

6 September 2022

Report of	Assistant Director Corporate and Improvement	Author	Darren Brown 📞 282891
Title	Financial Monitoring Report – April to June 2022		
Wards affected	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 overspend against services of £430k as at period 3. This includes more expenditure of £393k and less income of £37k, compared to profiled budgets.
 - The current forecast outturn position for the General Fund is a net overspend of £1.007million.
 - The Housing Revenue Account is showing a net underspend of £87k 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 6 months. 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. The half year review will also reflect on the deteriorating economic situation forecast by the Bank of England 5 August. Inflation is forecast to reach 13% during 2022 which will inevitably impact on the cost of council services. The Bank is also forecasting recession until mid-2023; this is likely to mean increased demand for council services and potential reductions in residents' discretionary spending including sport and leisure.

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 2022/23, and to note the forecast budget overspend of £1.007m 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 2022, 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 £1.007m. 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 4.15 to 4.19. Budgets carried forward from 21/22 are not included in the schedules within this report but will be included in the quarter 2 report and as such will be monitored as part of the overall position.

General Fund – Position to 30 June 2022

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 £430k (adverse). This comprises total expenditure being £393k higher than expected and total income being £37k lower than expected. Appendix B breaks these variances down by subjective group.

Income

- 4.5 Income to the Council is below targets in a number of areas to date, but most notably in Planning and Domestic waste. However, income levels are above profiled budgets within Sport & Leisure, Parking, recovery of Court costs and Building Control.

Expenditure

- 4.6 There are overspends against profiled budgets in a number of services areas, predominantly within supplies and 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 formal review this year of the 2022/23 budget position, and the current forecast outturn is a net overspend of £1.007million.

	£'000	
Service budgets	1,407	See paras. 4.9, 4.10 and Appendix D
Technical / Corporate Items	(400)	
Potential net overspend	1,007	

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 £1,407k. As the table shows, this is mainly due to additional expenditure of £1,280k. The largest areas contributing to the net forecast position are;

- Community: A shortfall in Licensing income of £39k and Private Sector Housing income of £38k.
- Neighbourhood Services: £625k overspend on staff costs (predominantly agency staff in Waste), £200k cost pressure on Fuel, £150k pressure in Recycling Materials (boxes/sacks). £100k additional income from Recycling claim credit and one-off income of £80k. These are significant additional costs and every effort is being made to return within budget by the year-end.
- Place & Client: £60k planning appeals cost pressure, £101k less planning income, £99k Corporate Asset Mgt pressure relating to Health & Safety works and lift repairs.
- Corporate & Improvement: £129k Shared services saving not being achieved and £77k less travel plan parking income.
- Gain from interest payable/earned of £400k. The interest earned on cash investments has risen from 0% during periods of 2021/22 to 2.5%+ currently available for 3 to 6 month deposits. In a Monetary Policy Summary published 4 August 2022, the Bank of England expects base rates to rise from 1.75% August 2022 to 3% by March 2022. This may lead to further gains in the interest budget.

Service	Forecast outturn		
	<i>Expenditure</i>	<i>Income</i>	<i>Net</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Corporate & Improvement (incl. CDC)	20	206	226
EMT	-	-	-
Community	30	96	126
Customer	3	(4)	(1)
Environment	964	(181)	783
Place & Client	263	10	273
Total all services	1,280	127	1,407

Appendix C

4.10 Appendix C shows the original Council budget, the outturn forecast and variance. The purpose of this table is to bring together the overall revenue budget and show the impact of Government funding and the required use of reserves. Any use of reserves in 2022/23 to address unplanned overspends will limit budgeting options for 2023/24 and future years.

Corporate / Technical Items

4.11 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. It is currently forecast that there will be a saving on interest payable/earned of £400k, as we haven't needed to borrow as planned given our higher cash balances and thus the ability to internally borrow, along with achieving higher interest rates on our investments.

4.12 Appendix D sets out details of all forecast variances against service budgets at the year-end totalling £1.407million. To provide some context on the scale of the variances shown in Appendix D, 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.

