

4 September 2018

<b>Report of</b>	<b>Assistant Director Policy and Corporate</b>	<b>Author</b>	<b>Darren Brown</b> ☎ 282891
<b>Title</b>	<b>Financial Monitoring Report – April to June 2018</b>		
<b>Wards affected</b>	Not applicable		

## 1. Executive Summary

1.1 This report gives the Committee the opportunity to hold Service Managers and Portfolio Holders accountable for their budgets. The financial position is summarised as follows:-

- The General Fund is showing a net underspend against services of £356k as at period 3. This includes less expenditure of £100k and more income of £256k, compared to profiled budgets.
- The current forecast outturn position for the General Fund is a net overspend of £150k.
- The Housing Revenue Account is showing a net underspend of £457k as at period 3, and is forecast to be on budget at the year-end.

1.2 Assistant Directors and their budget holders have undertaken a thorough review of the financial position for their services, which is reflected in this report. In addition, SMT continues to monitor the budget position on a monthly basis. The next report to the Committee will consider the position after 9 months, with the half-year position being reported to Scrutiny Panel in November. This half year review will provide a better opportunity to assess progress against budget targets and income levels, and any resulting necessary action to mitigate any forecast budget variance will be considered.

## 2. Action required

2.1 The Committee is asked to consider the financial performance of General Fund Services and the Housing Revenue Account (HRA) for the first three months of 2018/19, and to note the forecast budget overspend of £150k on the General Fund.

## 3. Reason for scrutiny

3.1 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.

3.2 This report also gives the committee the opportunity to hold Service Managers and Portfolio Holders accountable for their budgets.

## 4. Background

- 4.1 This report reviews the Council's overall position based on profiled income and expenditure for the three months to 30 June 2018, 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.

### Summary Position

- 4.2 The projected outturn for the General Fund is currently a net overspend of £150k. The Housing Revenue Account forecast outturn position is currently to be on budget.
- 4.3 The General Fund position is set out in more detail in the following paragraphs and the HRA position explained in paragraphs 4.14 to 4.17. Budgets carried forward from 17/18 are now included in the schedules within this report, and as such will be monitored as part of the overall position.

### General Fund – Position to 30 June 2018

#### *Service Budgets*

- 4.4 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 £356k (favourable). This comprises total expenditure being £100k lower than expected and total income being £256k higher than expected. Appendix B breaks these variances down by subjective group.

#### *Income*

- 4.5 Income to the Council is above targets in a number of areas to date, but most notably in Planning and Housing, and across Customer and Environment service areas. We have however achieved less income in Sport and Leisure. As one of our main risk areas, income will continue to be closely monitored by officers on a monthly basis.

#### *Expenditure*

- 4.6 There are underspends against profiled budgets in a number of services areas, predominantly within premises, transport and supplies & services costs. This can be as a result of profiling of budgets as well as timing of expenditure.
- 4.7 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.

### Outturn Forecast / Risk Areas

- 4.8 This is the first review this year of the 2018/19 budget position, and the current forecast outturn is a net overspend of £150k.

	£'000	
Service budgets	250	See paras. 4.9 – 4.10 and Appendix C
Technical / Corporate Items	(100)	See para 4.11
<b>Potential net overspend</b>	<b>150</b>	

### *Service Budgets*

- 4.9 The following table sets out the forecast outturn for all service areas, with outturn variances. This shows a net forecast overspend of £250k. As the table shows, this is mainly due to additional expenditure of £483k. The largest areas contributing to this are; Employee costs of £220k which relates to the net impact of vacancy factor targets potentially not being met, vacant posts and agency costs; Premises costs of £68k (e.g. business rates and utility costs at Leisure World) and Supplies & Services costs of £48k (Materials in Domestic Collections and grant payments at Leisure World, the latter of which is matched by income). Finally, £105k relates to the additional costs agreed by Cabinet relating to Recycling Collections from Flats, although this is matched by additional income. In addition, the forecast includes more income of £233k, which primarily relates to recycling credits (£160k) and additional trade waste income (£45k).

