

7 March 2017

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

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

1. Action required

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

2. Reason for scrutiny

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

3. Background and Summary Position

- 3.1 This report reviews the Council's overall position based on profiled income and expenditure for the nine months to 31 December 2016, and also shows a projection of the outturn figures for the full year. All the information presented in respect of General Fund Services shows the position based on net 'direct costs'. The review of the Housing Revenue Account is different in that it shows all costs, both direct and indirect.
- 3.2 The projected outturn for the General Fund is currently a net overspend of £691k. The Housing Revenue Account forecast outturn position is currently to be on budget.
- 3.3 The General Fund position is set out in more detail in the following paragraphs and the HRA position explained in section 6. Budgets carried forward from 15/16 are now included in the schedules within this report, and as such will be monitored as part of the overall position.

4. General Fund – Position to 31 December 2016

Service Budgets

- 4.1 Appendix A shows the current budget variances and forecast outturn variances by Service Group. The net position shows a variance against profiled budget for General Fund Services (excluding Benefits, NEPP & JMC) of £622k (favourable). This comprises total expenditure being £623k lower than expected and total income being £1k lower than expected. Appendix B breaks these variances down by subjective group.
- 4.2 It should be noted that the majority of the favourable variance to date for this financial year is related to less expenditure, which primarily is within Customer and Operational services. The forecast net outturn position discussed in section 5 is higher than the position to date, and this reflects a number of factors, such as:
- Income either decreasing, or not continuing at the level to date for the remainder of the financial year.
 - The profiling of budgets and the impact of changes in spending and income patterns.
 - Areas where adjustments will take place as part of the closure of accounts (for example where income has been received in the current year but relates to the next financial year).
 - Budgets currently unspent for which a carry forward at year-end may be identified
- 4.3 We are expecting there to be a number of carry forward requests for projects that have started but will not be fully spent in the current financial year, so in some respect the position to date is to be expected as the outturn forecast does not show underspends that may be carried forward, unless indicated.

Income

- 4.4 As reported at Quarter 2 to Scrutiny Panel, income is below targets in a number of areas to date although it should be noted that some of the shortfalls are small in monetary terms. The most notably shortfalls are within Community Alarms and Sport & Leisure, however, in both these areas cost savings have been identified to partly mitigate the pressure. We have however achieved more income in Parking and Trade Waste. As one of our main risk areas, income will continue to be closely monitored by officers on a monthly basis.

Expenditure

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

5. Outturn Forecast / Risk Areas

- 5.1 This is the third review this year of the 2016/17 budget position, and the current forecast outturn is a potential net overspend of £691k.

	£'000	
Service budgets	606	See paras. 5.2 – 5.3 and Appendix C
Technical Items	(25)	See paras 5.4 – 5.7
C/Fwd identified	110	See para 5.8
Potential net overspend	691	

Service Budgets

- 5.2 The following table sets out the forecast outturn for all service areas with outturn variances. This shows a net forecast overspend of £606k. The main areas that make up this overspend are highlighted at paragraph 5.9.

Service	Forecast outturn		
	<i>Expenditure</i>	<i>Income</i>	<i>Net</i>
	£'000	£'000	£'000
Corporate & Financial Management	100	(22)	78
EMT	30	-	30
Community Services	70	49	119
Commercial Services	315	464	779
Customer Services	(101)	(117)	(218)
Operational Services	(451)	239	(212)
Professional Services	23	7	30
Total all services	(14)	620	606

- 5.3 Appendix C sets out details of all forecast variances against service budgets at the year-end totalling £606k.

