

# Scrutiny Panel

8 November 2016

Item  
**15**

<b>Report of</b>	<b>Assistant Chief Executive</b>	<b>Author</b>	<b>Sean Plummer</b> ☎ 282347 <b>Darren Brown</b> ☎ 282891
<b>Title</b>	<b>Financial Monitoring Report – April to September 2016</b>		
<b>Wards affected</b>	Not applicable		

**The Panel is invited to review the financial performance of all General Fund services and the Housing Revenue Account for the first six months of 2016/17**

## 1. Action required

- 1.1 The Panel is asked to consider the financial performance of General Fund Services and the Housing Revenue Account (HRA) for the first six months of 2016/17.

## 2. Reason for scrutiny

- 2.1 Monitoring of financial performance is important to ensure that:
- Service expenditure remains within cash-limited budgets.
  - Potential variances at year-end are identified early so that remedial action can be taken to recover the position or 'recycle' any surplus budgets.
  - Performance targets are being met.
- 2.2 This report also gives the panel the opportunity to hold Service Managers and Portfolio Holders accountable for their budgets.

## 3. Background and Summary Position

- 3.1 This report reviews the Council's overall position based on profiled income and expenditure for the six months to 30 September 2016, and also shows a projection of the outturn figures for the full year. All the information presented in respect of General Fund Services shows the position based on net 'direct costs'. The review of the Housing Revenue Account is different in that it shows all costs, both direct and indirect.
- 3.2 The projected outturn for the General Fund is currently a net overspend of £240k. The Housing Revenue Account forecast outturn position is currently to be on budget.
- 3.3 The General Fund position is set out in more detail in the following paragraphs and the HRA position explained in section 6. Budgets carried forward from 15/16 are now included in the schedules within this report, and as such will be monitored as part of the overall position.

#### 4. General Fund – Position to 30 September 2016

##### *Service Budgets*

- 4.1 Appendix A shows the current budget variances and forecast outturn variances by Service Group. The net position shows a variance against profiled budget for General Fund Services (excluding Benefits, NEPP & JMC) of £617k (favourable). This comprises total expenditure being £630k lower than expected and total income being £13k lower than expected. Appendix B breaks these variances down by subjective group.

##### *Income*

- 4.2 As reported at Quarter 1 to Government and Audit Committee, income is below targets in a number of areas to date but most notably within Community Alarms, although it should be noted that some of the shortfalls are small in monetary terms. We have however achieved more income in Planning, Parking and Trade Waste. As one of our main risk areas, income will continue to be closely monitored by officers on a monthly basis.

##### *Expenditure*

- 4.3 There are underspends against profiled budgets in most services areas, predominantly within employee, premises and transport costs. This can be a result of profiling of budgets as well as timing of expenditure. Panel members will be aware from previous reports that as part of the 2017/18 budget setting process, we are undertaking a further outturn review which takes into account the 2015/16 outturn position.
- 4.4 Benefits payments are not shown in Appendix A & B to avoid distorting the reported position for Service Groups. It is currently projected that this area will be on budget at year end, when the final subsidy claim is paid. Furthermore, NEPP and JMC variances are not included in the Appendix A & B totals, given these areas are ring-fenced and are reported to the relevant joint committee.

#### 5. Outturn Forecast / Risk Areas

- 5.1 This is the second review this year of the 2016/17 budget position, and the current forecast outturn is a net overspend of £240k.

	£'000	
Service budgets	190	See paras. 5.2 – 5.3 and Appendix C
Technical Items	-	See paras 5.6 – 5.8
C/Fwd identified	50	See para 5.9
<b>Potential net overspend</b>	<b>240</b>	

##### *Service Budgets*

- 5.2 The following table sets out the forecast outturn for all service areas with outturn variances. This shows a net forecast overspend of £190k. As the table shows, this mainly reflects less income in a number of areas, but primarily in Commercial Services.

Service	Forecast outturn		
	Expenditure	Income	Net
	£'000	£'000	£'000
Corporate & Financial Management	31	(5)	26
EMT	21	-	21
Community Services	65	75	140
Commercial Services	(98)	456	358
Customer Services	(85)	(92)	(177)
Operational Services	(174)	70	(104)
Professional Services	(17)	(57)	(74)
<b>Total all services</b>	<b>(257)</b>	<b>447</b>	<b>190</b>

- 5.3 Appendix C sets out details of all forecast variances against service budgets at the year-end totalling £190k.
- 5.4 There are other risks, both positive and negative, to the outturn position that are not currently shown in the forecast. These and other areas will be closely monitored over the coming months and if appropriate the outturn forecast will be revised.

