

 <b>Executive 2 November 2016</b>		<b>Agenda Item No. 3</b>
<b>Title</b>	Budget Review to 30 September 2016	
<b>For further information about this report please contact</b>	Mike Snow Andy Crump	Tel 01926 456800 Tel 01926 456810
<b>Wards of the District directly affected</b>	N/A	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>	July 2016 Executive – Budget review to 30 June 2016	
<b>Background Papers</b>		

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	No
<b>Included within the Forward Plan? (If yes include reference number)</b>	Yes
<b>Equality Impact Assessment Undertaken</b>	No

<b>Officer/Councillor Approval</b>		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	17/10/2016	Chris Elliott
Head of Service	17/10/2016	Mike Snow
CMT	17/10/2016	Chris Elliott
Section 151 Officer	17/10/2016	Mike Snow
Monitoring Officer	17/10/2016	Andrew Jones
Finance	17/10/2016	Andy Crump
Portfolio Holder(s)	17/10/2016	Cllr Peter Whiting
<b>Consultation &amp; Community Engagement</b>		
Not applicable		
<b>Final Decision?</b>		Yes
<b>Suggested next steps (if not final decision please set out below)</b>		

## 1. Summary

- 1.1 This report updates Members on the latest financial position. Various changes to 2016/17 budgets been identified and are now presented to Members for approval.

## 2. Recommendations

- 2.1 That the Executive notes the latest variances for the General Fund budget, the projected outturn on budget and agrees to the budget changes detailed in paragraph 3.1. the Executive also note the latest variations on the Housing Revenue Account (HRA) as detailed in section 3.5.
- 2.2 That the Executive agree the changes to the Capital Programme detailed in paragraph 3.6.
- 2.3 That members note the new requirement for the Council's Audited Statement of Accounts to be approved by 31 July from 2017/18.
- 2.4 That it is agreed for the plan for the Council's Audited Statement of Accounts for 2016/17 to be approved by 31 July 2017.
- 2.5 That any revenue surplus or deficit balance on the General Fund on closing the Accounts from 2016/17 is appropriated to/from the General Fund Balance, and any revenue surplus or deficit balance on the HRA is appropriated to/from the HRA Capital Investment Reserve. Authority is delegated to the Head of Finance, in consultation with the Finance Portfolio Holder to amend these arrangements if necessary with this subsequently reported to Executive/Council.
- 2.6 That the Head of Finance, in consultation with the Finance Portfolio Holder has delegated authority to agree revenue and capital slippage at year end above items already allowed for in the Budget process, with these being reported to Members as part of the subsequent Final Accounts report to Executive.
- 2.7 That the Finance and Audit Scrutiny Committee, as the Council's Audit Committee, will in future be responsible for approving the Council's Audited Statement of Accounts.

## 3. Reasons for the Recommendations

### 3.1 General Fund 2016/17

- 3.1.1 The latest variances that have been identified by managers are shown below. Where they are not self-explanatory, more detail is provided. The figure reported to July's Executive was £900 (F), since then the additional variances have altered this figure to £246,400 (F), after appropriating extra parking revenue to the Parking reserve.

	£
Building control restructure – ringfenced - for information only	42,500 (F)
Total Variance to July Executive	900 (F)