Summary position and action proposed

- 4.13 The forecast outturn shows a potential net overspend of £1.407million. Further more detailed work will continue to be undertaken during Quarter 2 to ensure forecast outturn positions are robust.
- 4.14 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 6 months. 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

- 4.15 The Housing Revenue Account (HRA) set out in Appendix E is a ring-fenced account which is affected by a number of variable factors. At the end of June 2022, the HRA is showing a net underspend of £87k compared to the profiled budget for the same period. This is primarily due to lower expenditure on Premises costs of £114k and Supplies and Services of £25k, and £54k less income than budgeted.

Position to date

- 4.16 Premises related costs are showing an underspend of £114k as at the end of June 2022. There are underspends of £55k on Grounds Maintenance budgets and £82k on Utility and Water costs which relate to the timing of expenditure, which are partially offset by an overspend of £34k on Council Tax on void properties.
- 4.17 Supplies & Services costs are underspent by £25k at the end of June. There is a general underspend across most budget headings which primarily relate to the timing of expenditure, the main area being IT costs of £44k, which are partially offset by an overspend of £32k on subscriptions costs.
- 4.18 We have received £54k less income at the end of June 2022. This primarily reflects the net impact of 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, along with the timing of acquisitions and additions to our housing stock.

Forecast Outturn

- 4.19 The HRA is currently forecast to be on budget at the year-end. Any underspend or overspend that occurs in the year will be used to fund a greater/lesser proportion of our Housing Capital Programme through a variation to the Revenue Contribution to Capital.

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, which makes assumptions regarding government grant/funding and Council Tax income, and identifies where necessary savings will be found in order to achieve a balanced budget. The 2022/23 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. Environmental and Climate Change Implications

8.1. All budget measures will be assessed for their likely environmental impact, reflecting the Council's commitment to be 'carbon neutral' by 2030. Environment and Climate Change is an essential cross-cutting theme in the Council's post-Covid recovery planning.

9. Risk Management Implications

- 9.1. Risk management is used throughout the budget cycle, and this is reflected in the strategic risk register. The 2022/23 revenue budget report that was approved by Council in February 2022 took into consideration 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.
- 9.3 Extensive modelling work has been undertaken to understand the impacts and variables arising from the pandemic.
- 9.4 Leisure, parking and commercial income are very dependent on factors beyond the Council's control including the return of consumer confidence, customer behaviours and the pace of recovery.
- 9.5 Modelling has been undertaken with service managers to assess the potential range of impacts before adopting the assumptions reflected within the report.
- 9.6 All the above and other significant uncertainties and risks will have to be managed. Further material change is likely to budget assumptions and the actions needed to ensure a balanced budget.

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
	Corporate & Democratic Core	(94)	(14)	(108)	-	-	-
	Total	(94)	(14)	(108)	-	-	-
	Executive Management Team						
	EMT	(51)	-	(51)	-	-	-
	Total	(51)	-	(51)	-	-	-
	Community						
	Assistant Director Communities	-	-	-	-	-	-
	Licensing & Food Safety	1	17	18	(11)	39	28
	Community Safety	-	-	-	-	-	-
	Environmental Health Services	(11)	2	(9)	27	-	27
	Building Control	9	(38)	(29)	(3)	-	(3)
	Community Initiatives	(12)	(1)	(13)	23	-	23
	Private Sector Housing	(12)	(5)	(17)	(19)	38	19
	Bereavement Services	(15)	21	6	16	15	31
	Cultural Services	(6)	5	(1)	(3)	4	1
	Colchester Museums	(2)	4	2	-	-	-
	Subtotal	(48)	5	(43)	30	96	126
	Colchester & Ipswich Museums	25	(18)	7	51	(1)	50
	Total	(23)	(13)	(36)	81	95	176
	Customer						
	Assistant Director Customers	-	-	-	-	-	-
	Accounts & Debt	17	(4)	13	24	(4)	20
	Local Taxation & Business Rates	(10)	14	4	(21)	-	(21)
	Benefits & Hub	(14)	-	(14)	(18)	-	(18)
	Contact & Support Centre	4	3	7	14	-	14
	Electoral Services	36	-	36	1	-	1
	Customer Digital & Systems	(51)	-	(51)	1	-	1
	Land Charges	2	10	12	2	-	2
	Subtotal	(16)	23	7	3	(4)	(1)
	Benefits - Payments & Subsidy	8,378	(9,536)	(1,158)	-	-	-
	Total	8,362	(9,513)	(1,151)	3	(4)	(1)
	Environment						
	Assistant Director Environment	(1)	-	(1)	(8)	-	(8)
	Neighbourhood Services	383	(15)	368	969	(181)	788
	Car Parking	10	(77)	(67)	3	-	3
	Subtotal	392	(92)	300	964	(181)	783