*Corporate / Technical Items*

- 5.5. The budget includes a number of corporate and technical budget areas such as net interest earnings, the provision to repay debt, pension costs and some non-service specific grants.
- 5.6. It is currently forecast that net interest costs will be £30k more than the budget, due to the combination of less interest rechargeable to the HRA due to a reduction in the level of HRA borrowing required this year, and the low interest rates currently available on cash balances. With the growing prospect of short term interest rates reducing following the EU referendum result, there is potential for a further pressure on achieving investment income targets.
- 5.7. A saving of £95k is forecast for the year, resulting from a revised methodology agreed with external audit for calculating our MRP (Minimum Revenue Provision).
- 5.8. A saving of £75k from the insurance re-tender is anticipated in 16/17, which has been used to contribute towards the procurement target for the current financial year. This leaves a balance of £65k to find, and is included in the technical items forecast.
- 5.9. As part of the period 6 review, it has been identified that there may be a possible delay in the delivery of some LDF project work. We have therefore assumed £50k of this will be the subject of a carry forward request at year-end, and have excluded it from the overall forecast underspend.

*Summary position and action proposed*

- 5.10. The forecast outturn shows a potential net overspend of £240k. Further more detailed work will be undertaken during Quarter 3 to ensure forecast outturn positions are robust, including where underspends to date have not been reflected in the forecast outturn position.
- 5.11. SMT continues to monitor the budget position on a monthly basis. The next report to the Panel will consider the draft outturn position, with the 9 month position being reported to Governance and Audit Committee in March. This will provide a better opportunity to assess progress against budget targets and income levels.

**6. Housing Revenue Account**

- 6.1 The Housing Revenue Account (HRA) is a ring-fenced account which is affected by a number of variable factors. At the end of June 2016, the HRA is showing a net underspend of £761k compared to the profiled budget for the same period. This is primarily due to lower expenditure on Premises costs (£437k), Supplies & Services costs (£143k), and £139k more income than budgeted.

*Position to date*

- 6.2 Premises related costs are showing an underspend of £437k as at the end of September 2016. Overall, there is a net underspend of £170k on Repairs and Maintenance, which primarily relates to the timing of expenditure on repairs and maintenance of pumping stations, Homeless Persons Units and other delegated areas. There are further

underspends of £140k on Grounds Maintenance budgets, £46k on Council Tax on void properties and £22k on Utility and Water costs which relate to the timing of expenditure.

- 6.3 Supplies & Services costs are underspent by £143k at the end of September. There is a general underspend across most budget headings, which primarily relate to the timing of expenditure, the main factor being IT costs of £47k.
- 6.4 We have received £139k more income at the end of September 2016. This primarily reflects the late amendment by the Government to those properties which the 1% rent reduction is applied to. At the time of setting the 16/17 budget, it was assumed that the Government's rent reduction applied to all properties. However, the Government then stated after the budget had been set, that it was their intention that temporary accommodation would be subject to a permanent exception, whilst sheltered housing accommodation would benefit from a one year exception whilst the Government are carrying out a review of supported accommodation. This has resulted in us receiving more income than originally assumed. Furthermore, the additional income also reflects the net impact of less rental & service charge income being lost from dwellings and garages than assumed within the budget, through a combination of voids and the level of Right to Buy sales, as well as additional income from rechargeable repairs.

#### *Forecast Outturn*

- 6.5 The HRA forecast outturn is to be on budget. Any underspend that occurs in the year will be used to fund a greater proportion of our Housing Capital Programme through an increased Revenue Contribution to Capital, thus minimising new borrowing and maximising our available headroom.

## **7. Strategic Plan references**

- 7.1. The priorities within the Strategic Plan are reflected in the Medium Term Financial Forecast. This makes assumptions regarding government grant and Council Tax income, and identifies where necessary savings will be found in order to achieve a balanced budget. The 2016/17 revenue budget was prepared in accordance with the Strategic Plan's priorities, in the context of the Council facing growing financial pressures. Budget monitoring enables the financial performance against these priorities to be assessed.

## **8. Financial implications**

- 8.1. As set out above.

## **9. Risk management implications**

- 9.1. Risk management is used throughout the budget cycle, and this is reflected in the strategic risk register. The 2016/17 revenue budget report that was approved by Council in February 2016 detailed a number of potentially significant risk areas that had been identified during the budget process. In addition, Heads of Service identify a number of both positive and negative risk areas during the year.

## **10. Other Standard References**

- 10.1 Having considered consultation, publicity, equality, diversity and human rights, community safety, and health and safety implications, there are none that are significant to the matters in this report.

