position for 2017/18 of the Council's Housing Revenue Account at 31 August 2017, as detailed in Table B of the report.**
- 2.3 To Note the Treasury Management Activity for the period 1 April 2017 to 31 August 2017 as detailed in section 5 of the report, and to investigate the addition of Property Funds to the list of approved investment instruments & report back to a future committee.**

3. General Fund Revenue Account

- 3.1 On 1st March 2017 at Ordinary Council, The General Fund Budget was set with a 2017/18 funding gap of £283k. This included a proposed savings target of £980k for 2017/18 which has been incorporated into the original budget reporting position of General Fund Net Expenditure shown in Table A.
- 3.2 On the 20th June 2017, Policy, Project and Resources Committee was reported a revised position statement following the 2016/17 outturn showing a carried forward working balance of £3,742k. This revised working balance position shown at the bottom half of Table A

Table A – General Fund Revenue Account as at 31st August 2017

	2016/17 Actual	2017/18 Original Budget	2017/18 Estimated Outturn
	£'000	£'000	£'000
Total General Fund Net Expenditure	10,283	9,769	9,946
Total Funding	(10,283)	(9,486)	(9,701)
Funding Gap	0	283	245
Working Balance b/fwd	3,965	3,742	3,742
Funding Gap	0	283	245
Earmarked spend on balances*	223	468	468
Working Balance c/fwd	3,742	2,991	3,029

*

- 3.3 The General Fund Revenue Account estimated outturn is currently £245k as 31st August 2017. This shows the Council is currently in a favourable position to original budget by £38k.
- 3.4 The Council continues to face financial pressures from Government funding, which is one of the main causes of the budgeted funding gap in 2017/18.
- 3.5 This favourable position is after taking into account the following.

- (£180k) NNDR pooling Income – projected saving on reduction levy payments to Essex Business Rates Pool.
- (£86k) vacancy factor on salaries – projected vacancies within the Budget that may not be recruited to during 2017/18.

3.6 Although the Council is currently in a favourable position to its original budget, there are current in year pressures that the Council is facing, which is still leading to a funding gap of £245k.

- Parking Income – Consultation period has only just finished for the parking review. Until fees are increased, the Council continues to see this as an ongoing pressure.
- Insurance premium tax – Increase in IPT from June 2017.
- Waste disposal costs – Cost per tonne has increased to dispose of its waste.
- Recycling credit Income – The Council continues to receive less income it gets from recycling from Essex County Council, due to the current market and contamination.
- Continued low Interest Rates are affecting investment returns.
- Employers Pension Contribution – Contributions have increased from 14.2% to 17.1% which will be an ongoing pressure for future years but not in the current year.

3.7 Overall the position is in line with the budget and officers are continuing to look at opportunities to improve upon this position and therefore close the Funding Gap even further during the remainder of the financial year.

4. Housing Revenue Account

- 4.1 On 1st March 2017 at Ordinary Council, The Housing Revenue Account was set with a 2017/18 surplus of £450k shown in Table B.
- 4.2 On the 20th June 2017, Policy, Finance and Resources Committee reported the 2016/17 Housing Revenue Account outturn as a surplus of £183k. This has led to carried forward working balance of £1,546k shown at the bottom half of Table B.

Table B – Housing Revenue Account Position as at 31st August 2017

	2016/17 Actual	2017/18 Original Budget	2017/18 Estimated Outturn
	£'000	£'000	£'000
Total Housing Service Expenditure	8,026	8,892	8,104
Total Housing Service Income	(13,546)	(13,273)	(13,273)
Non Service Costs	4,340	3,123	3,911
Appropriations	997	808	808
(Surplus)/Deficit for HRA	(183)	(450)	(450)
Working Balance b/fwd	1,364	1,546	1,546
(Surplus)/Deficit for HRA	(183)	(450)	(450)
Working Balance c/fwd	1,546	1,096	1,096

- 4.3 The Housing Revenue Account estimated outturn is currently showing a surplus of £450k as 31st August 2017 which is in line with the Original Budget.
- 4.4 One of the Pressures that Housing Revenue Account is currently facing is the Revenue contribution to capital and the additional cost required to fund slippage on the Capital program from 2016/17 that has not yet been funded from revenue because HRA is self-funding. A more detailed look of the Capital program and the effect of this will be brought back to a future committee.

- 4.5 Overall the Housing Revenue Account is not expected to change from the Original budgeted position for 2017/18, however officers will continue to review projected spend so the HRA continues to make a surplus as budgeted.

5. Treasury Management & Investment Strategy 2017/18

- 5.1 The Treasury Management Strategy Statement (TMSS) for 2017/18 was approved by Council on 1 March 2017.
- 5.2 The Council has adopted the Code of Practice for Treasury Management issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). One of the requirements of the Code is that members should receive a mid-year review report.
- 5.3 This report, which covers the first five months of the 2017/18 financial year, is presented in accordance with this requirement.

Investments

- 5.4 The Council's investment balances at 1 April and 31 August are outlined in Table C.

