

## Scrutiny Panel

Item  
**14**

8th July 2014

Report of	Assistant Chief Executive	Author	Sean Plummer ☎ 282347 Darren Brown ☎ 282891
Title	Financial Monitoring Report – End of Year 2013/14		
Wards affected	Not applicable		

**The Panel is invited to review the financial performance of all General Fund services and the Housing Revenue Account for 2013/14**

### 1. Action required

- 1.1 The panel is asked to note the financial performance of General Fund Services and the Housing Revenue Account (HRA) for the year 2013/14.

### 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

- 3.1 The Panel last considered the revenue budget position on 11th February 2014. This showed a projected net underspend of £8k against the General Fund. The report also detailed a projected net underspend of £812k against the Housing Revenue Account.
- 3.2 Work is ongoing to complete the accounts for 2013/14 and this report has been prepared using provisional figures, which may be subject to some minor changes and are still subject to external audit.
- 3.3 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.

#### 4. General Fund – End of Year Position

- 4.1 The following table summarises the outturn position for each Service, the effect of the approved requests for carry forward into 2014/15, and a breakdown of the outturn position against the main non service areas.

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>c/f</b>	<b>Net</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Corporate & Financial Management (incl. CDC)	9,262	8,883	(379)	71	(309)
Executive Management Team	841	855	14	10	24
Community Services	6,075	6,029	(46)	33	(13)
Commercial Services	751	263	(488)	475	(13)
Customer Services	1,947	1,888	(59)	75	16
Operational Services	(754)	241	995	0	995
Professional Services	2,468	1,867	(601)	116	(486)
<b>Total Services</b>	<b>20,590</b>	<b>20,026</b>	<b>(564)</b>	<b>779</b>	<b>215</b>
UCC FSR / Strategic Plan Priorities / Procurement	361	(67)	(428)	261	(167)
CLIA (interest)	922	699	(223)		(223)
Other corporate / technical items			(109)	62	(47)
<b>Total</b>			<b>(1,324)</b>	<b>1,102</b>	<b>(222)</b>
Proposed use of balances (see 4.10)					185
Net surplus to be added to balances					(37)

- 4.2 The above table shows approved carry forward requests and other adjustments totalling £1,102k. These relate to a number of requests with the key items being:-

- £194k linked to UCC FSR projects
- £101k linked to Strategic Plan priorities allocations and locality budgets
- £149k in respect of funding allocated for affordable housing projects from the New Homes Bonus.
- £180k in respect of funding allocated for Local Development Framework (Core Strategy) and Community Infrastructure Levy (CIL)
- £40k in respect of works associated with storm damage
- £87k in respect of savings made within corporate PSU required to support on-going development.
- £69k linked to asset / regeneration
- £75k linked to various on-going projects within customer services.
- £40k negative carried forward in respect of a net overspend on the Joint Museum Service. The carry forward is permitted in line with the terms of the agreement.

#### *Service Budget Position*

- 4.3 **Appendix A** summarises the Council-wide position by expenditure group. **Appendix B** provides a more detailed view of the performance of individual Service Groups. Both reports include traffic light indicators. The thresholds are as follows:

Green – Variance less than £50k and 5% of budget

Amber – Variance greater than £50k **OR** 5% of budget

Red – Variance greater than £50k **AND** 5% of budget

- 4.4 **Appendix C** shows all budget variances. The majority of these items have been reported to the Panel during the year.

- 4.5 The overall position on services has improved from that reported at Period 9. The largest changes include additional planning income, reduced insurance costs and a number of service budget savings.

*Non Service Areas*

- 4.6. In addition to Service budgets it is necessary to review the corporate and technical items in the budget. The following paragraphs detail the most significant of these in terms of budget variances.
- 4.7. The Central Loans and Investment Account (CLIA) comprises the Council's borrowing costs and investment income and has a net budget of £922k. As has been reported during the year the final outturn shows a net gain of over £223k. This is due to:-
- The ongoing strategy of 'internal borrowing'
  - Reduced borrowing on existing programme
  - Underspend on provision for new borrowing
- 4.8. The net underspend also includes a £49k gain in respect of the adjustment following the sale of the Icelandic investment.
- 4.9. The other remaining technical adjustments include areas such as miscellaneous unallocated receipts, some small unbudgeted Government grants received at the end of the financial year, one off pension payments and the impact of changes between the General Fund and Housing Revenue Account. Some of these items have been reported during the year whilst others relate to end of year technical accounting items.
- 4.10. Leadership Team has considered the provisional outturn figures and has identified the following draft proposals for use of the surplus which will be submitted to Cabinet for agreement.