Corporate / Technical Items

- 5.4 The budget includes a number of corporate and technical budget areas such as net interest earnings, the provision to repay debt, pension costs and some non-service specific grants.
- 5.5 It is currently forecast that net interest costs will be £5k more than the budget, due to the combination of less interest rechargeable to the HRA due to a reduction in the level of HRA borrowing required this year, and the low interest rates currently available on cash balances. With the growing prospect of short term interest rates reducing following the EU referendum result, there is potential for a further pressure on achieving investment income targets.
- 5.6 A saving of £95k is forecast for the year, resulting from a revised methodology agreed with external audit for calculating our MRP (Minimum Revenue Provision).
- 5.7 A saving of £75k from the insurance re-tender is anticipated in 16/17, which has been used to contribute towards the procurement target for the current financial year. This leaves a balance of £65k to find, and is included in the technical items forecast.
- 5.8 As part of the period 9 review, some areas of expenditure have been identified that will be the subject of a carry forward request at year-end, and have therefore been excluded from the overall forecast outturn position. These relate to a possible delay in the delivery of some LDF project work, works to the Mersea Pontoon and a Community Initiatives Grant.

Summary position and action proposed

- 5.9 The forecast outturn shows a potential net overspend of £691k. There are a number of factors which are contributing to this position, with the main ones being:-
- One-off unforeseen/unbudgeted costs, e.g. cost of recovering the Silver Leaf boat
 - Service-demand cost pressures, e.g. homelessness
 - Less income caused by external delays
 - Less income in some trading areas
- 5.10 The impact of budget reviews should be viewed alongside the forecast outturn for the year. Outturn reviews in previous years have been undertaken to ensure that budgets reflect best estimates and do not contain “contingencies”. This does mean that services have less scope to absorb unforeseen budget pressures and any requests for new spending that may arise in-year.
- 5.11 The financial position for 2016/17 was considered as part of the proposals set out in the 2017/18 budget and it was reported that the planning assumption was that the outturn position would be an overspend of £240k, which was the position at period 6. The updated forecast position reflects a larger overspend for the year.
- 5.12 Though there remain a number of risks, through management of the budget in the remainder of the year and consideration of requests for certain budgets to be “carried forward” into 2017/18, it is expected that we will deliver an outturn in line broadly in line with this budget assumption.
- 5.13 Heads of Service 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 final end of year position will be reported for scrutiny purposes and the impact of this on balances will be considered by Cabinet as part of the budget strategy for 2018/19.

6. Housing Revenue Account

- 6.1 The Housing Revenue Account (HRA) is a ring-fenced account which is affected by a number of variable factors. At the end of December 2016, the HRA is showing a net underspend of £843k compared to the profiled budget for the same period. This is primarily due to lower expenditure on Premises costs (£359k), Supplies & Services costs (£135k), and £295k more income than budgeted.

Position to date

- 6.2 Premises related costs are showing an underspend of £359k as at the end of December 2016. Overall, there is a net underspend of £104k 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 £100k on Grounds Maintenance budgets, £45k on Council Tax on void properties and £50k on Utility and Water costs which relate to the timing of expenditure.
- 6.3 Supplies & Services costs are underspent by £135k at the end of December. There is a general underspend across most budget headings, which primarily relate to the timing of expenditure, the main factor being IT costs of £54k.
- 6.4 We have received £295k more income at the end of December 2016. This primarily reflects the late amendment by the Government to those properties which the 1% rent

reduction is applied to. At the time of setting the 16/17 budget, it was assumed that the Government's rent reduction applied to all properties. However, the Government then stated after the budget had been set, that it was their intention that temporary accommodation would be subject to a permanent exception, whilst sheltered housing accommodation would benefit from a one year exception whilst the Government are carrying out a review of supported accommodation. This has resulted in us receiving more income than originally assumed. Furthermore, the additional income also reflects the net impact of less rental & service charge income being lost from dwellings and garages than assumed within the budget, through a combination of voids and the level of Right to Buy sales, as well as additional income from rechargeable repairs.

Forecast Outturn

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

7. Strategic Plan references

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

8. Financial implications

- 8.1. As set out above.