Town Hall lease income – Bromford vacated, not replaced by another tenant yet	9,800 (A)
Electricity	207,000 (A)
Minor Variances	6,500 (A)
Travel token usage Apr-June 2016 closure of scheme – no budget	5,000 (A)
Johnston Publishing vacated 32 Hamilton Terrace –lost rental income	14,000 (A)
Resettlement Service no longer provided - budget given up as saving	4,400 (F)
Racing Club Warwick – additional electrical, drainage, tarmacking & fencing works	25,000(A)
Crematorium income – Fees & Charges	20,500 (F)
Business rates – Jubilee House	11,600 (F)
increased B&B costs which are not eligible for Benefits Subsidy	50,000 (A)
Legal Services – shared services	40,000 (A)
Street Name & numbering	10,000 (F)
Payments Processing transaction charges	15,000 (A)
Investment interest	131,000 (A)
Parking Income (Surplus to Parking reserve)	176,000 (F)
Recycling Credits	20,000 (F)
Council Tax subsidy less than anticipated	16,000 (A)
Development Control – income – budget review & Fees & Charges	293,000 (F)
Development Control– Agency Staff (increased workload)	49,400 (A)
Planning Viability Appraisals	10,000 (A)
One-off Housing Benefit New Burdens Grant	16,900 (F)
Jubilee House –rents/service chg – Warks Ambulance Service vacated	10,300 (A)
Althorpe Enterprise Hub –rents/service charge – large office vacated	9,500 (A)
Cleaning Contract Contingency saving	80,000 (F)
Electric cars – insurance costs	4,200 (A)
Subsidence Claim – Settled – balance on provision	62,300 (F)
Gym Reserve write back	122,500 (F)
<b>Non salary variances</b>	<b>215,400 (F)</b>
Salary Variances	207,000(F)
<b>Overall Variance</b>	<b>422,400(F)</b>
<b>If extra Parking income appropriated to Reserve</b>	<b>176,000(A)</b>
<b>Forecast position as at 31<sup>st</sup> March 2017</b>	<b>246,400(F)</b>

### 3.1.2 Salary variances

The following variances have been reported:-

	£
Vacant posts and staff turnover in Contract Services	77,100 (F)
Green Space Development salary overspend	9,200 (A)
Assistant Conservation Officer post saving	13,800 (F)
OSS/Reception salary – vacancies	54,000 (F)
Neighbourhood Services -Community Rangers re-graded	26,900 (A)
Housing Assessment Officer omitted from original budgets	28,900 (A)
Development Services – Vacancies	41,600 (F)
Financial Services – Vacancies	57,200 (F)
Committee Services – new staff at bottom of scale	5,800 (F)
Media Room– new staff at bottom of scale	6,200 (F)
Customer Support Team – new staff at bottom of scale	8,200 (F)
Warwickshire Direct– new staff at bottom of scale	8,100 (F)
<b>Total estimated Salary variance</b>	<b>£207,000 (F)</b>

- 3.1.3 Executive are asked to agree these changes to the General Fund Budget, which will result in £246,400 being allocated to the General Fund. The use of this funding will be considered as part of the 2017/18 Budget Report in February 2017.

### **3.2 Contingency Budgets**

- 3.2.1 Appendix A gives details of the allocations out of this budget with a balance of **£71,500 (15% of original budget)** of £471,300) left for the rest of the year. This is after two further calls on this budget, authorised under the Head of Finance's delegated powers, for Accountancy sickness cover (£10,000) and for historical non-compliances for Payment Card Industry Data Security Standard (PCIDSS) £8,400
- 3.2.2 None of the 2016/17 Training Contingency Budget of £4,900 has currently been allocated. However, this budget was fully allocated in 2015/16 and is expected to be so this year, mainly for professional training.
- 3.2.3 There are other Contingency Budgets for Price Inflation (£24,000) and Contract Cleaning (£92,600). The Housing Support & Neighbourhoods' Manager is now able to return £80,000 of the Contract Cleaning Contingency as the contract is now not being re-let. The remainder may be surrendered later in the year. The position for 2017/18 and onwards will be made clear later in the year. Any forthcoming demands for the use of these budgets will be reported upon during the year

### **3.3 Revenue Slippage- Earmarked Reserves**

- 3.3.1 Upon Closure of the 2015/16 Accounts, Revenue slippage from 2015/16 was been added into the 2016/17 budget, totalling £322,600 for the General Fund, see Appendix B1 for details and current year progress. £258,700 of revenue slippage was approved for the HRA at the same time and these can be seen in Appendix B2, with year to date progress highlighted.
- 3.3.2 Managers have stated that approval of these requests, at year-end, takes a long while and it delays commissioning of works etc., until early July. It is recommended that the Head of Finance, in consultation with the Finance Portfolio Holder, has authority to agree revenue slippage at year end, above items already allowed for in the Budget process, with these retrospectively reported to Members as part of the subsequent Final Accounts report to Executive.