## **Background Papers**

None

**Current Budget Variances and Forecast Outturn Variances by Service Area**

		Position to date			Forecast Outturn		
	Area	Spend	Income	Net	Spend	Income	Net
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Corporate &amp; Democratic Core</b>		6	-	6	-	-	-
	<b>Total</b>	<b>6</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Corporate &amp; Financial Management</b>							
	Assistant Chief Executive	89	-	89	64	-	64
	Finance	5	-	5	18	-	18
	ICT and Communications	(89)	(6)	(95)	(46)	(4)	(50)
	People and Performance	(7)	(1)	(8)	(9)	(1)	(10)
	Governance	(3)	7	4	4	-	4
	<b>Total</b>	<b>(5)</b>	<b>-</b>	<b>(5)</b>	<b>31</b>	<b>(5)</b>	<b>26</b>
<b>Executive Management Team</b>							
	EMT	1	(11)	(10)	21	-	21
	Partner Projects	2	-	2	-	-	-
	<b>Total</b>	<b>3</b>	<b>(11)</b>	<b>(8)</b>	<b>21</b>	<b>-</b>	<b>21</b>
<b>Community Services</b>							
	Head of Community Services	-	-	-	(1)	-	(1)
	Cultural Services	(2)	(9)	(11)	5	1	6
	Community Zones	(135)	35	(100)	110	55	165
	Community Development	(50)	(12)	(62)	(36)	6	(30)
	Colchester Museums	(3)	20	17	(13)	13	-
	<b>Subtotal</b>	<b>(190)</b>	<b>34</b>	<b>(156)</b>	<b>65</b>	<b>75</b>	<b>140</b>
	Colchester & Ipswich Museums	17	(3)	14	55	1	56
	<b>Total</b>	<b>(173)</b>	<b>31</b>	<b>(142)</b>	<b>120</b>	<b>76</b>	<b>196</b>
<b>Commercial Services</b>							
	Head of Commercial Services	44	-	44	(29)	-	(29)
	Place Strategy	(5)	(56)	(61)	(48)	(57)	(105)
	Economic Growth	87	56	143	183	211	394
	Corporate Asset Management	63	10	73	32	-	32
	Commercial - Trading	(237)	119	(118)	(224)	302	78
	Commercial - Housing	52	(2)	50	(12)	-	(12)
	<b>Total</b>	<b>4</b>	<b>127</b>	<b>131</b>	<b>(98)</b>	<b>456</b>	<b>358</b>

		Position to date			Forecast Outturn		
	Area	Spend	Income	Net	Spend	Income	Net
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Customer Services</b>							
	Head of Customer Services	34	-	34	(1)	-	(1)
	Customer Operations	(102)	(6)	(108)	(66)	-	(66)
	Customer Demands & Research	(4)	(4)	(8)	32	(16)	16
	Customer Solutions	(114)	(77)	(191)	(68)	24	(44)
	Local Taxation & NNDR	(13)	(2)	(15)	18	(100)	(82)
	<b>Subtotal</b>	<b>(199)</b>	<b>(89)</b>	<b>(288)</b>	<b>(85)</b>	<b>(92)</b>	<b>(177)</b>
	Benefits - Payments & Subsidy	(109)	45	(64)	-	-	-
	<b>Total</b>	<b>(308)</b>	<b>(44)</b>	<b>(352)</b>	<b>(85)</b>	<b>(92)</b>	<b>(177)</b>
<b>Operational Services</b>							
	Head of Operational Services	9	-	9	13	-	13
	Sport & Leisure	3	19	22	(4)	96	92
	Recycling & Fleet	(279)	(6)	(285)	(165)	74	(91)
	Car Parking	(52)	(50)	(102)	(18)	(100)	(118)
	<b>Subtotal</b>	<b>(319)</b>	<b>(37)</b>	<b>(356)</b>	<b>(174)</b>	<b>70</b>	<b>(104)</b>
	Parking Partnership (NEPP)	(13)	(144)	(157)	-	-	-
	<b>Total</b>	<b>(332)</b>	<b>(181)</b>	<b>(513)</b>	<b>(174)</b>	<b>70</b>	<b>(104)</b>
<b>Professional Services</b>							
	Head of Professional Services	68	-	68	64	-	64
	Licensing & Food Safety	(37)	6	(31)	(22)	-	(22)
	Environmental Health Services	(11)	9	(2)	(2)	7	5
	Electoral Services	17	(5)	12	-	-	-
	Prof Support Units	51	5	56	(31)	-	(31)
	Land Charges	14	12	26	23	(24)	(1)
	Planning	(32)	(38)	(70)	(49)	(40)	(89)
	<b>Total</b>	<b>70</b>	<b>(11)</b>	<b>59</b>	<b>(17)</b>	<b>(57)</b>	<b>(74)</b>
	<b>Total (excluding Benefits, NEPP &amp; JMC)</b>	<b>(630)</b>	<b>13</b>	<b>(617)</b>	<b>(257)</b>	<b>447</b>	<b>190</b>