<b>Service</b>	<b>Forecast outturn</b>		
	<i>Expenditure</i>	<i>Income</i>	<i>Net</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Policy & Corporate (incl. CDC)	147	(15)	132
Community	(48)	25	(23)
Customer	64	(33)	31
Environment	320	(210)	110
<b>Total all services</b>	<b>483</b>	<b>(233)</b>	<b>250</b>

- 4.10 Appendix C sets out details of all forecast variances against service budgets at the year-end totalling £250k. To provide some context on the scale of the variances shown in Appendix C, a percentage value has been included within the comments which shows the proportion of the relevant budget that it represents. For example, an underspend due to vacant posts or the vacancy factor would be expressed as a proportion of the total employees budget for that area.

### *Corporate / Technical Items*

- 4.11 The 2018/19 budget included an assumption of 2% for pay inflation. Given the actual pay award agreed was 1.5%, the resultant saving of circa £100k has been removed from service budgets and is now being held in our technical budget.

### ***Summary position and action proposed***

- 4.12 The forecast outturn shows a potential net overspend of £150k. Further more detailed work will be undertaken during Quarter 2 to ensure forecast outturn positions are robust, including areas where underspends to date have not been reflected in the forecast outturn position.
- 4.13 Assistant Directors and their budget holders have undertaken a thorough review of the financial position for their services, which is reflected in this report. In addition, SMT continues to monitor the budget position on a monthly basis. The next report to the Committee will consider the position after 9 months, with the half-year position being reported to Scrutiny Panel in November. This half year review will provide a better opportunity to assess progress against budget targets and income levels, and any resulting necessary action to mitigate any forecast budget variance will be considered.

## **Housing Revenue Account**

- 4.14 The Housing Revenue Account (HRA) is a ring-fenced account which is affected by a number of variable factors. At the end of June 2018, the HRA is showing a net underspend of £457k compared to the profiled budget for the same period. This is primarily due to lower expenditure on Premises costs of £148k, and £213k more income than budgeted.

### *Position to date*

- 4.15 Premises related costs are showing an underspend of £148k as at the end of June 2018. Overall, there is a net overspend of £2k 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 £26k on Council Tax on void properties, and £79k on Grounds Maintenance budgets, £3k on Utility and Water costs and £26k on Cleaning Contract costs which relate to the timing of expenditure.
- 4.16 We have received £213k more income at the end of June 2018. This primarily 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.

### *Forecast Outturn*

- 4.17 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.

## **5. Standard References**

- 5.1 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.

## **6. Strategic Plan references**

- 6.1. 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 2018/19 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.

## **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 2018/19 revenue budget report that was approved by Council in February 2018 detailed a number of potentially significant risk areas that had been identified during the budget process. In addition, Assistant Directors identify a number of both positive and negative risk areas during the year.

## **Background Papers**

None

**Period 3 – 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>		(10)	(18)	(28)	-	-	-
	<b>Total</b>	<b>(10)</b>	<b>(18)</b>	<b>(28)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Executive Management Team</b>							
	EMT	5	-	5	-	-	-
	<b>Total</b>	<b>5</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Community</b>							
	Assistant Director Communities	-	-	-	-	-	-
	Cultural Services	(7)	3	(4)	(3)	2	(1)
	Community Zones	(163)	(10)	(173)	(41)	12	(29)
	Community Development	(36)	2	(34)	(4)	11	7
	Colchester Museums	-	(3)	(3)	-	-	-
	<b>Subtotal</b>	<b>(206)</b>	<b>(8)</b>	<b>(214)</b>	<b>(48)</b>	<b>25</b>	<b>(23)</b>
	Colchester & Ipswich Museums	(7)	(19)	(26)	25	(2)	23
	<b>Total</b>	<b>(213)</b>	<b>(27)</b>	<b>(240)</b>	<b>(23)</b>	<b>23</b>	<b>-</b>
<b>Customer</b>							
	Assistant Director Customers	(2)	-	(2)	-	-	-
	Customer Business	6	(36)	(30)	32	-	32
	Local Taxation & NNDR	(9)	(16)	(25)	7	-	7
	Customer Solutions	22	(25)	(3)	(33)	(32)	(65)
	Customer Experience	69	-	69	58	(1)	57
	<b>Subtotal</b>	<b>86</b>	<b>(77)</b>	<b>9</b>	<b>64</b>	<b>(33)</b>	<b>31</b>
	Benefits - Payments & Subsidy	108	1,057	1,165	-	-	-
	<b>Total</b>	<b>194</b>	<b>980</b>	<b>1,174</b>	<b>64</b>	<b>(33)</b>	<b>31</b>
<b>Environment</b>							
	Assistant Director Environment	(1)	-	(1)	-	-	-
	Recycling & Fleet	(61)	(31)	(92)	298	(218)	80
	Car Parking	(5)	4	(1)	-	-	-
	Licensing & Food Safety	8	(26)	(18)	3	-	3
	Environmental Health Services	16	(29)	(13)	21	(36)	(15)
	Electoral Services	5	(3)	2	-	-	-
	Land Charges	(7)	9	2	(3)	44	41
	Building Control	(3)	(6)	(9)	1	-	1
	<b>Subtotal</b>	<b>(48)</b>	<b>(82)</b>	<b>(130)</b>	<b>320</b>	<b>(210)</b>	<b>110</b>