Table C – Council's Investment Balances

	£000
Investments at 1 April 2017	17,000
Investments at 31 August 2017	20,500
Increase	3,500

- 5.5 The increase in investment balance is largely due to the timing of council tax and business rates receipts, most of which are received over the first ten months of the financial year.
- 5.6 The investment balances are expected to remain constant to the end of January 2018 and to decrease over the last two months of the financial year, as council tax and business rates tail off, but expenditure remains constant.
- 5.7 The latest forecast is for the year-end investment balance to be approximately £13m, though the actual amount will depend on factors such as the size of any slippage on the capital programme.
- 5.8 Most of the investments made this year have been in the form of fixed term deposits with UK banks, building societies and other local authorities.

Most of these investments are in amounts of £1m and for durations of up to six months. This approach enables the Council to spread its investments across a number of lenders and to retain liquidity.

5.9 The Council also invests funds in a 95 day notice account provided by Santander UK plc.

5.10 All investments have been in accordance with the approved limits within the TMSS.

5.11 Table D identifies the investments held by the Council at 31 August 2017:

Table D - Investments held at 31 August 2017

	Amount £'000	Start date	Maturity date	Interest rate
<u>Fixed Term Deposits - UK Banks & Building Societies</u>				
Lloyds Bank Plc	1,000	05/04/2017	05/10/2017	0.55%
Goldman Sachs	1,500	04/04/2017	04/10/2017	0.77%
Coventry Building Society	1,000	04/07/2017	03/11/2017	0.25%
Coventry Building Society	1,000	04/07/2017	04/12/2017	0.30%
Nationwide Building Society	1,000	09/06/2017	11/12/2017	0.37%
Nationwide Building Society	1,000	17/07/2017	18/01/2018	0.32%
Nationwide Building Society	1,000	01/08/2017	02/02/2018	0.32%
Nationwide Building Society	1,000	11/08/2017	12/02/2018	0.32%
<u>Fixed Term Deposits - Local Authorities</u>				
Thurrock Council	1,000	04/05/2017	04/09/2017	0.32%
Thurrock Council	1,000	03/04/2017	03/01/2018	0.43%
Leeds City Council	1,000	05/12/2016	05/09/2017	0.34%
Leeds City Council	1,000	01/06/2017	31/05/2018	0.38%
Eastleigh Borough Council	1,000	06/04/2017	19/10/2017	0.40%
Salford City Council	1,000	21/12/2016	20/12/2017	0.42%
Barnsley Metropolitan Borough Council	1,000	18/04/2017	18/01/2018	0.43%
Barnsley Metropolitan Borough Council	1,000	18/04/2017	17/04/2018	0.48%
Barnsley Metropolitan Borough Council	1,000	05/06/2017	11/05/2018	0.38%
<u>95 day notice account</u> Santander UK plc	3,000			0.65%
Total	20,500			

Amendments to investment instruments

- 5.12 The Finance Director is considering the use of property funds as an investment instrument alongside fixed term and instant access deposits. For technical purposes, property funds are classified as a type of non-specified investment.
- 5.13 Property funds are not on the Council's current list of approved investment instruments, and it is recommended that these be investigated to give the Finance Director the option of investing in this type of fund, for a decision to be brought back at a future committee.

Interest rate forecast and Investment income

- 5.14 The Bank Rate has been at a historic low level of 0.25% since August 2016, and is not expected to increase for some considerable time. The Council's rate of return on investments for April to August has been 0.44%, and the forecast interest earnings for the year are £0.086m. This is a shortfall of £0.060m on the budgeted figure of £0.146m and is the result of a general reduction in investment interest rates since 2016/17.

Borrowing

- 5.15 Table E identifies the loans held by the Council at 31 August 2017:

Table E - Loans as at 31 August 2017

Category	Start Date	Repayment Date	Interest rate	Amount £'000
<u>HRA</u>	28/03/2012	28/03/2022	2.40%	5,000
	28/03/2012	28/03/2027	3.01%	10,000
	28/03/2012	28/03/2032	3.30%	15,000
	28/03/2012	28/03/2037	3.44%	15,000
	28/03/2012	28/03/2042	3.50%	14,166
				59,166
<u>General Fund</u>	30/04/1995	30/04/2055	8.88%	800
	24/04/1995	24/02/2055	8.88%	800
	08/01/2003	08/01/2028	4.88%	400
				2,000
	Total			61,166

Debt Rescheduling

- 5.16 There are no plans to undertake debt rescheduling during 2017/18.

6 Reasons for Recommendation

- 6.1 Effective financial management underpins all of the priorities for the Council and will enable the Council to operate within a sustainable budget environment.

7 Consultation

- 7.1 None

8 References to Corporate Plan

- 8.1 The Medium Term Financial Plan is linked to achieving the vision in the corporate plan.

9 Implications

Financial Implications

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- 9.1 The financial implications are set out in the report.

Legal Implications

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- 9.2 There are no direct legal implications arising from this report.

Other Implications - Risk Management

- 9.3 Finance Pressures is an existing Risk on the Council Strategic Risk register. The outcome of this Budget monitoring update has not altered the current risk rating of this specific risk, as it is currently set at the highest level.

10 Background Papers

- 10.1 Available from the Finance Department

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