**Current Budget Variances and Forecast Outturn Variances by Subjective Group**

		Position to date			Forecast Outturn		
		Actual	Budget	Variance	Actual	Budget	Variance
	Subjective	£'000	£'000	£'000	£'000	£'000	£'000
	<b>Expenditure</b>						
	Employees	11,770	12,135	(365)	23,595	24,287	(692)
	Premises Related	4,091	4,270	(179)	6,759	6,715	44
	Transport Related	1,188	1,290	(102)	2,941	2,959	(18)
	Supplies & Services	4,841	4,857	(16)	10,757	10,448	309
	Third Party Payments	1,072	1,143	(71)	2,305	2,205	100
	Transfer Payments	153	50	103	100	100	0
	Capital Financing Costs	110	110	0	110	110	0
	<b>Total</b>	<b>23,225</b>	<b>23,855</b>	<b>(630)</b>	<b>46,567</b>	<b>46,824</b>	<b>(257)</b>
	<b>Income</b>						
	Government Grant	(494)	(517)	23	(976)	(1,006)	30
	Other Grants & Reimbursements	(1,070)	(1,063)	(7)	(2,286)	(2,505)	219
	Customer & Client Receipts	(11,054)	(11,040)	(14)	(20,303)	(20,501)	198
	Income-Interest	(53)	(64)	11	(129)	(129)	0
	Inter Account Transfers	0	0	0	0	0	0
	<b>Total</b>	<b>(12,671)</b>	<b>(12,684)</b>	<b>13</b>	<b>(23,694)</b>	<b>(24,141)</b>	<b>447</b>
	<b>Net</b>	<b>10,554</b>	<b>11,171</b>	<b>(617)</b>	<b>22,873</b>	<b>22,683</b>	<b>190</b>

**Forecast Outturn Variances**

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Corporate and Financial Management (incl. CDC)				
Assistant Chief Executive	64	0	64	Vacancy factor savings will be partially offset against underspends in other budgets within the service.
Finance	18	0	18	Forecast overspend relating to employee costs.
ICT and Communications	(46)	(4)	(50)	Underspends across employee costs and supplies & services for ICT.
People & Performance	(9)	(1)	(10)	Underspend across employee costs, small overspend on training costs being offset by extra income.
Governance	4	0	4	Overspend on post room equipment purchase and new member induction.
Executive Management Team				
EMT	21	0	21	Overspend on employee costs forecast due to agency costs to cover maternity leave.
Community Services				
Head of Community Services	(1)	0	(1)	Small salary underspend.
Cultural Services	5	1	6	Small overspend on supplies and services.
Community Zones	110	55	165	Forecasting a cost pressure of £115k due to sunken boat recovery works. Savings of £12k on security in Castle park to offset salary overspend within the area. Sweepers forecasting £5k underspend on fuel, and £18k overspend forecast relating to tree maintenance. Less Market Income of £55k.
Community Development	(36)	6	(30)	Forecasting £38k underspend on salaries. £6k less income generated by school visits and parking in Highwoods Country park.



Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Colchester and Ipswich Museums	55	1	56	There has been an agreed use of reserves by the Joint Museums Committee. There is therefore additional expenditure of £24k on salaries across the service, mainly due to the Collection Information Programme, and £30k on Supplies and Service costs. £1k more income is being forecast in Ipswich for Fees and Licences.
<b>Commercial Services</b>				
Head of Commercial Services	(29)	0	(29)	Forecast saving on vacant Head of Service post.
Place Strategy	(48)	(57)	(105)	Small variances across the service including employees and a £50k forecast underspend on LDF work which will be the subject of a carry forward request at year end. A £23k surplus of Pre-Planning Application income has been forecast by year end. Extra £34k Travel Plan income has been forecast but will be offset by extra expenditure.
Economic Growth	183	211	394	Cost pressures have been forecast in the following areas:- Employees pressure of £64k incl. some temporary agency cover; North Colchester cesspool issues £15k; St James / Roman House security and pest control issues £34k. East Colchester legal fees £40k; IT costs £12k. Income shortfalls forecast on North Colchester Leisure site £100k; Charter Court £90k and Digital Income £20k.
Corporate Asset Management	32	0	32	Town Hall Building works £17k and Rowan House service charge £15k.