### **3.4 Income Budgets**

3.4.1 The Original Budget for 2016/17 Planning income was £702,000. The projected Planning income for the year has been increased by a further £293k, in addition to the £100k recurring increase previously reported. The 2016/17 budget will be mended to £1,095k accordingly. Due to the buoyant state of the market, income levels are likely to remain high in the short-term (2017/18). Longer term forecasting is more difficult. However, the Head of Development has agreed to, when competing work pressures allow e.g. Examination In Public, try to profile this income over the next 3-5 years.

- 3.4.2 Waste recycling income for the 1<sup>st</sup> quarter is understood to be in the process of being agreed with WCC – income is estimated to be up by £20k for 2016/17. Confirmation has now been agreed to similarly increase this budget for future years based on prior year outturn, tonnages to date, the continued growth in new properties and increase in the multiplier in line with inflation. This has now been built into the MTFS.
- 3.4.3 Car Parking income is well up on the previous year despite the price increase agreed earlier only recently being implemented. Whilst any uplift in this income is due to be earmarked for investment in parking, the projected outturn has been reviewed upwards by £176k. Forecast income for 2017/18 is again estimated to be up, despite the decision not to increase charges for next year at this stage. Any forecast increase in parking above inflation is appropriated into Parking reserves, to fund improvements and new builds. Since Fees and Charges were agreed in September, it has been agreed with the Head of Neighbourhood that it is reasonable to increase the Parking Income Budget by an extra £90k from 2017/18. This has now been built into the MTFS.
- 3.4.4 Cremation fee income for this year and next is holding up well, potentially up by £20k but is obviously influenced by a number of external factors e.g. cold winter, effectiveness of 'flu vaccine' etc. A number of new products offered at Crematorium introduced by the Bereavement Manager, were agreed by September's Fees and Charges report to Executive, ensuring income levels are maintained/exceeded for 2017/18. There are plans for further proposals, which will be reported to Executive.
- 3.4.5 Leisure centre income, based on last year's profiled income, is forecasting an under achievement against budget, potentially £200k (some of this due to the decision not to increase Fees and Charges from January 2017 to reflect disruption due to building works). However, this is being reviewed as part of Base Budget with Finance currently seeking to accommodate the various Leisure Centre options changes. A reserve has been created to mitigate some of this lost income with a more definitive position being reported in the base Budget report. Royal Spa Centre income is following a similar profile to previous years and the net position (reflecting payments to Artists and income) is forecast to be close to the budget for this year.
- 3.4.6 Appendix C gives details of income received compared to a profile budget to end of September and also shows this compared to previous years. The latest budget is also the estimated out-turn, unless notified in paragraphs 3.4.1 to 3.4.5 above.
- 3.4.7 The External Auditors presented their Audit Findings Report to Finance & Audit Scrutiny Committee on the 20 September. The report referred to the large surplus over budget for 2015/16 largely as a result of unplanned income. They stated that the increased levels should have been known and reported sooner. Income monitoring is something that is being taken very seriously by the Senior Management Team. It is apparent that in the past, there have been overly cautious projections. Whilst overly optimistic projections are not sought, the skill is in making forecasts that are realistic and are not overly risky.

### 3.5 HRA

- 3.5.1 For 2016/17 HRA electricity is forecast to be overspent by £35,000 due to

increased usage throughout the year, and higher rates which are forecast to increase by approximately £1,400 per month from October 2016.

