

3 September 2019

<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 2019</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 £445k as at period 3. This includes less expenditure of £309k and more income of £136k, compared to profiled budgets.
- The current forecast outturn position for the General Fund is a net overspend of £343k.
- The Housing Revenue Account is showing a net underspend of £346k 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 2019/20, and to note the forecast budget overspend of £343k 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 2019, 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 £343k. 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 18/19 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 2019

#### *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 £445k (favourable). This comprises total expenditure being £309k lower than expected and total income being £136k 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 Commercial & Investment, and across the Customer service area. 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, and transport 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 2019/20 budget position, and the current forecast outturn is a net overspend of £343k.

	£'000	
Service budgets	343	See paras. 4.9 – 4.10 and Appendix C
Technical / Corporate Items	-	
<b>Potential net overspend</b>	<b>343</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 £343k. As the table shows, this is mainly due to additional expenditure of £245k. The largest areas contributing to this are; Redundancy costs and impact of the vacancy factor target potentially not being met within Environment; one-off costs associated with amendments to the lease of the River Colne and removal of boats from the Hythe; an underspend forecast within Community and Customer primarily arising from vacant posts. In addition, the forecast includes less income of £98k, which primarily relates to a delay in Turnstone income.

<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)	59	199	258
EMT	5	-	5
Community	(196)	24	(172)
Customer	(56)	(53)	(109)
Environment	433	(72)	361
<b>Total all services</b>	<b>245</b>	<b>98</b>	<b>343</b>

- 4.10 Appendix C sets out details of all forecast variances against service budgets at the year-end totalling £343k. 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 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 assumed that the outturn for these areas will be in line with the budget.

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

- 4.12 The forecast outturn shows a potential net overspend of £343k. 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 It should also be noted that the forecast overspend includes £250k of one-off redundancy costs associated with delivering the Waste & Zones futures review savings agreed by Cabinet. As in previous years, the intention at this stage of the year is to absorb these within the overall outturn position for the year. However some funding is held within balances for redundancy costs, should it be required at year-end.
- 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 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**

- 4.15 The Housing Revenue Account (HRA) is a ring-fenced account which is affected by a number of variable factors. At the end of June 2019, the HRA is showing a net underspend of £346k compared to the profiled budget for the same period. This is primarily due to lower expenditure on Premises costs of £276k and Supplies and Services of £77k, and £37k less income than budgeted.

### *Position to date*

- 4.16 Premises related costs are showing an underspend of £276k as at the end of June 2019. Overall, there is a net underspend of £91k 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 £81k on Grounds Maintenance budgets, £67k on Utility and Water costs and £10k on Cleaning Contract costs which relate to the timing of expenditure.
- 4.17 Supplies & Services costs are underspent by £77k at the end of June. There is a general underspend across most budget headings, which primarily relate to the timing of expenditure, the main factors being management & consultancy costs and IT costs of £35k.
- 4.18 We have received £37k less income at the end of June 2019. 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 acquisition 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. This 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 2019/20 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 2019/20 revenue budget report that was approved by Council in February 2019 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>		(21)	(43)	(64)	2	-	2
	<b>Total</b>	<b>(21)</b>	<b>(43)</b>	<b>(64)</b>	<b>2</b>	<b>-</b>	<b>2</b>
<b>Executive Management Team</b>							
	EMT	3	-	3	5	-	5
	<b>Total</b>	<b>3</b>	<b>-</b>	<b>3</b>	<b>5</b>	<b>-</b>	<b>5</b>
<b>Community</b>							
	Assistant Director Communities	1	-	1	-	-	-
	Licensing & Food Safety	12	3	15	16	-	16
	Community Safety	1	-	1	(19)	-	(19)
	Environmental Health Services	(4)	1	(3)	(1)	-	(1)
	Building Control	(4)	(5)	(9)	2	-	2
	Community Initiatives	(35)	13	(22)	(95)	50	(45)
	Private Sector Housing	(22)	(18)	(40)	(82)	(26)	(108)
	Bereavement Services	(45)	54	9	(17)	-	(17)
	Cultural Services	(5)	2	(3)	-	-	-
	Colchester Museums	3	(2)	1	-	-	-
	<b>Subtotal</b>	<b>(98)</b>	<b>48</b>	<b>(50)</b>	<b>(196)</b>	<b>24</b>	<b>(172)</b>
	Colchester & Ipswich Museums	26	(6)	20	24	(8)	16
	<b>Total</b>	<b>(72)</b>	<b>42</b>	<b>(30)</b>	<b>(172)</b>	<b>16</b>	<b>(156)</b>
<b>Customer</b>							
	Assistant Director Customers	-	-	-	-	-	-
	Customer Business	20	(13)	7	31	(49)	(18)
	Local Taxation & Business Rates	(12)	(11)	(23)	(7)	-	(7)
	Customer Solutions	9	(130)	(121)	10	(60)	(50)
	Customer Experience	(34)	27	(7)	(73)	56	(17)
	Electoral Services	51	-	51	(17)	-	(17)
	<b>Subtotal</b>	<b>34</b>	<b>(127)</b>	<b>(93)</b>	<b>(56)</b>	<b>(53)</b>	<b>(109)</b>
	Benefits - Payments & Subsidy	(938)	1,472	534	-	-	-
	<b>Total</b>	<b>(904)</b>	<b>1,345</b>	<b>441</b>	<b>(56)</b>	<b>(53)</b>	<b>(109)</b>
<b>Environment</b>							
	Assistant Director Environment	2	-	2	(7)	-	(7)
	Neighbourhood Services	(156)	63	(93)	450	(52)	398
	Zones	2	3	5	-	-	-