		Position to date			Forecast Outturn		
	Area	Spend	Income	Net	Spend	Income	Net
		£'000	£'000	£'000	£'000	£'000	£'000
	Parking Partnership (NEPP)	37	380	417	(156)	53	(103)
	<b>Total</b>	<b>(11)</b>	<b>298</b>	<b>287</b>	<b>164</b>	<b>(157)</b>	<b>7</b>
	<b>Policy &amp; Corporate</b>						
	Assistant Director Policy & Corporate	17	-	17	6	-	6
	Finance	10	-	10	27	-	27
	ICT and Communications	11	5	16	34	-	34
	People and Performance	-	3	3	20	-	20
	Governance	(1)	(6)	(7)	5	-	5
	Place Strategy	(9)	(5)	(14)	(37)	-	(37)
	Planning	22	(44)	(22)	(17)	-	(17)
	Housing	(3)	(30)	(33)	-	-	-
	Garden Communities	8	-	8	-	-	-
	<b>Subtotal</b>	<b>55</b>	<b>(77)</b>	<b>(22)</b>	<b>38</b>	<b>-</b>	<b>38</b>
	<i>Company Related:-</i>						
	Client – Commercial Company	-	-	-	-	24	24
	Corporate Asset Management	21	(24)	(3)	16	(1)	15
	Commercial & Investment Properties	-	(25)	(25)	6	(9)	(3)
	Sport & Leisure	(3)	55	52	87	(29)	58
	<b>Total</b>	<b>73</b>	<b>(71)</b>	<b>2</b>	<b>147</b>	<b>(15)</b>	<b>132</b>
	<b>Total (excl. Benefits, NEPP &amp; JMC)</b>	<b>(100)</b>	<b>(256)</b>	<b>(356)</b>	<b>483</b>	<b>(233)</b>	<b>250</b>
	<b>Total (all)</b>	<b>38</b>	<b>1,162</b>	<b>1,200</b>	<b>352</b>	<b>(182)</b>	<b>170</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	5,957	5,798	159	23,011	22,735	276
	Premises Related	2,701	2,913	(212)	7,311	7,243	68
	Transport Related	436	482	(46)	2,899	2,815	84
	Supplies & Services	2,501	2,535	(34)	7,633	7,585	48
	Third Party Payments	1,525	1,536	(11)	4,229	4,222	7
	Transfer Payments	69	25	44	100	100	0
	Capital Financing Costs	0	0	0	110	110	0
	<b>Total</b>	<b>13,189</b>	<b>13,289</b>	<b>(100)</b>	<b>45,293</b>	<b>44,810</b>	<b>483</b>
	<b>Income</b>						
	Government Grant	(303)	(234)	(69)	(668)	(636)	(32)
	Other Grants & Reimbursements	(862)	(705)	(157)	(3,633)	(3,457)	(176)
	Customer & Client Receipts	(5,352)	(5,314)	(38)	(20,884)	(20,859)	(25)
	Income-Interest	(35)	(43)	8	(158)	(158)	0
	Inter Account Transfers	0	0	0	0	0	0
	<b>Total</b>	<b>(6,552)</b>	<b>(6,296)</b>	<b>(256)</b>	<b>(25,343)</b>	<b>(25,110)</b>	<b>(233)</b>
	<b>Net</b>	<b>6,637</b>	<b>6,993</b>	<b>(356)</b>	<b>19,950</b>	<b>19,700</b>	<b>250</b>