3.5.2 Communal and other cleaning is likely to be £45,000 under budget in 2016/17.

### 3.6 Capital

3.6.1 The following General Fund variances have been reported:-

<b>Culture</b>
Castle Farm Sports Pitch drainage - £73,000 budget slipped to 2017/18
Play Area Improvement Programme increase by £195,800 funded from £66,300 section 106's and £129,500 request from Public Amenity Reserve.
New Gym Equipment - 2016/17 budget £29,300 saving
St Nicholas Park Tennis Courts -£23,000
<b>Addition to Capital Programme</b> following portfolio holder approval for Equipment Renewal Reserve draw-down.
Edmondscote Track Athletics Equipment - £10,900 -
<b>Addition to Capital Programme</b> following Portfolio Holder approval for Equipment Renewal Reserve draw-down.
Victoria Skate Park £7,300 increase to budget funded from Section 106
GF -Play Area Improvement Programme- further Section 106 monies of £1,884 to be used instead of Public Amenity Reserve
<b>Development</b>
Jubilee House Phase 2 £331,300 budget - returned and to be earmarked within Capital Investment Reserve
2 <sup>nd</sup> Warwick Sea Scout HQ £49,800 budget slippage to 2017/18
<b>Chief Executive's Office</b>
ICT - Overall underspend back to ICT Reserve. £21,300

3.6.2 Housing Revenue Account

<b>Scheme</b>	<b>Amount £</b>	<b>Reasons</b>
Water Services	-9,700	Reduction in 2016/17 budget. This is for responsive work and very unlikely to be spent.
Thermal Insulation	-89,900	Not required –in 2016/17 – see below
Thermal Insulation	-40,000	Virement to Door Entry/Security/Safety Systems
Door Entry/Security/Safety Systems	40,000	Virement from Thermal Insulation
Environmental Improvements - tenant participation	1,000	Increase budget funded from a 'gesture of goodwill' payment from Severn Trent. No overall cost to WDC.

The main factor for not undertaking a thermal insulation programme 2016/17 was the lack of underlying data required to target properties. The Stock Condition Survey data should alleviate this, enabling WDC to identify properties lacking loft or cavity insulation as well as the solid brick wall properties.

A number of programmes in which WDC clad the external envelope of solid brick wall properties have been undertaken. Housing and Property Services have also been looking at how to access ECO (Energy Company Obligation) grant funding for WDC (officially designated) fuel poverty areas.

### **3.7. Business Rates Retention and Pooling**

3.7.1 Net Business Rate Retention has not been amended within the forecast for the current year on the basis that any variation to the original estimated income is compensated for by changing the contribution from the Business Rate Volatility Reserve. Business Rate income for future years is currently being reviewed and will be included within the MTFS. Whilst Business Rate Retention has been in operation for three complete years now, there still remain many uncertainties in respect of the figures:-

- There are still some substantial appeals awaiting determination by the VOA.
- All properties are being revalued from 1 April 2017. This will create a new round of new appeals to be submitted.
- For 2017/18, alongside the new rateable values, the rate poundage is still to be determined.
- The Top-ups and Tariffs used in the Rate Retention system all need to be amended by DCLG to ensure authorities are not unduly benefited or lose out. Whilst there has been a consultation over this, the precise details are not expected to be known until the 2017/18 indicative Grant Settlement expected in December.
- 100% Business Rates Retention – this is expected to come in from 2020/21. Again, there are significant uncertainties how this will work in practice, with functions having to transfer from central to local government.

Consequently, forecasting Business Rates Retention is not straightforward. It is therefore imperative that the Council maintains a level of reserves (notably the Business Rates Volatility Reserve) to enable the Council to have some stability in its finances moving forward. Within the Medium Term Financial Strategy , there should be more detail on the project levels of Retained Business Rates.

3.7.2 The Council has been in the Coventry and Warwickshire Business Rates Pool since the start of Business Rates Retention. By pooling, councils seek to reduce the levy due to central government as part of the system, and retain more funds locally. For 2017/18 the pool should continue to operate with the same membership. However, it should be noted that Coventry will also be part of the new West Midland Pool as part of the Combined Authority. However, for the first year, that new pool is effectively a “desk top exercise”, consequently there should be no impact on the Coventry and Warwickshire Pool.