		Position to date			Forecast Outturn		
	Area	Spend	Income	Net	Spend	Income	Net
		£'000	£'000	£'000	£'000	£'000	£'000
	Car Parking	19	(1)	18	(10)	(20)	(30)
	<b>Subtotal</b>	<b>(133)</b>	<b>65</b>	<b>(68)</b>	<b>433</b>	<b>(72)</b>	<b>361</b>
	Parking Partnership (NEPP)	56	137	193	(163)	-	(163)
	<b>Total</b>	<b>(77)</b>	<b>202</b>	<b>125</b>	<b>270</b>	<b>(72)</b>	<b>198</b>
	<b>Policy &amp; Corporate</b>						
	Assistant Director Policy & Corporate	(18)	-	(18)	(30)	-	(30)
	Finance	(30)	-	(30)	19	-	19
	ICT	8	5	13	10	-	10
	People and Performance	1	13	14	(1)	-	(1)
	Governance	(49)	16	(33)	7	-	7
	Place Strategy	(11)	5	(6)	12	-	12
	Planning	49	44	93	(12)	-	(12)
	Housing	77	(41)	36	-	-	-
	Communications	(4)	2	(2)	3	-	3
	Garden Communities	2	-	2	-	-	-
	<b>Subtotal</b>	<b>25</b>	<b>44</b>	<b>69</b>	<b>8</b>	<b>-</b>	<b>8</b>
	<i>Company Related:-</i>						
	Client – Commercial Company	67	-	67	-	-	-
	Corporate Asset Management	(11)	20	9	(16)	-	(16)
	Commercial & Investment	(8)	(187)	(195)	175	90	265
	Sport & Leisure	(167)	44	(123)	(110)	109	(1)
	<b>Total</b>	<b>(94)</b>	<b>(79)</b>	<b>(173)</b>	<b>57</b>	<b>199</b>	<b>256</b>
	<b>Total (excl. Benefits, NEPP &amp; JMC)</b>	<b>(309)</b>	<b>(136)</b>	<b>(445)</b>	<b>245</b>	<b>98</b>	<b>343</b>
	<b>Total (all)</b>	<b>(1,165)</b>	<b>1,467</b>	<b>302</b>	<b>106</b>	<b>90</b>	<b>196</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	5,758	5,732	26	22,991	22,930	61
	Premises Related	2,637	2,901	(264)	7,498	7,521	(23)
	Transport Related	435	541	(106)	2,900	2,904	(4)
	Supplies & Services	2,451	2,392	59	7,909	7,726	183
	Third Party Payments	1,499	1,552	(53)	4,429	4,401	28
	Transfer Payments	102	73	29	293	293	0
	Capital Financing Costs	0	0	0	110	110	0
	<b>Total</b>	<b>12,882</b>	<b>13,191</b>	<b>(309)</b>	<b>46,130</b>	<b>45,885</b>	<b>245</b>
	<b>Income</b>						
	Government Grant	(270)	(142)	(128)	(373)	(323)	(50)
	Other Grants & Reimbursements	(862)	(755)	(107)	(3,631)	(3,478)	(153)
	Customer & Client Receipts	(5,233)	(5,330)	97	(21,184)	(21,497)	313
	Income-Interest	(44)	(46)	2	(195)	(183)	(12)
	Inter Account Transfers	0	0	0	0	0	0
	<b>Total</b>	<b>(6,409)</b>	<b>(6,273)</b>	<b>(136)</b>	<b>(25,383)</b>	<b>(25,481)</b>	<b>98</b>
	<b>Net</b>	<b>6,473</b>	<b>6,918</b>	<b>(445)</b>	<b>20,747</b>	<b>20,404</b>	<b>343</b>