**Forecast Outturn Variances**

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Community Services				
Cultural Services	(3)	2	(1)	£3k underspend forecast (0.5%) which is offset by less income from advertising (1.3%).
Community Zones	(41)	12	(29)	The majority of the forecast underspend relates to savings of £50k (1.89%) in staff costs, mainly on pension costs as a result of staff opting out of the scheme. The underspend is partially offsetting £10k of voluntary redundancy costs. There is a small overspend within Zones/Sweepers on new stand pipes and additional asbestos clearance (2.9%). Less income at the Crematorium is forecast which relates to Memorial Garden and Book of Remembrance sales (0.6%).
Community Development	(4)	11	7	£5k saving forecast on food purchases (25%) is offset by shortfall in income from meal sales of £10.5k (26%) in Lion Walk Activity Centre.
Colchester and Ipswich Museums (CIMS)	25	(2)	23	CIMS is a ring fenced budget. There is a forecast overspend of £19k (1.1%) on staff costs. This is a mixture of savings from vacant posts and maternity leave savings, which are offset by additional casual staff costs plus the vacancy factor and staff savings yet to be delivered in year. Additional general expenses costs of £6k (2.5%) and IT costs £7k (27.3%), which are partially offset by savings on deep store costs in Heckworth of £5k (47.7%). £2k (0.2%) additional grant from Arts Council towards Training Museums after the final claim submission.



Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Customer Services				
Customer Business	32	-	32	With the implementation of the Futures 2 restructure in May, the Service is unable to commit any salary savings towards the vacancy factor target and is being forecast as an overspend at present. This is due to a number of staff working their notice periods and expected redundancy payments.
Local Taxation & Business Rates	7	-	7	Small overspend on employee costs forecast within the Council Tax Team, however grant funding from DWP is expected to match this cost.
Customer Solutions	(33)	(32)	(65)	With the implementation of the Futures 2 restructure in May, there are a number of vacant posts at the end of Quarter 1. Additional DWP funding has been received which relates to encouraging the move to on-line billing.
Customer Experience	58	(1)	57	Net overspend forecast on employee costs (2.9%), which is a combination of more resource needed on digital development/on-line processing, and not having had sufficient vacant posts yet this year to achieve the budget target for vacancies.
Environmental Services				
Recycling and Fleet	298	(218)	80	Following the waste service changes last year, recycling activity has increased to record levels and resulted in £160k (13.7%) more income from recycling credits being forecast. Employee costs are forecast to be overspent due to agency staff costs (1.01%) and not having had sufficient vacant posts yet this year to achieve the budget target for vacancies (100%.) Vehicle running costs are forecast to overspend following an increase in prices for fuel (7.72%) Clear sacks and caddie stock levels are high and although purchasing for recycling materials is expected to slow down, a £20k overspend is forecast (9.09%) due to the record levels of recycling.