3.7.3 As in previous years, the Council members need to confirm their membership of the Pool in October ahead of the new financial year. Under delegated authority to the Head of Finance, in consultation with the Finance Portfolio Holder, this has been agreed.

### **3.8 Other Funding Liabilities**

3.8.1 Members will be aware of the following projects for which further proposals will be reported ahead of the Council committing to the projects:-

- Re-development of Newbold Comyn and St Nicholas Park Leisure Centres

- Office Relocation project
- Re-development of Covent Garden Multi Storey Car Park
- Re-development of Linen Street Car Park

3.8.2 The Council also has the following liabilities for which there is some funding.

- Asset Maintenance Liabilities – following the review of Corporate Assets, the future cost of maintaining all the Council's property assets and land holdings has been established, as previously reported to Executive. The cost of these works is only funded up to and including 2018/19. To fully fund the works required in subsequent years will amount to an additional cost averaging out at approximately £1m per annum.
- ICT – A separate ICT Reserve has been established to provide funding for the Council's ICT infrastructure. Contributions of £250k, per annum, are being made to this reserve.
- Equipment Renewals Reserve – For some years the Council has maintained an Equipment Renewals Reserve to fund service equipment replacement. Contributions of £100k per annum are being made to this reserve.

3.8.3 It is important that the Council's financial projections are as inclusive of all potential funding demands upon the Council as possible. It is important that Portfolio Holders and Heads of Service review all items currently budgeted for in the current and future years. Any further items which are currently not budgeted for, should be identified and where these are unavoidable included in projections and future Budget reports.

### **3.9 Early closure of accounts**

3.9.1 Under the Accounts and Audit Regulations 2015, the local authorities' audited Statement of Accounts from 2017/18 must be published by 31 July 2018, and annually thereafter. Under the current regulations, the draft accounts must be completed and signed by the responsible finance officer by 30 June, with the audit and formal publication completed by 30 September.

3.9.2 With this new tighter timetable, it will be necessary for the draft accounts to be ready by the end of May, giving June and July for the audit to be completed.

3.9.3 The Annual Governance Statement forms part of the Statement of Accounts. This is prepared separately to the Accounts, and is currently agreed by Finance and Audit Scrutiny Committee before the end of June. The deadline for the completion and agreement of the AGS is similarly brought forward. In considering the Annual Governance Statement, the Finance and Audit Committee also agree the Internal Audit Report from the Council's Audit and Risk Manager which supports the AGS.

3.9.4 These new arrangements will impact on the reporting arrangements to members. Currently the following reports are presented to members:-

Early June	Executive	Final Accounts report – to review revenue and capital outturn against budget and agree appropriation of any balances.
June	Finance & Audit	Agree Annual Governance



	Scrutiny Committee	Statement and Internal Audit Annual Report
July	Finance and Audit Scrutiny Committee	Note draft Statement of Accounts (including AGS).
End September	Finance and Audit Scrutiny Committee	Consider External Auditor's Audit Findings Report on the Statement of Accounts
Before 30 September	Council	Formally approve audited Statement of Accounts.

