

# Audit and Governance Committee

Item  
**10**

13 September 2016

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

**The Committee is invited to review the financial performance of all General Fund services and the Housing Revenue Account for the first three 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 three 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 three months to 30 June 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 £47k. 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 30 June 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 £570k (favourable). This comprises total expenditure being £618k lower than expected and total income being £48k lower than expected. Appendix B breaks these variances down by subjective group.

##### *Income*

- 4.2 Income to the Council is below targets in a number of areas to date, but most notably in Parking, Sport & Leisure and Community Alarms, although it should be noted that some of the shortfalls are small in monetary terms. We have however achieved more income in Planning and Museums. As one of our main risk areas, income will continue to be closely monitored by officers on a monthly basis.

##### *Expenditure*

- 4.3 There are underspends against profiled budgets in most services areas, predominantly within employee and premises 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 17/18 budget setting process, we are undertaking a further outturn review which takes into account the 2015/16 outturn position.
- 4.4 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 first review this year of the 2016/17 budget position, and the current forecast outturn is a net overspend of £47k.

	£'000	
Service budgets	47	See paras. 5.2 – 5.3 and Appendix C
Technical Items	-	
<b>Potential net overspend</b>	<b>47</b>	

##### *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 £47k. As the table shows, this mainly reflects additional expenditure within a number of areas, but primarily in Commercial Services.

Service	Forecast outturn		
	Expenditure	Income	Net
	£'000	£'000	£'000
Corporate & Financial Management	12	(1)	11
Community Services	(17)	3	(14)
Commercial Services	119	(13)	106
Customer Services	23	(100)	(77)
Operational Services	40	21	61
Professional Services	24	(64)	(40)
<b>Total all services</b>	<b>201</b>	<b>(154)</b>	<b>47</b>

- 5.3 Appendix C sets out details of all forecast variances against service budgets at the year-end totalling £47k. However, there are underspends that are not currently included in the forecast outturn. For example, detailed salary forecasting is currently being worked on, and will be reflected in the Quarter 2 report.
- 5.4 There are other risks, both positive and negative, to the outturn position that are not currently shown in the forecast. These and other areas will be closely monitored over the coming months and if appropriate the outturn forecast will be revised.

*Corporate / Technical Items*

- 5.5. 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, however with the growing prospect of short term interest rates reducing following the EU referendum result, there is likely to be a pressure on achieving investment income targets.
- 5.6. 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 it is currently expected we will be able to identify savings during the year to achieve this target.

*Summary position and action proposed*

- 5.7. The forecast outturn shows a potential net overspend of £47k. Further more detailed work will be undertaken during Quarter 2 to ensure forecast outturn positions are robust, including forecasting of employee costs and areas where underspends to date have not been reflected in the forecast outturn position.
- 5.8. 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 will provide a better opportunity to assess progress against budget targets and income levels.

## **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 June 2016, the HRA is showing a net underspend of £731k compared to the profiled budget for the same period. This is primarily due to lower expenditure on Premises costs (£406k), Supplies & Services costs (£121k), and £136k more income than budgeted.

*Position to date*

- 6.2 Premises related costs are showing an underspend of £406k as at the end of June 2016. Overall, there is a net underspend of £185k 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 £129k on Grounds Maintenance budgets, £28k on Council Tax on void properties and £24k on Utility and Water costs which relate to the timing of expenditure.
- 6.3 Supplies & Services costs are underspent by £121k at the end of June. There is a general underspend across most budget headings, which primarily relate to the timing of expenditure, the main factor being IT costs of £48k.
- 6.4 We have received £136k more income at the end of June 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
<b>Corporate &amp; Democratic Core</b>		6	-	6	-	-	-
Total		6	-	6	-	-	-
<b>Corporate &amp; Financial Management</b>							
Assistant Chief Executive		2	-	2	-	-	-
Finance		1	-	1	28	-	28
ICT and Communications		(39)	3	(36)	(23)	-	(23)
People and Performance		6	(4)	2	1	(1)	-
Governance		(11)	4	(7)	6	-	6
Total		(41)	3	(38)	12	(1)	11
<b>Executive Management Team</b>							
EMT		(2)	(11)	(13)	-	-	-
Partner Projects		-	-	-	-	-	-
Total		(2)	(11)	(13)	-	-	-
<b>Community Services</b>							
Head of Community Services		-	-	-	-	-	-
Cultural Services		-	12	12	1	-	1
Community Zones		(29)	(14)	(43)	(16)	-	(16)
Community Development		(37)	(4)	(41)	(2)	3	1
Colchester Museums		(5)	(22)	(27)	-	-	-
Subtotal		(71)	(28)	(99)	(17)	3	(14)
Colchester & Ipswich Museums		(15)	3	(12)	2	-	2
Total		(86)	(25)	(111)	(15)	3	(12)
<b>Commercial Services</b>							
Head of Commercial Services		14	-	14	-	-	-
Place Strategy		(53)	(15)	(68)	-	(13)	(13)
Economic Growth		(16)	(13)	(29)	102	-	102
Corporate Asset Management		(79)	6	(73)	17	-	17
Commercial - Trading		(188)	76	(112)	-	-	-
Commercial - Housing		59	(46)	13	-	-	-
Total		(263)	8	(255)	119	(13)	106