<b>Proposal</b>	<b>£'000</b>	<b>Comment</b>
Pay award	100	One-off cost of 0.5% not in 14/15 budget
Museums – China Exhibition	25	One-off cost matched by ECC. Note: refund due of £75k in 15/16.
Chargehand – one year post	25	This post is initially for a 12 month period to provide capacity in the Recycling, Waste & Fleet team to supervise the day to day working of the crews and respond to customer issues and enquiries.
Regeneration Project Officer - One year post	35	An additional project officer to work on key regeneration schemes and income generating projects work predominantly at Northern Gateway and in the Town Centre to contribute to the delivery of set income targets.
<b>Proposed Allocations</b>	<b>185</b>	

*Summary and impact on future years*

- 4.11. Outturn variances are discussed with relevant service managers and the overall position is considered by Senior Management Team. One important issue is to consider the extent to which any budget variance is likely to be a recurring issue and if so has the 13/14 budget been adjusted to reflect this.
- 4.12. Service managers are reviewing all outturn variances and any recurring issues will be reported alongside the emerging 2015/16 budget strategy.

- 4.13. The 2013/14 budget included almost £1.8m of savings or additional income. As the outturn position shows these have either been delivered or other compensating savings or additional income has been achieved.
- 4.14. The 2014/15 budget was based on the plan that the 13/14 outturn would be delivered “on budget”. The final position therefore reflects an improvement and the additional surplus will therefore be added to balances and will be considered by Cabinet.

## **5. Housing Revenue Account**

- 5.1 **Appendix D** sets out the pre-audit revenue outturn for the Housing Revenue Account (HRA).
- 5.2 The outturn position is showing a net surplus of £957k compared to a budgeted deficit of £370k for the year, a favourable variance of £1,327k. However, there are carry forwards and contributions to reserves that reduce this variation to a favourable variance of £928k. The outturn variance needs to be considered in the context of the forecast outturn position at Period 9, which was predicting an underspend of £812k, and also the predicted underspend for 2013/14 contained within the 2014/15 HRA budget setting papers considered by the Panel at its meeting on 28<sup>th</sup> January 2014. The outturn position has arisen as a result of variances in several areas, and has been split between service and non-service elements.

### *Service Areas*

- 5.3 We received £233k more income than budgeted. This primarily reflects the 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 timing of the garage site redevelopment project. We also received more income from court costs recovered.
- 5.4 There was less expenditure than anticipated in a number of areas, the major ones being as follows; There was a net underspend on Premises costs, primarily reflecting an overspend on the repairs and maintenance budgets caused by the costs of storm damage to fencing, lower utility costs, along with underspends on other CBH delegated budgets such as contract cleaning and grounds maintenance work. There was a general underspend across most Supplies and Services budgets, which was partially contributed to by a lower contribution to our Bad Debts Provision than budgeted reflecting the amount of write-off's during the year and the level of rent arrears at the year-end. Carry forward requests of £310k from the underspend on expenditure have been approved.

### *One-Off/Technical Items*

- 5.5 There are a number of technical accounting items which are not known until the end of the financial year, such as the annual depreciation charge and the revenue contribution to the Housing Capital Programme (HIP). Given the introduction of HRA Self-financing on 1<sup>st</sup> April 2012, the majority of the HIP is funded from revenue, either via a depreciation charge or as a Revenue Contribution to Capital (RCCO). There are clear links between the two, as any change in one will lead to a change to the other. Also, any variation in expenditure and other sources of capital resources within the Capital Programme can lead to a lower or higher cost within the HRA, given this is its primary funding source. There was a lower depreciation charge of £435k in 2013/14 than assumed within the budget. Whilst this freed up resources to make a higher revenue contribution to capital the actual level of RCCO required was lower than assumed within the budget, reflecting the timing of expenditure on the redevelopment of garage sites and the timing of capital receipts from the review of sheltered accommodation. These resources will be carried

forward in the HRA balance and used to fund the re-profiled expenditure on garage sites when it occurs in 2014/15.