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Commercial - Trading	(224)	302	78	Events team forecasting a net shortfall of £115k against budget for their first year which is a mixture of underspends and lower income levels than budget. Monitoring & Response services forecasting a shortfall in income £100k (Helpline) although this will be offset by £100k underspend on employees. Building Control forecast a £26k saving on employees
Commercial - Housing	(12)	0	(12)	£12k employee saving forecast.
<b>Customer Services</b>				
Head of Customer Services	(1)	0	(1)	Small underspend forecast.
Customer Operations	(66)	0	(66)	Forecast short term underspends on employee costs due to the implementation of a new structure. The underspend is offset by forecast overspends on print and postage costs. There has been a £50K budget reduction in this area due to efficiency savings that were expected to be made over the course of the next year. This is reliant on new technology which is currently being evaluated, which is hoped will be in place by January 2017.
Customer Demands & Research	32	(16)	16	Small overspend on employee costs relating to the development of new commercial websites and digital challenge work, which is partially offset by extra income from consultancy work.
Customer Solutions	(68)	24	(44)	Forecast short term underspends on employee costs due to the implementation of a new structure. This is partially offset by forecast overspends on IT costs and training. Less claim income receivable

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
				reflecting lower expenditure due to vacant posts.
Local Taxation & NNDR	18	(100)	(82)	Forecast overspend relates to search fees within Council Tax. £100k more income from Court Fees Recovered is estimated for the year.
<b>Operational Services</b>				
Head of Operational Services	13	0	13	Overspend on employee costs due to maternity leave cover.
Sport and Leisure	(4)	96	92	Less income from Lifestyle Memberships despite the removal of induction Fees, which has resulted in further income shortfalls in the Fitness Centre. There are controllable variances across most cost centres as you would expect in a business operating in this sector.
Recycling and Fleet	(165)	74	(91)	Savings on staff vacancies across the service, and less income from Glass Sales due to falling prices, has been forecast by year end.
Car Parking	(18)	(100)	(118)	Underspends relate to NNDR costs for car parks either closed for repairs or being developed. Pay and display income is forecast to be £100k more than the budget based on the income received for the first half of the year.
Parking Partnership	0	0	0	NEPP budgets are expected to run within budget.
<b>Professional Services</b>				
Head of Professional Services	64	0	64	Vacancy factor savings will be offset against underspends in other budgets within the service.
Licensing & Food Safety	(22)	0	(22)	Underspends across employee costs.
Environmental Health Services	(2)	7	5	Underspend on works in default costs offset by less related income. Less income for environmental annual subsistence charges.

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Professional Support Units	(31)	0	(31)	Underspend across employee costs, offsetting overspends for pension late submission penalty charge and payroll bureau extension.
Land Charges	23	(24)	(1)	Overspend relating to Arcus software, to be offset by additional income.
Planning	(49)	(40)	(89)	Underspends across employee costs. More planning income is forecast.

September 2016  Account Description	Current Period - September 2016			Forecast Year-End Position		
	Profiled Budget to Period 6 £'000	Actual to Period 6 £'000	Variance (under) / over £'000	Annual Budget £'000	Projected Outturn £'000	Variance (under) / over £'000
<b>HRA - Direct &amp; Non-Direct</b>						
<b>EXPENDITURE</b>						
Employees	54	49	(5)	108	108	-
Premises Related	3,468	3,031	(437)	6,721	6,721	-
Transport Related	-	1	1	-	-	-
Supplies & Services	374	231	(143)	972	972	-
Third Party Payments	1,996	1,986	(10)	3,435	3,435	-
Transfer Payments	49	22	(27)	166	166	-
Support Services	1,771	1,771	-	3,808	3,808	-
Capital Financing Costs	34	34	-	15,273	15,603	330
<b>TOTAL EXPENDITURE</b>	<b>7,746</b>	<b>7,125</b>	<b>(621)</b>	<b>30,483</b>	<b>30,813</b>	<b>330</b>
<b>INCOME</b>						
Other Grants & Reimbursements	(11)	(11)	-	(145)	(145)	-
Customer & Client Receipts	(15,806)	(15,945)	(139)	(29,968)	(30,298)	(330)
Income-Interest	(1)	(1)	-	(32)	(32)	-
Inter Account Transfers	-	-	-	(160)	(160)	-
<b>TOTAL INCOME</b>	<b>(15,818)</b>	<b>(15,957)</b>	<b>(139)</b>	<b>(30,305)</b>	<b>(30,635)</b>	<b>(330)</b>
<b>TOTAL NET - HRA</b>	<b>(8,072)</b>	<b>(8,832)</b>	<b>(760)</b>	<b>178</b>	<b>178</b>	<b>-</b>