		Position to date			Forecast Outturn		
	Area	Spend	Income	Net	Spend	Income	Net
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Customer Services</b>							
	Head of Customer Services	17	-	17	-	-	-
	Customer Operations	(51)	4	(47)	23	-	23
	Customer Demands & Research	71	(67)	4	-	-	-
	Customer Solutions	(45)	49	4	-	-	-
	Local Taxation & NNDR	16	(1)	15	-	(100)	(100)
	<b>Subtotal</b>	<b>8</b>	<b>(15)</b>	<b>(7)</b>	<b>23</b>	<b>(100)</b>	<b>(77)</b>
	Benefits - Payments & Subsidy	(274)	999	725	-	-	-
	<b>Total</b>	<b>(266)</b>	<b>984</b>	<b>718</b>	<b>23</b>	<b>(100)</b>	<b>(77)</b>
<b>Operational Services</b>							
	Head of Operational Services	13	-	13	-	-	-
	Sport & Leisure	(54)	47	(7)	15	(4)	11
	Recycling & Fleet	(171)	50	(121)	25	25	50
	Car Parking	(72)	60	(12)	-	-	-
	<b>Subtotal</b>	<b>(284)</b>	<b>157</b>	<b>(127)</b>	<b>40</b>	<b>21</b>	<b>61</b>
	Parking Partnership (NEPP)	4	201	205	-	-	-
	<b>Total</b>	<b>(280)</b>	<b>358</b>	<b>78</b>	<b>40</b>	<b>21</b>	<b>61</b>
<b>Professional Services</b>							
	Head of Professional Services	-	-	-	-	-	-
	Licensing & Food Safety	(9)	(7)	(16)	-	-	-
	Environmental Health Services	(11)	(21)	(32)	-	-	-
	Electoral Services	10	(10)	-	-	-	-
	Prof Support Units	32	9	41	-	-	-
	Land Charges	10	8	18	24	(24)	-
	Planning	(3)	(45)	(48)	-	(40)	(40)
	<b>Total</b>	<b>29</b>	<b>(66)</b>	<b>(37)</b>	<b>24</b>	<b>(64)</b>	<b>(40)</b>
	<b>Total (excluding Benefits, NEPP &amp; JMC)</b>	<b>(618)</b>	<b>48</b>	<b>(570)</b>	<b>201</b>	<b>(154)</b>	<b>47</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	5,864	6,144	(280)	24,229	24,167	62
	Premises Related	1,113	1,394	(281)	6,722	6,659	63
	Transport Related	485	546	(61)	2,952	2,953	(1)
	Supplies & Services	2,952	2,909	43	10,300	10,223	77
	Third Party Payments	635	687	(52)	2,203	2,203	0
	Transfer Payments	38	25	13	100	100	0
	Capital Financing Costs	110	110	0	110	110	0
	<b>Total</b>	<b>11,197</b>	<b>11,815</b>	<b>(618)</b>	<b>46,616</b>	<b>46,415</b>	<b>201</b>
	<b>Income</b>						
	Government Grant	(462)	(432)	(30)	(811)	(811)	0
	Other Grants & Reimbursements	(397)	(507)	110	(2,401)	(2,394)	(7)
	Customer & Client Receipts	(5,702)	(5,664)	(38)	(20,633)	(20,486)	(147)
	Income-Interest	(26)	(32)	6	(129)	(129)	0
	Inter Account Transfers	0	0	0	0	0	0
	<b>Total</b>	<b>(6,587)</b>	<b>(6,635)</b>	<b>48</b>	<b>(23,974)</b>	<b>(23,820)</b>	<b>(154)</b>
	<b>Net</b>	<b>4,610</b>	<b>5,180</b>	<b>(570)</b>	<b>22,642</b>	<b>22,595</b>	<b>47</b>