**Forecast Outturn Variances**

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Community Services				
Licensing and Food Safety	16	-	16	Employees overspend of £9k (2.3%) is partly due to not having had sufficient vacant posts to date to achieve the vacancy factor target, plus £6k overspend on training. Further £6k (18.8%) overspend in Supplies & Services costs primarily on Vet fees.
Community Safety	(19)	-	(19)	Employees underspend on Equality & Safeguarding (22.4%)
Environmental Health Services	(1)	-	(1)	Small underspend.
Building Control	2	-	2	Small overspend.
Community Initiatives	(95)	50	(45)	Employees underspend due to vacant posts and appointment of an apprentice. Overall net £21k underspend in Lion Walk following the transition of the service to Age Concern.
Private Sector Housing	(82)	(26)	(108)	Employees underspend of £78k (16.8%) in PSH due to HMO vacant posts. Further salary underspend of £5k (5.9%) in Healthy homes. £26k more grant from CCG to cover full Healthy Homes manager salary.
Bereavement Services	(17)	-	(17)	Employees underspend of £17k (7.4%) due to a vacant post, which has now been filled.
Colchester and Ipswich Museums (CIMS)	24	(8)	16	CIMS is a ring-fenced budget. There is a forecast overspend of £7k (0.4%) on salaries, mainly due to relocation costs and some vacancy factor target yet to be met. Forecast of £15k (4.5%) overspend on costs relating to Exhibitions (material and removal

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
				costs). £8k (0.6%) additional grant income towards Adorn and Wonder Walls exhibitions.
<b>Customer Services</b>				
Customer Business	31	(49)	(18)	The net position is due to extra income from the MacMillan contract which is not currently budgeted but will be included in the budget next year. We have also received extra unbudgeted income from the Town Centre BID. (10%).
Local Taxation & Business Rates	(7)	-	(7)	Underspend relates to employee costs within the Council Tax team due to a vacant post (4%).
Customer Solutions	10	(60)	(50)	The net position is due to £50k extra income from DWP (100%).
Customer Experience	(73)	56	(17)	Net underspend relates to reduced employee costs within the Contact & Support Centre (10.87%) and the Digital Development team (5.54%) due to vacant posts. Land Charges income is forecast to be a net £56k less than the budget (29%).
Electoral Services	(17)	-	(17)	The net underspend relates to reduced employee costs due to a team restructure. (11%)
<b>Environmental Services</b>				
Assistant Director Environment	(7)	-	(7)	An employee underspend is due to a reduction in the PA's hours.
Neighbourhood Services	450	(52)	398	Following negotiations with ECC £95k more income is being forecast which represents additional food waste credits (6.91%.) This is partially offset by a shortfall in Market and Street trading (22.3%) although actions are now being taken to increase fee income so this shortfall may reduce. £175k Employee overspends are forecast due to not having had sufficient vacant posts yet this year to achieve the budget target for vacancies as a result of pressure on Refuse and Recycling Collections (2.99%). £250k overspend is forecast on Employee

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
				costs due to redundancy and pension strain payments paid out of 'in-year' budget following the Waste and Zones Futures review. Clear sacks and caddie stock levels are high and although purchasing for recycling kit is expected to slow down as a result of the introduction of a Voucher for all kit, £50k overspend is forecast (22.42%). This will be monitored against demand.
Car Parking	(10)	(20)	(30)	£10k underspend forecast on NNDR costs (1%). £20k additional income forecast for Season Tickets and PCN's (9%).
North Essex Parking Partnership (NEPP)	(163)	-	(163)	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>Executive Management Team</b>				
Executive Management Team	5	-	5	Overspend forecast due to recruitment costs (100%), partially offset by underspend on salaries due to vacant post (1%).
<b>Policy &amp; Corporate (incl. CDC)</b>				
Corporate & Democratic Core	2	-	2	Overspend on parish council grants (3%).
Assistant Director Policy & Corp	(30)	-	(30)	Forecast underspend on salaries due to change of Assistant Director (23%).
Finance	19	-	19	Forecast overspends on employee costs due to recruitment costs and agency costs to cover two vacant posts, partially offset due to vacant posts (2%).
ICT	10	-	10	Forecast overspend on employee costs mainly due to not having had sufficient vacant posts yet this year to achieve the budget target for vacancies (0.6%).
People & Performance	(1)	-	(1)	Two months underspend forecast on payroll inter-authority payment as commenced in June (17%). Overspend forecast on employee costs mainly due to not having had sufficient vacant