- 5.6 There are a number of carry forwards which have been identified, as well as a contribution to reserves for expenditure identified after the 2014/15 budget had been set, such as the costs associated with the relocation of CBH from the Gosbecks Road depot. Finally, there is a £5,950k variance on Capital Financing costs, which reflects the adjustments within the accounts for the revaluation of housing assets for 2013/14. These revaluation adjustments are reversed out within the Inter Account Transfers heading.
- 5.7 The HRA balance at 31<sup>st</sup> March 2014 is £5,464k. However, £3,864k of this balance is currently committed to future years in order to fund revenue expenditure committed to during 2013/14, together with future contributions to the Housing Investment Programme (Capital). This leaves the uncommitted HRA balance at £1,600k, which is the recommended minimum prudent level of balances. The level of balances at the year-end is broadly in line with the estimate used when the 30 year HRA Business Plan was agreed by Cabinet in January 2014. The 2014/15 HRA Medium Term Financial Forecast presented to the Panel, and agreed by Cabinet in January 2014, showed that a large part of the HRA balance will be used to support the 2014/15 Capital Programme, thus reducing the need to undertake new borrowing, which is reflected by the level of uncommitted balance at 31<sup>st</sup> March 2014.
- 5.8 The HRA is a “ring-fenced” account which means that any underspend or overspend in a given year must be retained within the HRA. The effect of the 2013/14 outturn position will need to be reflected within the Medium Term Financial Forecast (MTFF) for the HRA to establish the level of resources for future years. This will be reviewed as part of the forthcoming budget process for 2015/16.

## **6. Strategic Plan references**

- 6.1. The priorities within the Strategic Plan are reflected in the Budget and Medium Term Financial Forecast.

## **7. Financial implications**

- 7.1. As set out above.

## **8. Risk management implications**

- 8.1 Risk management is used throughout the budget cycle, and this is reflected in the strategic risk register. The 2013/14 revenue budget report that was approved by Council in February 2013 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.

## **9. Other Standard References**

- 9.1 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

## Major Outturn Variances

Note: Underspends and additional income variances are shown in brackets.

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Corporate and Financial Management (incl. CDC)				
Corporate & Democratic Core	(16)	0	(16)	Underspend relating to 11/12 rebate for final year of audit commission fee, and grant certification fee was less than advised.
Assistant Chief Executive	(16)	0	(16)	Underspend on training costs across whole service.
Democratic Services	(75)	2	(73)	Under across salary and Locality spend – this expenditure has been allocated to projects and is subject to a carry forward request.
Legal Services	15	(9)	6	Overspend across supplies and services, under on salary spend.
Human Resources	(25)	1	(24)	Underspends across salary costs and conference and seminar fees. A proportion of the budget was earmarked for the annual Masterclass which has been deferred until May 2014 and did therefore not fall within this financial year.
Facilities	(67)	(8)	(75)	Underspends on salary costs, Repairs and Maintenance and Planed Preventive Maintenance and the cleaning contract but over across supplies and services. Net under income relating to the change of use of the Old Library, unbudgeted income from Fenwick relating to space for temporary retail unit and under on staff travel plan.
Communications & MFDs	(20)	(11)	(31)	Underspend across supplies and services due to planned work not starting this year now. Unbudgeted income for Roundabout advertising
ICT	(80)	5	(75)	Underspend on the Capita Contract combined with savings on salary costs and VDI software licence
Financial Management	(78)	(3)	(81)	Underspend across salary and insurance costs as motor claims were lower than anticipated

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Executive Management Team				
EMT	(11)	30	19	Underspend on Customer Excellence offsets the majority of income which will not be received. Overspent on redundancy costs relating to the UCC FSR.
Projects	(1)	(6)	(7)	Unbudgeted income for Haven Gateway
Community Services				
Cultural Services	4	(15)	(11)	Increased income at Visitor Information Centre (partially offset by spend related to ticket sales)
Community Zones	(14)	(23)	(37)	£58k overspend regarding Area Zones, includes large amounts of Tree Maintenance due to Storm Damage. Mostly offset by unbudgeted income of £61k (mainly Sports & Playing Fields / Castle Park). £37k overspend in Zone Management mainly due to Casual Staff and Vacancy Factor for whole area. £107k underspend on Zone Teams including Sweeper and Market functions. £19k less income than budgeted for Fees (zones), offset by less income than budgeted for Market & Street Trading of £27k.
Community Development	(47)	6	(41)	Overspend on employee and premises budgets relating to restructure and redundancies, and delayed transfer of Activity Centre. Offset by unspent grant (requested as a carry forward) and expenditure relating to income. Income was down on expectations in Activity Centres but exceeded expectations in Parks events.
Colchester and Ipswich Museums	49	(9)	40	Overspend primarily due to negative carry forward from 2012/13 (due to redundancy costs). Additional unbudgeted funding from Albert Trust (income) has increased income figure.