9. Risk management implications

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

10. Other Standard References

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

Background Papers

None

Current Budget Variances and Forecast Outturn Variances by Service Area

		Position to date			Forecast Outturn		
	Area	Spend	Income	Net	Spend	Income	Net
		£'000	£'000	£'000	£'000	£'000	£'000
Corporate & Democratic Core		(4)	-	(4)	6	-	6
	Total	(4)	-	(4)	6	-	6
Corporate & Financial Management							
	Assistant Chief Executive	59	-	59	40	-	40
	Finance	12	-	12	22	-	22
	ICT and Communications	(2)	(16)	(18)	12	(22)	(10)
	People and Performance	6	(1)	5	6	(1)	5
	Governance	(8)	-	(8)	14	1	15
	Total	67	(17)	50	94	(22)	72
Executive Management Team							
	EMT	17	(23)	(6)	30	-	30
	Partner Projects	-	-	-	-	-	-
	Total	17	(23)	(6)	30	-	30
Community Services							
	Head of Community Services	1	-	1	-	-	-
	Cultural Services	8	(12)	(4)	15	(10)	5
	Community Zones	(41)	36	(5)	70	57	127
	Community Development	(59)	(5)	(64)	(15)	2	(13)
	Colchester Museums	(17)	34	17	-	-	-
	Subtotal	(108)	53	(55)	70	49	119
	Colchester & Ipswich Museums	60	(22)	38	209	(19)	190
	Total	(48)	31	(17)	279	30	309
Commercial Services							
	Head of Commercial Services	34	-	34	(16)	-	(16)
	Place Strategy	12	(76)	(64)	(5)	(57)	(62)
	Economic Growth	116	(186)	(70)	227	164	391
	Corporate Asset Management	82	6	88	46	-	46
	Commercial - Trading	(234)	206	(28)	(235)	357	122
	Commercial - Housing	174	26	200	298	-	298
	Total	184	(24)	160	315	464	779

		Position to date			Forecast Outturn		
	Area	Spend	Income	Net	Spend	Income	Net
		£'000	£'000	£'000	£'000	£'000	£'000
Customer Services							
	Head of Customer Services	(4)	-	(4)	-	-	-
	Customer Operations	(85)	1	(84)	(57)	-	(57)
	Customer Demands & Research	(13)	(11)	(24)	-	(17)	(17)
	Customer Solutions	(114)	(100)	(214)	(65)	-	(65)
	Local Taxation & NNDR	7	(21)	(14)	21	(100)	(79)
	Subtotal	(209)	(131)	(340)	(101)	(117)	(218)
	Benefits - Payments & Subsidy	292	(663)	(371)	-	-	-
	Total	83	(794)	(711)	(101)	(117)	(218)
Operational Services							
	Head of Operational Services	(2)	-	(2)	-	-	-
	Sport & Leisure	(9)	123	114	(72)	162	90
	Recycling & Fleet	(201)	24	(177)	(162)	137	(25)
	Car Parking	(305)	(30)	(335)	(217)	(60)	(277)
	Subtotal	(517)	117	(400)	(451)	239	(212)
	Parking Partnership (NEPP)	60	(202)	(142)	(85)	(120)	(205)
	Total	(457)	(85)	(542)	(536)	119	(417)
Professional Services							
	Head of Professional Services	30	-	30	22	-	22
	Licensing & Food Safety	(1)	(16)	(17)	(23)	-	(23)
	Environmental Health Services	(19)	(4)	(23)	7	7	14
	Electoral Services	28	(7)	21	1	-	1
	Prof Support Units	(60)	(9)	(69)	7	-	7
	Land Charges	8	24	32	9	-	9
	Planning	(39)	38	(1)	-	-	-
	Total	(53)	26	(27)	23	7	30
	Total (excluding Benefits, NEPP & JMC)	(623)	1	(622)	(14)	620	606

Appendix 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
	Expenditure						
	Employees	17,926	18,224	(298)	23,759	24,311	(552)
	Premises Related	5,481	5,617	(136)	7,174	7,052	122
	Transport Related	1,967	2,027	(60)	2,885	2,959	(74)
	Supplies & Services	7,346	7,518	(172)	11,083	10,708	375
	Third Party Payments	1,736	1,694	42	2,350	2,235	115
	Transfer Payments	226	225	1	300	300	0
	Capital Financing Costs	110	110	0	110	110	0
	Total	34,792	35,415	(623)	47,661	47,675	(14)
	Income						
	Government Grant	(687)	(732)	45	(968)	(1,008)	40
	Other Grants & Reimbursements	(2,079)	(1,950)	(129)	(2,422)	(2,624)	202
	Customer & Client Receipts	(15,927)	(15,997)	70	(20,559)	(20,922)	363
	Income-Interest	(82)	(97)	15	(114)	(129)	15
	Inter Account Transfers	0	0	0	0	0	0
	Total	(18,775)	(18,776)	1	(24,063)	(24,683)	620
	Net	16,017	16,639	(622)	23,598	22,992	606

