



## **REPORT of DIRECTOR OF RESOURCES**

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**to  
FINANCE AND CORPORATE SERVICES COMMITTEE  
25 JULY 2017**

### **2016 / 17 BUDGETARY OUTTURN UNDERSPENDS**

#### **1. PURPOSE OF THE REPORT**

- 1.1 To provide Members with detailed information in relation to the current status of capital projects, why they may not be proceeding as planned and when it was known that the project was not going to happen.
- 1.2 To provide information on the reasons for the revenue outturn underspend position for 2016 / 17.

#### **2. RECOMMENDATION**

That Members note the contents of this report and proposed remedial actions.

#### **3. SUMMARY OF KEY ISSUES**

This report is for Members' information only.

- 3.1 The budget outturn for 2016 / 17 reported a £1.18m underspend against budget for the revenue budgets, and £800,000 underspend against budget for capital projects.
- 3.2 Due to reporting of revised budgets to Members in January, the Capital outturn position had not been reported to Members in Quarter Three.
- 3.3 **Revenue Budgets**
  - 3.3.1 **APPENDIX 1** shows a summary of all key underspends from the 2016 / 17 outturn.
  - 3.3.2 A more detailed line by line analysis was carried out behind this summary and this work will form part of the 2018 budget review process to identify any further budgets that can be reduced to fund the future budget gap. The table below shows the largest key budget underspends categorised into the reason for the underspend.

<b>Reason</b>	<b>Amount £000s</b>	<b>Comment</b>
Expenditure Committed to in 2016 / 17 but will not occur until 2017/18.	300	Annually there are items that are intended to be completed in the relevant financial year, but due to various issues cannot. The figure for 2016 / 17 is lower than that in 2015 / 16 and will be reviewed annually to ensure that levels of money carried forward are not increasing year on year.
Demand led, therefore some variance is reasonably accepted at year end.	41	Due to their nature, demand led budgets will have an element of variance at year end dependent on take up. Historic trends and outturn can be used to estimate budget requirements, but there will be an element of uncertainty due to changes in trends.
Highlighted that potentially should have been built in at revised budget.	70	Senior staff advised that the revised budgets were not to be reviewed for 2016 / 17, therefore minimal work was carried out. A full budget review will be carried out for 2017 / 18 revised budgets.
Budgeting Error	242	As part of the 2016 / 17 original budget that was approved in February 2016, the Non Domestic Rate (NDR) balance attributable to Maldon was included at the wrong figure. Additionally the figures had been worked on a surplus when the outturn should have been a deficit. The balance is redistributed annually and therefore the deficit position will be corrected in 2017 / 18.
Items not known until after the revised budget process where budget was approved by Council 16 February.	318	Internal communications streams will continue to be reviewed to ensure that as much new income/changes to budget requirements can be built into budgets at the revised budget stage.  This was made up of £216,000 of central government new burden grants, £39,000 of additional Revenue Support Grant (RSG) funding, and other small budget items that were not notified until after the budgets had been approved such as rates and utility rebates on Council properties.
Changes to staffing establishment	110	This was reported with the outturn to the June meeting.

Reason	Amount £000s	Comment
Department requested retention of budget that underspent	93	Services retain the detailed knowledge of service delivery and timings, therefore finance have to be led by them, but will challenge where activity and explanations do not correlate.
External Funding	100	Income is received from third parties for specific projects and retained in a reserve, this income is built into budget at revised so that departments are aware what is available, but the project may not go ahead in that year and the money will be returned to reserves. Alternative ways of presenting / reporting this will be reviewed.
Planning under achievement of income	(150)	Planning income was under target due to major applications being budgeted for, but not realised.
Residual budget variances	60	The remaining underspend is due to minor variance that haven't been investigated further.
Total Underspend	1,184	

3.3.3 The budget process for 2017 / 18 focused mainly on the new year's budget with less focus on the revised budgets. The main budgetary process is carried out in November, and departments are reluctant to relinquish budget with still a significant proportion of the year left. The finance team will be querying where they believe budgets can be revised, and making recommendations to Directors where necessary. Whilst a year end underspend could be considered favourable as there is additional money in reserves, the amount of reserves available at the time of setting the budget influence decisions on the new year's budgets and financing. Equally supplementary estimates are often received later in the year, and are approved from new money, but identifying budgets that can be reduced in year can help to cover these bids without a need for new money.

3.3.4 Staff will be communicated with to ensure that current year budgets are also considered with regard to releasing unrequired monies and why this is necessary.

3.3.5 Existing earmarked reserves will also be reviewed and challenged to identify why reserves were initially set up and movement on them to ascertain whether there are balances that can be returned to funds. However whilst anything identified will assist in the budget gap for 2018 / 19, this is one off and therefore increases what needs to be found the following year.