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
				The forecast also includes the additional costs and income agreed by Cabinet on 6 <sup>th</sup> June 2018, associated with recycling collections from flats.
Licensing and Food Safety	3	-	3	A overspend on employee costs relates to a Special responsibility payment awarded for role of Lead Food Officer over and above EHO role, backdated to April 2018 (0.5 %.)
Environmental Health Services	21	(36)	(15)	An employee overspend is forecast due to not having had sufficient vacant posts yet this year to achieve the budget target for vacancies (49.33%.) Following the introduction of the Redress Penalty Scheme by Private Sector Housing, £10k additional income has been forecast.
Land Charges	(3)	44	41	A £44k shortfall in Search Fees income is forecast by year end. (12.69%)
Building Control	1	-	1	There is a small overspend of £1k on IT equipment being forecast.
North Essex Parking Partnership (NEPP)	(156)	53	(103)	NEPP budgets are ring-fenced and are expected to operate within budget, with any surplus or deficit being transferred to the Decriminalised Parking Reserve at year-end.
<b>Policy &amp; Corporate (incl. CDC)</b>				
Assistant Director Policy & Corp	6	-	6	Forecast overspend relates to agency costs to cover vacant Assistant Director post (3.9%).
Finance	27	-	27	Forecast overspend relating to agency costs which are partially offset by the vacant finance manager post, and not having had sufficient vacant posts yet this year to achieve the budget target for vacancies (3.8%).
ICT and Communications	34	-	34	Overspend forecast on employee costs (2.1%) mainly due to not having had sufficient vacant posts yet this year to achieve the budget target for vacancies.
People & Performance	20	-	20	Overspend forecast on employee costs (2.9%) mainly due to not having had sufficient vacant posts yet this year to achieve the budget target for vacancies.

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Governance	5	-	5	Overspend across employee costs mainly due to maternity cover costs (0.5%).
Place Strategy	(37)	-	(37)	Underspend forecast on employee costs (5.3%) due to vacant posts.
Planning	(17)	-	(17)	Underspend forecast on employee costs (1.9%) due to vacant posts.
Client – Commercial Company	-	24	24	A £24k shortfall is currently forecast against the £286k dividend that is due to be returned to the Council. Colchester Commercial Holdings Limited (CCHL) are looking to mitigate this shortfall by further development management consultancy, growth in corporate event bookings and the development of catering and bar operation at ticketed events.
Corporate Asset Management	16	(1)	15	Unbudgeted spend for Colchester Library Licence Fee (100%) and overspend relating to emergency spend on Town Hall PA system (13%).
Commercial & Investment Properties	6	(9)	(3)	Commercial properties have some small unplanned cost pressures including business rates £13k and security £2k although these are offset by some underspends, overall a £6k overspend has been forecast. Income currently on budget and a small surplus of £9k on a property in Vineyard St has been forecast.
Sport and Leisure	87	(29)	58	Business rates pressure of £34k which has been forecast along with a £16k water costs increase of 15%. Employees cost pressure of £19k mainly due to casuals superannuation, plus a £18k grant expenditure (off-set by matching income). An overall income surplus of £29k is forecast of which £18k is the matching grant income, and increased levels of Lifestyle memberships which are partially offset by lower levels of other customer income.

June 2018	Current Period - June 2018			Forecast Year-End Position		
	Profiled Budget to Period 3 £'000	Actual to Period 3 £'000	Variance (under) / over £'000	Annual Budget £'000	Projected Outturn £'000	Variance (under) / over £'000
Account Description						
<b>HRA - Direct &amp; Non-Direct</b>						
<b>EXPENDITURE</b>						
Employees	29	25	(4)	121	121	-
Premises Related	1,626	1,478	(148)	6,470	6,470	-
Transport Related	-	-	-			
Supplies & Services	217	155	(62)	832	832	-
Third Party Payments	1,160	1,153	(7)	3,491	3,491	-
Transfer Payments	28	5	(23)	112	112	-
Support Services	745	745	-	3,464	3,464	-
Capital Financing Costs	-	-	-	15,241	15,520	279
<b>TOTAL EXPENDITURE</b>	<b>3,805</b>	<b>3,561</b>	<b>(244)</b>	<b>29,731</b>	<b>30,010</b>	<b>279</b>
<b>INCOME</b>						
Other Grants & Reimbursements	(45)	(45)	-	(178)	(178)	-
Customer & Client Receipts	(7,748)	(7,961)	(213)	(29,222)	(29,501)	(279)
Income-Interest	-	-	-	(32)	(32)	-
Inter Account Transfers	-	-	-	(110)	(110)	-
<b>TOTAL INCOME</b>	<b>(7,793)</b>	<b>(8,006)</b>	<b>(213)</b>	<b>(29,542)</b>	<b>(29,821)</b>	<b>(279)</b>
<b>TOTAL NET - HRA</b>	<b>(3,988)</b>	<b>(4,445)</b>	<b>(457)</b>	<b>189</b>	<b>189</b>	<b>-</b>