Forecast Outturn Variances

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Corporate and Financial Management (incl. CDC)				
Corporate & Democratic Core	6	0	6	Overspend forecast on internet banking charges due to increased online activity.
Assistant Chief Executive	40	0	40	Overspend forecast due to vacancy factor savings for whole service not achieved at Period 9, due to lower staff turnover.
Finance	22	0	22	Forecast overspend relating to employee costs.
ICT and Communications	12	(22)	(10)	Forecast overspend across supplies & services and agency costs. More income from roundabout sponsorship and extra income from NEPP due to increased comms support.
People & Performance	6	(1)	5	Cost related to transferring to new occupational health provider.
Governance	14	1	15	Overspend on Corporate franking costs reflecting level of usage
Executive Management Team				
EMT	21	0	21	Overspend on employee costs forecast due to agency costs to cover maternity leave.
Community Services				
Cultural Services	15	(10)	5	£15k overspend forecast which is offset by £16k more directly related income within the Visitor Income Centre. £6k less income forecast from advertising and sales.
Community Zones	70	57	127	Forecasting a cost pressure of £108k due to sunken boat recovery works. There is a £43k forecast underspend in Mersea Island which will be the subject of a carry forward request at year end for widening works on the Mersea pontoon.

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
				There is a forecast underspend of £19k on fuel which is offset by an overspend of £8k on materials and £17k relating to tree maintenance. There are savings of £12k on security contractor costs in the Castle park, which is offset by a salary overspend as the work is now being undertaken in-house. Less Market Income of £55k is forecast, partially offset by £12k less expenditure in the same area.
Community Development	(15)	2	(13)	There is an underspend of £20k on grants, which will be the subject of a carry forward at year-end for the Beat the Streets project. At Highwoods Country Park, there is a £7k forecast overspend on material for sales, £10k more income in the visitor service centre, and £7k less income generated by school visits and parking.
Colchester and Ipswich Museums	209	(19)	190	There has been an agreed use of reserves by the Joint Museums Committee of £131k. In addition to that, JMC reserves will also be used to fund additional costs of £32k for storage, £13k for the commercial review of the service, and £4k for the NPO status application.
Commercial Services				
Head of Commercial Services	(16)	0	(16)	Forecast saving on vacant Head of Service post.
Place Strategy	(5)	(57)	(62)	Small variances across the service including employees and a £50k forecast underspend on LDF work which will be the subject of a carry forward request at year end. A £23k surplus of Pre-Planning Application income has been forecast by year end.

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
				Extra £34k Travel Plan income has been forecast but will be offset by extra expenditure.
Economic Growth	227	164	391	<p>Cost pressures have been forecast in the following areas:-</p> <p>Employees pressure of c£50k incl. some temporary agency cover; North Colchester cesspool issues £26k; St James / Roman House security and pest control issues £34k. East Colchester legal fees £40k; IT costs £12k – funding from the Revolving Investment Fund will be moved to fund some of these costs at year-end.</p> <p>Income shortfalls forecast on North Colchester Leisure site £100k; Charter Court £90k and Digital Income £20k.</p>
Corporate Asset Management	46	0	46	Town Hall Building works £17k and Rowan House service charge £30k.
Commercial - Trading	(235)	357	122	<p>Events team forecasting a net shortfall of £140k against budget for their first year which is a mixture of underspends and lower income levels than budget.</p> <p>Monitoring & Response services forecasting a shortfall in income £155k (Helpline) although this will be partially offset by £110k underspend on employees, it now looks unlikely that a further £55k anticipated income from CCG ambulance scheme will be agreed before year end.</p> <p>Building Control forecasting a £50k saving on employee costs.</p>
Commercial - Housing	298	0	298	£300k overspend forecast on B&B/Homelessness, reflecting the increase in homelessness cases aswell as a shortfall between the cost of temporary accommodation and the