		Position to date			Forecast Outturn		
	Area	Spend	Income	Net	Spend	Income	Net
		£'000	£'000	£'000	£'000	£'000	£'000
	Parking Partnership (NEPP)	60	279	339	(41)	-	(41)
	Total	452	187	639	923	(181)	742
	Place & Client						
	Assistant Director Place & Client	1	-	1	3	-	3
	Place Strategy	81	(5)	76	48	-	48
	Housing	37	(13)	24	(47)	-	(47)
	Planning	79	101	180	60	101	161
	Sustainability & Climate Change	(9)	(2)	(11)	(32)	-	(32)
	Subtotal	189	81	270	32	101	133
	<i>Company Related:-</i>						
	Client – Commercial Company	-	72	72	-	-	-
	Corporate Asset Management	(76)	17	(59)	99	-	99
	Commercial & Investment	(23)	(65)	(88)	-	-	-
	Sport & Leisure	(30)	(146)	(176)	132	(91)	41
	Total	60	(41)	19	263	10	273
	Corporate & Improvement						
	Assistant Director Corporate & Improvement	(1)	32	31	-	129	129
	Finance	(113)	41	(72)	-	-	-
	ICT	106	52	158	-	-	-
	People and Performance	(2)	25	23	17	77	94
	Governance	169	6	175	3	-	3
	Communications	(9)	-	(9)	-	-	-
	Total	150	156	306	20	206	226
	Total (excl. Benefits, NEPP & JMC)	393	37	430	1,280	127	1,407
	Total (all)	8,856	(9,238)	(382)	1,290	126	1,416

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
	Expenditure						
	Employees	6,396	6,365	31	25,583	24,903	680
	Premises Related	3,001	2,992	9	7,407	7,332	75
	Transport Related	415	382	33	2,076	1,844	232
	Supplies & Services	2,344	1,990	354	7,272	6,836	436
	Third Party Payments	1,611	1,641	(30)	4,932	5,075	(143)
	Transfer Payments	115	119	(4)	475	475	0
	Capital Financing Costs	0	0	0	110	110	0
	Total	13,882	13,489	393	47,855	46,575	1,280
	Income						
	Government Grant	(382)	(353)	(29)	(426)	(426)	0
	Other Grants & Reimbursements	(721)	(707)	(14)	(3,639)	(3,459)	(180)
	Customer & Client Receipts	(5,635)	(5,697)	62	(22,339)	(22,646)	307
	Income-Interest	(44)	(62)	18	(248)	(248)	0
	Inter Account Transfers	0	0	0	0	0	0
	Total	(6,782)	(6,819)	37	(26,652)	(26,779)	127
	Net	7,100	6,670	430	21,203	19,796	1,407

Summary showing Overall Council budget and latest forecasts.