- 3.9.5 With the new reporting deadlines, it will not be possible to compress the above arrangements. Consequently an amended reporting regime is proposed.
- 3.9.6 The Accountants will need to give priority to the completion of the Statement of Accounts over the Final Accounts report to Executive. Consequently the current Final Accounts report is proposed to be reported to Executive in late July.
- 3.9.7 Within the current June Executive Final Accounts report, the use of any balance is agreed. Fortunately this has always been a surplus balance in recent years, and this has been appropriated to selected reserves. In future it is proposed that any surplus or deficit on the General Fund balance is appropriated to or from the General Fund Balance within the Statement of Accounts. It will then be possible for that appropriation to be reviewed as part of the later July Executive Final Accounts report, with any further allocation reflected in the new year's accounts. Similar arrangements will need to apply for the Housing Revenue Accounts, with the balance being automatically appropriated to/from the HRA Capital Investment Reserve. This changed arrangement for the treatment of balances in from 2016/17 Accounts will need to be agreed by Council, in the near future.
- 3.9.8 Also within the Final Accounts report in June, proposals for Revenue Slippage (Earmarked Reserves) and Capital Slippage are proposed. In recent years greater effort has gone into identifying these so as to include them in the new year Budget in February. With the Final Accounts report having to be delayed as part of the Early Closedown, there are likely to be problems if some items of revenue or capital slippage are delayed. Consequently, it is proposed that in future the Head of Finance, in consultation with the Finance Portfolio Holder, may agree items of revenue and capital slippage.
- 3.9.9 The Annual Governance Statement will need to be agreed by the end of May. The proposed committee timetable for 2017-19 incorporates a May Finance and Audit Scrutiny Committee which will enable this to be achieved.
- 3.9.10 The Audited Statement of Accounts are currently agreed by full Council. Under the Accounts and Audit Regulations, it is possible for this to be delegated to a council's audit committee, but not to a scrutiny committee. Consequently, Warwick District Council has continued to seek full Council approval. Most local authorities do have this function delegated to their audit committee which is generally believed to be a more efficient use of members' time, given the complexity and length of the document. The Council's Constitution does make it clear that the Finance and Audit Scrutiny Committee will act as the Council's audit committee. Also, it should be noted that the agenda of that Committee is structured such that audit and scrutiny items are considered separately. Consequently it is proposed that the approval of the audited Statement of Accounts should be carried out by the Finance and Audit Scrutiny Committee in

future. The Council's External Auditor has considered this proposal and does support this change. This will require a change to the Committee's functions within the Constitution to be agreed by Council.

3.9.11 Whilst the early closedown does not formally come into place until the production of the 2017/18 Statement of Accounts in the Spring of 2018, it is intended that early closedown should be piloted in closing the 2016/17 Accounts, with the reporting deadlines duly brought forward.

3.9.12 With these changes in place, the future reporting cycle for the Statement of Accounts will be as follows:-

May	Finance and Audit Scrutiny Committee	Agree Annual Governance Statement and Internal Audit Annual Report
July	Executive	Final Accounts report - to review revenue and capital outturn against budget and agree any further appropriation of any balances in new year accounts.
July	Finance and Audit Scrutiny Committee	Consider External Auditor's Audit Findings Report on the Statement of Accounts.  Formally approve audited Statement of Accounts.

3.9.13 Closing the Council's accounts, producing the Statement of Accounts (and associated working papers), and producing relevant reports for members are significant tasks. Whilst the bulk of this falls upon the Accountants, the work is reliant on contributions from officers across the Council. Consequently, early closedown is being managed as a project within the 2016/17 Finance Service Plan, with contributions and commitment required from all key stakeholders, including the officers from all services and the Council's External Auditors. The Executive may wish to task Portfolio Holders with ensuring that their Managers agree to meet this commitment.

3.9.14 As part of the early closedown, the following changes and initiatives will need to be pursued:-

- Greater reliance on estimates
- Certain elements of the work by external audit being undertaken earlier in the year
- More tasks undertaken on a rolling basis throughout the year, rather than just a year end
- Reducing the size of the notes to the accounts ("de-cluttering").
- Information from other Service Areas being produced much earlier and within earlier deadlines.

## 4. **Policy Framework**

### 4.1 **Policy Framework**

This report is in accordance with the Council's Financial Strategy as last approved by the Executive in February. This provides the Council with the resources to deliver its other policies and strategies.

## 4.2 **Fit for the Future**

One of the 3 Strands of Fit For the Future is ensuring that the Council achieves the required savings to enable it to set a balanced budget whilst also maintaining or improving service provision. This report updates Members on the financial projections for future years, savings required to be found and some of the key issues affecting the Council's Medium Term Financial Strategy up to 2020/21.