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
				contribution from housing benefit.
Customer Services				
Customer Operations	(57)	0	(57)	Forecast short term underspends on employee costs due to the implementation of a new structure. This underspend is offset by forecast overspends on print and postage costs. There has been a £50K budget reduction in this area due to efficiency savings that were expected to be made over the course of this year. This is reliant on new technology which is currently being evaluated and not likely to be in place until April 2017.
Customer Demands & Research	0	(17)	(17)	Extra income from consultancy work forecast.
Customer Solutions	(65)	0	(65)	Forecast short term underspends on employee costs due to the implementation of a new structure. This is partially offset by forecast overspends on IT costs and training.
Local Taxation & NNDR	21	(100)	(79)	Forecast overspends relate to search fees and employee costs. £100k more income from Court Fees Recovered is estimated for the year.
Operational Services				
Sport and Leisure	(72)	162	90	Savings within Supplies and Services costs are offset by a shortfall of income from Lifestyle Memberships despite the removal of induction Fees, which has resulted in further income shortfalls in the Fitness Centre.
Recycling and Fleet	(162)	137	(25)	Savings on staff vacancies have funded the in-year implementation costs of the waste strategy. Less income from Glass Sales due to falling prices is forecast, whilst underspends on Food Waste expenditure will be

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
				offset by less use of the Food Waste Grant.
Car Parking	(217)	(60)	(277)	The majority of the underspend relates to Butt Road car park rent, which has now been confirmed is at a peppercorn rate, a one-off in in-year reduction on Middleborough car park service charge and NNDR costs for car parks either closed for repairs or being developed. Parking income is forecast to be £60k above budget which includes the expected shortfall in Season Ticket income due to lower take-up.
Parking Partnership	(85)	(120)	(205)	On-street will make a surplus that will be transferred into the reserve at year-end to fund future year's Traffic Regulation Order works.
Professional Services				
Head of Professional Services	22	0	22	Overspend forecast due to vacancy factor savings for whole service not achieved at Period 9, due to lower staff turnover.
Licensing & Food Safety	(23)	0	(23)	Underspend across employee costs.
Environmental Health Services	7	7	14	Forecasting an overspend across employee costs. There is an underspend on works in default costs offset by less related income. Less income for environmental annual subsistence charges.
Electoral Services	1	0	1	Small overspend forecast.
Professional Support Units	7	0	7	Overspend relating to change of payroll system, partially offset by an underspend across employee costs.
Land Charges	9	0	9	Overspend forecast mainly relating to the cost of a new apprentice.

December 2016 Account Description	Current Period - December 2016			Forecast Year-End Position		
	Profiled Budget to Period 9 £'000	Actual to Period 9 £'000	Variance (under) / over £'000	Annual Budget £'000	Projected Outturn £'000	Variance (under) / over £'000
HRA - Direct & Non-Direct						
EXPENDITURE						
Employees	81	75	(6)	108	108	-
Premises Related	5,107	4,748	(359)	6,721	6,721	-
Transport Related	-	1	1	-	-	-
Supplies & Services	563	428	(135)	972	972	-
Third Party Payments	2,862	2,839	(23)	3,435	3,435	-
Transfer Payments	118	92	(26)	166	166	-
Support Services	2,687	2,687	-	3,808	3,808	-
Capital Financing Costs	51	51	-	15,273	15,502	229
TOTAL EXPENDITURE	11,469	10,921	(548)	30,483	30,712	229
INCOME						
Other Grants & Reimbursements	(107)	(107)	-	(145)	(145)	-
Customer & Client Receipts	(22,737)	(23,032)	(295)	(29,968)	(30,197)	(229)
Income-Interest	(1)	(1)	-	(32)	(32)	-
Inter Account Transfers	-	-	-	(160)	(160)	-
TOTAL INCOME	(22,845)	(23,140)	(295)	(30,305)	(30,534)	(229)
TOTAL NET - HRA	(11,376)	(12,219)	(843)	178	178	-