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
<b>Commercial Services</b>				
Head of Commercial Services	68	0	68	Overspend in relation to the temporary Commercial management arrangements, which has been offset by salary savings within the Commercial area shown below.
Place Strategy	(402)	49	(353)	This variance reflects various salary savings (£89k) across the service, as a result of the UCC FSR and changes within the Housing Strategy team. The 2013 Tour Series was under-budget by £25k. Although a £30k pressure from the cost of planning appeals, there is still £330k under spend of the Local Plan plus the New Homes Bonus budgets which will form part of a Carry Forward request. Major Developments PPA and Spatial Policy income was under budget by the end of the year by £32k and £18k respectively. However, this is offset by the additional planning income received within Professional Services and partly reflects the split of the budget between these two areas.
Economic Growth	(2)	(70)	(72)	The final 12/13 rent reconciliation for Colchester Business Park (CBP) was £20k higher than expected, plus gains in 13/14 from the new letting arrangement for the Magistrates Court/Old Library area £38k; £28k Magdalen St bus depot and a further re Plot 49 CBP £10k and industrial ground leases £10k. Still holding a £70k accrual for potential housing wayleaves income. Digital strategy income target of £30k not achieved. Some expenditure pressures in the year including £39k from Northern Gateway/Cuckoo Farm, although offset by other under spends including NNDR and marketing.
Commercial	(357)	225	(132)	Salary savings of £105k across all posts in this area, as per forecast, although offset by over spend within the Head of Service area, shown above. £56k net under-spend on B&B/Homelessness Initiatives. Under spend of £23k on the Housing Options Team, and £25k additional income from Homeless Persons Units due to lower void levels, and a



Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
				year-end adjustment to supporting people income. Bereavement services savings made on expenditure totalled £38k even after higher numbers of assisted funerals within the year, although income was £8k below budget at the year end. Monitoring & Response income pressures in Community Alarms £110k, although mitigated by an expenditure under spend of £52k Engineering £46k income shortfall has been offset by other savings, including salaries. Building Control has a £7.6k variance to budget at year end – income £31k under budget offset by £23k expenditure savings.
<b>Customer Services</b>				
Head of Customer Services	9	0	9	Small redundancy pressure following UCC FSR restructure in this area. Salary savings for the whole service were a net £85k by year end, £50k greater than forecast, these helped offset service pressures including £134k redundancy costs as well as printing and postage (detailed below)
Customer Operations	73	(29)	44	£88k salary underspend although £115k redundancy costs plus some pressure from IT, print & postage. New burdens grant £23k higher than original budget.
Customer Demands & Research	23	0	23	Salary pressures following UCC restructure and budgets not fully re-allocated.
Customer Solutions	(18)	(6)	(24)	Salary pressures following UCC restructure offset by underspends elsewhere.
Local Taxation & NNDR	18	(129)	(111)	Council Tax court costs income ended up £119k above budget by year end, NNDR was £6.3k under. A sharper increase in the collection of costs occurred in the last few months of the year. This extra income helps to offset the £30k pressure from the NNDR Discretionary Relief.
Benefits – Payments and Subsidy	(1,659)	1,661	2	Benefit payments lower than budget, both Private Sector and Rent Rebates, although subsidy also adjusted to reflect this.