	2022/23 Original Budget	2022/23 – P3 Forecast	2022/23 – P3 Forecast Variance
	£'000	£'000	£'000
Base Budget	25,028	25,028	0
One-off items	(3,281)	(3,281)	0
Cost Pressures	2,035	2,035	0
Growth Items	134	134	0
Savings	(2,045)	(2,045)	0
Change in use of NHB for one off investment	4	4	0
2021/22 Forecast Outturn		1,007	1,007
Forecast Base Budget	21,875	22,882	1,007
<i>Funded By:</i>			
Business Rates Baseline	(4,343)	(4,343)	0
SFA	(4,343)	(4,343)	0
Increase in NNDR / taxbase above baseline	(1,870)	(1,870)	0
Business Rates Pooling	(200)	(200)	0
New Homes Bonus	(1,954)	(1,954)	0
Lower Tier Government Grant	(198)	(198)	0
Other Government Grant	(298)	(298)	0
Total Gov't grants & business rates	(8,863)	(8,863)	0
Council Tax	(13,300)	(13,300)	0
Collection Fund Deficit / (Surplus)	(372)	(372)	0
Business Rates Deficit / (surplus)	5,280	5,280	0
Contribution to / (Use of Reserves)	(4,098)	(4,098)	0
Use of Reserves for Covid-19 - 19/20 C/Fwds	(522)	(1,427)	(905)
Use of Reserves for Covid-19 - Unringfenced Grants	0	(102)	(102)
Use of Reserves for Covid-19 – Repairs & Renewals	0	0	0
Total Funding	(21,875)	(22,882)	(1,007)
Forecast Overspend / (Underspend)	0	0	0

Forecast Outturn Variances

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Community				
Licensing and Food Safety	(11)	39	28	Employees forecast underspend of £9.5k (2%) due to a vacant post, this is earmarked to partially offset Vacancy factor target. Estimated income shortfall of £39k (7%) mainly in Licensing (private hire vehicle licenses).
Environmental Health Services	27	-	27	Forecast £27k overspend in salaries, mainly due to Vacancy Factor target that is being reviewed and salary savings within Safety & Protection service already earmarked to offset the target.
Building Control	(3)	-	(3)	Forecasting staff salaries underspend of £23k (8%) that is being offset by agency staff costs of £20k (100%) covering vacant Surveyor post.
Community Initiatives	23	-	23	Forecast £27k overspend in salaries, mainly due to Vacancy Factor target that is being reviewed and salary savings within Wellbeing & Prevention service already earmarked to offset the target.
Private Sector Housing	(19)	38	19	Forecasting £21k (4%) salaries underspend due to a PSH Officer vacant post, this is earmarked to partially offset Vacancy factor target. £38k (17%) income shortfall mainly in civil penalties, budget income target unlikely to be met.
Bereavement Services	16	15	31	Forecasting £19k (271%) overspend on music services (incl. web cast and recording), this is offset by an income derived from these services, currently f/casting £25k (97%) above income target. £3k (10%) underspend on Assisted funerals, currently low demand, however, unlikely to sustain. £18k (8%) income shortfall in burials.

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Cultural Services	(3)	4	1	Small underspend on casual staff costs. £4k (60%) income shortfall from Guided Tours.
Colchester and Ipswich Museums (CIMS)	51	(1)	50	CIMS is a ring-fenced budget. Forecast underspend of £10k (0.6%) on staff costs, fully absorbing Vacancy factor target. £52k (17%) overspend across supplies and services. This is due to planned spend of CIMS reserves for products and services from last year, where spend was delayed due to several different factors (Covid / Brexit / delivery). Small gain in grant income (£1k) – funder's review.
Customer				
Accounts & Debt	24	(4)	20	An overspend on employee costs of £24k within the Income and Corporate Debt and Procurement team. (10%). The income forecast variance relates to unbudgeted court fees recovered (100%).
Local Taxation & Business Rates	(21)	-	(21)	An underspend on employee costs within the teams due to a vacant post and maternity leave (4%).
Benefits & Hub	(18)	-	(18)	Underspend forecast on employee costs in Benefits Processing (11k) (7%) and The Community Hub (£7k) (2%) due to vacant posts for part of the year.
Contact Support Centre	14	-	14	An overspend on employee costs (1.21%)
Electoral Services	1	-	1	A small overspend on software licenses (4%).
Customer Digital & Systems	1	-	1	A small overspend on employee costs within the Systems Project Management team (0.13%).