**Forecast Outturn Variances**

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Corporate and Financial Management (incl. CDC)				
Finance	28	0	28	Forecast overspend relating to employee costs.
ICT and Communications	(23)	0	(23)	Underspends across supplies & services for ICT.
People & Performance	1	(1)	0	Small overspend on training costs being offset by extra income.
Governance	6	0	6	Overspend on post room equipment purchase and new member induction.
Community Services				
Cultural Services	1	0	1	Small overspend on supplies and services.
Community Zones	(16)	0	(16)	Forecast savings mainly on Public conveniences utility bill refund, and savings on cleaning contract. Additional £5k savings in equipment.
Community Development	(2)	3	1	Small savings on Ground Maintenance contract. Forecasting less income generated by school visits to Highwoods Country park.
Colchester and Ipswich Museums	2	0	2	Forecasting small overspend (medical fees, equipment).
Commercial Services				
Place Strategy	0	(13)	(13)	A small surplus of Pre-Planning Application income has been forecast by year end.
Economic Growth	102	0	102	Cost pressures have been forecast in the following areas:- Estates Management team have forecast £20k on temporary agency cover; East Colchester legal fees £28k ; North Colchester cesspool issues £20k; St James/Roman House security and pest control issues £28k.

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Corporate Asset Management	17	0	17	Town Hall Building works.
<b>Customer Services</b>				
Customer Operations	23	0	23	£20k over spend on postage costs within Technical services. There has been a £50K budget reduction in this area due to efficiency savings that will be made over the course of the next year. This is reliant on new technology currently being evaluated.
Local Taxation & NNDR	0	(100)	(100)	£100k more income from Court Fees Recovered is estimated for the year.
<b>Operational Services</b>				
Sport and Leisure	15	(4)	11	Car Park have not been working but a new system has been installed so future income should be secure. There are controllable variances across most cost centres as you would expect in a business operating in this sector.
Recycling and Fleet	25	25	50	£20k overspend on Repair and Maintenance costs to Baling machine and £25k less income from Glass Sales due to falling prices.
Parking Partnership	0	0	0	NEPP budgets are expected to run within budget.
<b>Professional Services</b>				
Land Charges	24	(24)	0	Overspend relating to Arcus software, to be offset by additional income
Planning	0	(40)	(40)	More income is forecast.

June 2016  Account Description	Current Period - June 2016			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	27	14	(13)	108	108	-
Premises Related	1,920	1,514	(406)	6,721	6,721	-
Supplies & Services	274	153	(121)	972	972	-
Third Party Payments	1,141	1,132	(9)	3,435	3,435	-
Transfer Payments	41	11	(30)	166	166	-
Support Services	885	885	-	3,808	3,808	-
Capital Financing Costs	17	-	(17)	15,273	15,573	300
<b>TOTAL EXPENDITURE</b>	<b>4,305</b>	<b>3,709</b>	<b>(596)</b>	<b>30,483</b>	<b>30,783</b>	<b>300</b>
<b>INCOME</b>						
Other Grants & Reimbursements	(19)	(6)	13	(145)	(145)	-
Customer & Client Receipts	(7,998)	(8,147)	(149)	(29,968)	(30,268)	(300)
Income-Interest	-	-	-	(32)	(32)	-
Inter Account Transfers	-	-	-	(160)	(160)	-
<b>TOTAL INCOME</b>	<b>(8,017)</b>	<b>(8,153)</b>	<b>(136)</b>	<b>(30,305)</b>	<b>(30,605)</b>	<b>(300)</b>
<b>TOTAL NET - HRA</b>	<b>(3,712)</b>	<b>(4,444)</b>	<b>(732)</b>	<b>178</b>	<b>178</b>	<b>-</b>