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
<b>Operational Services</b>				
Head of Operational Services	3	0	3	Small overspend on staff costs due to a contractual salary increase.
Sport and Leisure	(178)	348	170	<p>A time delay for the launch of implementation has meant a delay in income growth and some planned developments. To help compensate these lower income figures, savings have been identified across the business including overtime, buildings and equipment spend.</p> <p>Income areas that performed above their targets were the wet side courses and Events income and below target include Lifestyles memberships £162k; car parking £55k; Pools £26k and Joint Use sports centres £9k. These issues have been addressed in the strategy and the budgets set for 2014/15.</p>
Recycling and Fleet	384	149	533	<p>The largest pressure was on fleet costs due to delays in the supply of vehicles in the contract, resulting in various types of occasional hire which were more expensive. Also, additional vehicle costs due to the Yard partnership not going ahead. Employee costs were overspent due to interim management arrangements and agency costs. Savings on contractors due to review of rates and reduced trade tipping costs. Shortfall in income due to savings targets for partnership working (depot &amp; trade refuse) that did not progress. Additional income pressures on trade refuse, voids and recycling credits, which is mainly due to reduced tonnages which matches the trend reflected elsewhere in the county. This was partly mitigated by higher than budgeted income from glass sales. A number of adjustments have been made in the budgets for 2014/15 to reflect improved working arrangements.</p>
Car Parking	(31)	316	285	<p>Income levels from casual car parking were at 98% of 2012/13. Savings identified in expenditure budgets to mitigate pressure and adjustments have been made to the budget expectations for 2014/15.</p>

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Parking Partnership				As both the North Essex Parking Partnership (NEPP) on-street and off-street accounts were both in surplus (£152k and £9k respectively) by the end of the financial year there was no requirement for the Council to contribute any funds. In both cases the surplus has been retained in the NEPP ring-fenced accounts. The surpluses will be reported to the Joint Committee of the NEPP on 26 <sup>th</sup> June to confirm these actions. The deficits in the previous two years were covered by Essex County Council as agreed when the NEPP was established in April 2011.
<b>Professional Services</b>				
Head of Professional Services	12	0	12	£12k overspend due to recruitment costs of management post (restructure) and UCC redundancy costs
Development Services	8	(203)	(195)	Additional Planning application income received
Environmental Services	(111)	(19)	(130)	Underspend on salaries (£84k) due to staff changes and vacancies (UCC FSR). Offset by £13k overspend (Third Party Payments) regarding Air Quality staff. Underspent Supplies & Services – grant received in year covered annual costs. £28k additional income from Licensing due to enforcement work and additional £7k from housing inspections. Offsets £16k lower income than budgeted from Animal Control and £6k from Environmental Control
Electoral Services	18	(51)	(33)	Unbudgeted spend offset by larger contributions received for European and County elections than budgeted
Professional Support Units	(82)	0	(82)	Overspend relating to UCC redundancy costs. Underspends on PSU salaries due to UCC changes, group training budget, ALMO management fee savings returned to the Council and general under spends across supplies and services.
Land Charges	0	(169)	(169)	£169k more income than budgeted for Land Charges search fees

Current Period – March 2014				
End Of Year 2013/14	Budget for	Actual for	Variance	
Account Description	Year	Year	(under) / over	
	£'000	£'000	£'000	
<b>HRA - Direct &amp; Non-Direct</b>				
<b>EXPENDITURE</b>				
Employees	139	128	(11)	Amber
Premises Related	6,793	6,607	(186)	Amber
Transport Related	4	2	(2)	Amber
Supplies & Services	981	737	(244)	Red
Third Party Payments	3,302	3,284	(18)	Green
Transfer Payments	141	168	27	Amber
Support Services	3,308	3,320	12	Green
Capital Financing Costs	15,173	8,464	(6,709)	Red
<b>TOTAL EXPENDITURE</b>	<b>29,841</b>	<b>22,710</b>	<b>(7,131)</b>	<b>Red</b>
<b>INCOME</b>				
Other Grants & Reimbursements	(132)	(177)	(45)	Amber
Customer & Client Receipts	(29,001)	(29,182)	(181)	Amber
Income-Interest	(23)	(30)	(7)	Amber
Inter Account Transfers	(315)	5,722	6,037	Red
<b>TOTAL INCOME</b>	<b>(29,471)</b>	<b>(23,667)</b>	<b>5,804</b>	<b>Red</b>
<b>TOTAL NET - HRA</b>	<b>370</b>	<b>(957)</b>	<b>(1,327)</b>	<b>Red</b>
<i>Technical Items:-</i>				
Carry Forwards		310	310	
Contributions to Reserves		89	89	
<b>OVERALL - POSITION</b>	<b>370</b>	<b>(558)</b>	<b>(928)</b>	<b>Red</b>