### 3.4 Capital Projects

3.4.1 **APPENDIX 2** provides details of the capital programme for 2016 / 17 and its position as at year end. This shows that at year end only 67% of the programme had been completed. Narrative has been updated by officers to show why these projects were

not completed during 2016 / 17. The reasons for project underspends are summarised in the table below.

<b>Reason</b>	<b>Amount £000s</b>	<b>Comment</b>
Actual Expenditure	1,579	Breakdown Detailed in <b>APPENDIX 2</b>
Staffing capacity issues due to the service area being responsive to maintenance requirements in the year.	104	The relevant service area must react to maintenance demands on Council Owned plant and equipment and this work is prioritised over programmed capital work. Workplans for relevant staff have been reviewed to ensure that required work is achievable in the time available and management are looking at ways that the authority can work cross directorate to make efficient use of staff capacity throughout the year.
Project delayed to tie in with the Saltmarsh Coast launch in September 17.	30	By launching the entrance refurbishments at the Splash Park and the Riverside Path signage later, it has been possible to incorporate the Sense of Place branding promoted by the Council.
Delays due to third parties	202	Some projects that have required input from third party specialists, have been delayed as contractors have not been able to be secured. Tip Road is dependent on Essex County Council (ECC) and discussion are ongoing. The CCTV project was delayed due to issues with initial contractor and installation, new contractors have now been appointed. These issues cannot be avoided. However, reporting has been reviewed to try and collate information that will help these issues to be flagged at an earlier time.
Internal Accounting	18	This underspend relates to a coastal communities project that is ongoing and was mostly funded by an external grant. The grant was applied to cover all expenditure in 2016 / 17 and the Council's contribution will be used against the future expenditure on the project.
Delay due to larger Council Project	165	The new Splash Park kiosk has been delayed due to the Maldon Central Area Masterplan, as any works will be carried out as part of a larger project.  The telephony upgrade options review identified a need for a much bigger system update, and therefore the project was deferred.

<b>Reason</b>	<b>Amount £000s</b>	<b>Comment</b>
Equipment lead in time	117	A supplementary estimate to the 2016 / 17 budget was requested from Members in November 2016 for a Central Heating System for the leisure centre. When the system was ordered, there was a three month lead in time for the receipt of the equipment, meaning that this could not be installed until 2017-18.
Completed underspends	96	Capital expenditure for 2016 / 17 was last reported to Members as at Quarter Two with full narrative on project progress. The officers responsible for the budget setting process at that time, made the decision that full monitoring information was not required for Quarter Three due to the reporting of the revised budgets. Finance Team management has changed since then, and the information that should be being reported and frequency will be reviewed to ensure that Members are aware of progress and any issues in a timely manner.
Changes to projects	143	Three projects were identified as not being required to be completed and instead the funds used to support the transformation agenda.  There was no call on this capital money in 2016 / 17 as the transformation agenda was only launched at the end of the year with senior management and the main work streams will fully commence in 2017 / 18.
Internal Decisions	15	Logistical discussions with regard to placement of the electronic gates delayed the installation.
Budget	2,469	Breakdown Detailed in <b>APPENDIX 2</b>

- 3.4.2 Capital reporting will now look at the start and due completion dates to flag when a project is looking to be delayed and Capital Outturn will be reported quarterly to Members so that they are aware of any potential project underspends.

#### **4. CONCLUSION**

- 4.1 Whilst the revenue budget had significant underspends in 2016 / 17, £318,000 relating to notifications after the budget process, £110,000 staff savings, and £41,000 demand led budgets, could not have been built into the 2016 / 17 revised budgets due to timings of notifications, but areas will be reviewed as part of the next budget cycle

comparing trends and outturn from the prior years. Processes will also be reviewed and staff educated to enable more savings to be reflected with the revised budgets.

- 4.2 Work programmes and capital monitoring procedures have been reviewed to ensure that issues in delivering the capital programme are less frequent, and can be flagged at an earlier stage.

## **5. IMPACT ON CORPORATE GOALS**

- 5.1 This report links to the corporate goal of ‘delivering good quality, cost effective and valued services’.

## **6. IMPLICATIONS**

- (i) **Impact on Customers** – None directly.
- (ii) **Impact on Equalities** – None identified.
- (iii) **Impact on Risk** – There are no corporate risk issues associated with this report.
- (iv) **Impact on Resources (financial)** – Variances from the budget will impact upon the level of balances and/or capital reserves available in the future.
- (v) **Impact on Resources (human)** – None identified.
- (vi) **Impact on the Environment** – None.

Background Papers: None.

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