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
				posts yet this year to achieve the budget target for vacancies (0.9%).
Governance	7	-	7	Overspend forecast on committee printing costs (42%) and across employee costs (0.3%).
Place Strategy	12	-	12	Forecast overspend on employee costs mainly due to not having had sufficient vacant posts yet this year to achieve the budget target for vacancies (1%) and £3k unbudgeted management and consultancy costs in enforcement (100%).
Planning	(12)	-	(12)	Underspend forecast on employee costs due to vacant posts (2%), offsetting overspend on software licences (100%).
Communications	3	-	3	Forecast overspend on licences (14%).
Corporate Asset Management	(16)		(16)	Underspend on cleaning contract due to re-tender coming in less than budget (8%) offsetting unbudgeted works to Council Chamber in Town Hall (100%).
Commercial & Investment	175	90	265	Commercial properties have some small unplanned cost pressures including responsive repairs, business rates and water although the repairs cost will be offset by insurance income - overall a £30k (13%) overspend has been forecast. £120k one-off cost for the amendments to the lease of the River Colne, and £25k associated with the removal of 2 boats from the Hythe. Income is forecast to be a net £90k (2.4%) lower than budget. There is a £100k shortfall forecast in relation to the Northern Gateway site as this is unlikely to be achieved in 19/20 as updated planning consent is to be sought. A £31k shortfall has been forecast against the Culver Centre following announcements of a rent reductions in relation to the Debenhams store. These have been offset by a £12k gain in relation to the David Lloyd site and £13k on the Nunns Road car park.

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Sport and Leisure	(110)	109	(1)	<p>Expenditure savings have been forecast on utility costs based on recent Smith Bellerby estimates - £5k (3.5%) water, £26k (13.6%) electricity and £14k (6.9%) on gas. Employee savings due to vacancies and restructuring have been forecast at £32k (1.2%). Supplies and services have a forecast pressure of £4.5k in relation to PPL/PRS licences across all sites.</p> <p>An income shortfall of £109k (2%) is forecast. This includes a shortfall on Lifestyles membership sales £15k, (the year to-date average growth up to end of June is at 1.12%, however, this is 4.2% down compared to year to date profile. June results were an improvement on April and May and therefore, the under-recovery year to date has been forecast with the remaining months hitting profiled targets). Beauty Therapy, Aqua Springs, Activa Gym, Aerobics and Tiptree all forecasting to hit income targets at this stage, with an improvement in Dryside income of £10.5k. All other areas of income forecasting to be less than target include £21k pools, £20k swimming lessons, £36.5k Zoggs' sales, £16k catering and £7.8k from the car park.</p>

June 2019  Account Description	Current Period - June 2019			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
<b>HRA - Direct &amp; Non-Direct</b>						
<b>EXPENDITURE</b>						
Employees	43	46	3	177	177	-
Premises Related	1,718	1,442	(276)	6,838	6,838	-
Transport Related	-	-	-			
Supplies & Services	212	135	(77)	1,097	1,097	-
Third Party Payments	1,179	1,174	(5)	3,545	3,545	-
Transfer Payments	47	10	(37)	188	188	-
Support Services	805	805	-	3,444	3,444	-
Capital Financing Costs	-	-	-	14,949	14,949	-
<b>TOTAL EXPENDITURE</b>	<b>4,004</b>	<b>3,612</b>	<b>(392)</b>	<b>30,238</b>	<b>30,238</b>	<b>-</b>
<b>INCOME</b>						
Other Grants & Reimbursements	(32)	(23)	9	(129)	(129)	-
Customer & Client Receipts	(7,996)	(7,959)	37	(29,782)	(29,782)	-
Income-Interest	-	-	-	(31)	(31)	-
Inter Account Transfers	-	-	-	(107)	(107)	-
<b>TOTAL INCOME</b>	<b>(8,028)</b>	<b>(8,000)</b>	<b>46</b>	<b>(30,049)</b>	<b>(30,049)</b>	<b>-</b>
<b>TOTAL NET - HRA</b>	<b>(4,024)</b>	<b>(4,370)</b>	<b>(346)</b>	<b>189</b>	<b>189</b>	<b>-</b>