## 5. **Budgetary Framework**

- 5.1 Based on the Council's Medium Term Financial Strategy that was incorporated into the Fit For the Future report to Executive in June, the Council needed to secure savings of almost £700,000 over the next five years for the General Fund. The report proposed how savings could be made to achieve this. The Medium Term Financial Strategy is currently being updated and will be presented to members later in the year.
- 5.2 The Budget Review Process provides a planning tool to ensure resources are directed to the Council's priorities. Alongside the Council's own activities, external factors influencing its finances are also taken into consideration, for example Central Government Financing, the Business Rates Retention scheme, changes in legislation and the economy.
- 5.3 The Council maintains its Reserves to deliver Capital and other projects, and to ensure that there are sufficient resources available to manage unforeseen demands and continue to deliver its services. Close monitoring of these Reserve balances, together with plans to replenish them will preserve the financial stability of the organisation for future years.

## 6. **Risks**

- 6.1 The Council's Significant Business Risk Register contains several risks which are finance related. Shortage of finance will impact upon the Council's plans for the provision of services. Reduced income or increased expenditure will reduce the funding available.
- 6.2 The main sources of income which may be subject to reductions include:-
- Government grant (e.g. Revenue Support Grant, Benefits Administration Grant)
  - Business Rates Retention
  - Fees and charges from the provision of services
  - Rent income
  - Investment Income
- 6.3 Increased expenditure in service provision may be due to:-
- Inflation and price increases for supplies and services.
  - Increased demand for services increasing costs
  - Changes to taxation regime
  - Unplanned expenditure
  - Assumed savings in budgets not materialising

- 6.4 Triggers for increased costs or reduced income include:-
- Economic cycle – impacting upon inflation, interest rates, unemployment, demand for services, Government funding available
  - Unplanned expenditure, e.g. Costs from uninsured events, Costs of planning appeals or other legal process
  - Project costs – whereby there are unforeseen costs, or the project is not properly costed, or the risks related to them are not properly managed.
  - Changes to assumptions underpinning the Medium Term Financial Strategy – these assumptions are closely monitored.
- 6.5 Key financial staff unavailable (illness, career move, retirement etc.) to provide financial advice or monitor, in conjunction with Managers, budgets and projects.
- 6.6 Many controls and mitigations are in place to help manage these risks. These include:-
- The comprehensive Budget Review process. This entails all budget managers reviewing their budgets on at least a monthly basis, considering previous, current and future years, along with any possible issues that may impact upon their budgets. As part of this process, Budget Review reports are issued to the Executive and Senior Management Team.
  - Financial Planning with the Medium Term Financial Strategy/financial projections, bringing together all issues that will impact on the Council's finances in the medium term.
  - Financial controls, including the Codes of Financial and Procurement Practice, system controls, reconciliations, audit (internal and external).
  - Project Management and associated controls.
  - Trained staff and access to appropriate professional advice (e.g. WCC Legal, Local Government Futures for advice on local government funding). Temporary professional staff to be used to augment resources in the event of staff unavailability.
  - Risk Management process across the Council, including the on-going review and maintenance of risk registers.
  - Scrutiny by Members of the Council's finances, including Budget Reports, and the financial implications of all proposals brought to them for consideration.
  - Within the 2016/17 there is a Contingency Budget with an uncommitted balance of £71,500 (prior to this meeting) for any unplanned or unavoidable expenditure.
  - Reserves – Whilst much of these Reserves have already been earmarked for specific projects, it is important that Reserves are held for any unforeseen demands.

- In addition to the reserves, the Council holds the General Fund Balance of £1.5m. This is available to accommodate any unplanned expenditure, or to make up any shortfall in income. However, the Council should seek to maintain the balance at this level.
- The specific causes of reductions to income or increased expenditure should continue to be managed by the relevant Service Area as part of managing the risks within each Service Risk Register. Individual Service Area Risk Registers are brought to Finance & Audit Scrutiny Committee every 2 years.

## **7. Alternative Option(s) considered**

- 7.1 Monitoring expenditure and income and maintaining financial projections is good financial management and part of good governance. Accordingly, to propose otherwise is not considered.