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Land Charges	2	-	2	An overspend on software licences (8.77%).
Environment				
Assistant Director Environment	(8)	-	(8)	Employee underspends (5.37%).
Neighbourhood Services	969	(181)	788	£625k employee overspend is forecast to maintain key services in line with increased demand (16.9%). Due to prices reaching record highs a £191k overspend is forecast on fuel. The recycling bags purchased for the annual delivery exceeded budget and a £150k overspend is forecast for recycling kit which will be monitored against demand throughout the year (74.75%). Recycling credit claim income is forecast to be £100k more than the budget, and we have received a one-off £80k easement payment.
Car Parking	3	-	3	Overspends on repairs and maintenance of £13k (33%) and insurance £1k (10%) offset by an underspend on NNDR costs of £11k (10%).
North Essex Parking Partnership (NEPP)	(41)	-	(41)	NEPP will be 'on budget' after any shortfall variance caused by the emergency is drawn in a planned way from the Parking Reserve.
Place & Client				
Assistant Director Place & Client	3	-	3	A small variance is forecast on employee costs (2%).
Place Strategy	48	-	48	Forecast overspend on employee costs due to not having had sufficient vacant posts yet this year to achieve the budget target for vacancies and temporary management re-grade offset by underspend in housing due to vacant post (7%).
Housing	(47)	-	(47)	Forecast underspend due to vacant post (27%) offsetting vacancy factor in Place Strategy and temporary management regard.

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Planning	60	101	161	Overspends due to £55k planning appeals cost (100%), small overspend across employee costs (0.3%) and staff transport costs (30%). Planning fees income forecast is £101k less than full year budget, this has been profiled based on the previous 3 years income trend variance, major applications are down compared to this period last year (7%). This will be reviewed every month.
Sustainability & Climate Change	(32)	-	(32)	Forecast underspend on employee costs due to vacant manager post (17%) offsetting £3k unbudgeted spend relating to Transport East subscription (100%).
Corporate Asset Management	99	-	99	The forecast overspend mainly relates to unplanned works of c£50k on three council lifts, £22k urgent safety repairs to the Town Hall exterior walkway and roof as well as some smaller pressures on other sites including clearance costs on Rowan House although NNDR relief is being sought to help offset these costs whilst this site is closed for refurbishment works.
Sport and Leisure	132	(91)	41	Expenditure pressures have been forecast on many supplies due to inflation of £75k, and final costs relating to Pool View going live of £50k. These have been partially offset by savings on employee costs of £23k (0.7%). An overall improvement in income of £91k (1.73%) is forecast at this stage of the year, which is predominantly on Pools, Wet Side courses and the Fitness Centre.
Corporate & Improvement (incl. CDC)				
Assistant Director Corporate and Improvement	-	129	129	Delays to commencing projects to explore shared services mean the associated saving target will not be met (100%).
People & Performance	17	77	94	Overspend forecast on employee costs due to temporary staff changes (4%). Less income forecast from staff car parking due to home working while Rowan House is closed (89%).

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Governance	3	-	3	Small overspend forecast on employee costs relating to Hallkeeper casual costs due to external events and greater numbers of meetings (45%).

June 2022	Current Period - June 2022			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						
HRA - Direct & Non-Direct						
EXPENDITURE						
Employees	60	61	1	239	239	-
Premises Related	1,885	1,771	(114)	7,508	7,508	-
Transport Related	-	-	-	1	1	-
Supplies & Services	211	186	(25)	1,095	1,095	-
Third Party Payments	1,360	1,357	(3)	4,087	4,087	-
Transfer Payments	32	32	-	128	128	-
Support Services	151	151	-	3,420	3,420	-
Capital Financing Costs	-	-	-	15,400	15,281	(119)
TOTAL EXPENDITURE	3,699	3,558	(141)	31,878	31,759	(119)
INCOME						
Other Grants & Reimbursements	-	-	-	(139)	(139)	-
Customer & Client Receipts	(8,499)	(8,445)	54	(31,669)	(31,550)	119
Income-Interest	-	-	-	(12)	(12)	-
Inter Account Transfers	(14)	(14)	-	(58)	(58)	-
TOTAL INCOME	(8,513)	(8,459)	54	(31,878)	(31,759)	119
TOTAL NET - HRA	(4,814)	(4,901)	(87)	-	-	-