

Governance and Audit Committee

Item
10

19 September 2017

Report of	Assistant Director (Policy and Corporate)	Author	Sean Plummer ☎ 282347 Darren Brown ☎ 282891
Title	Financial Monitoring Report – April to June 2017		
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 three months of 2017/18

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 2017/18.

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 2017, 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 £488k. 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 16/17 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 2017

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 £63k (adverse). This comprises total expenditure being £280k lower than expected and total income being £343k 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 Sport & Leisure, Community Alarms and Planning, although it should be noted that some of the shortfalls are small in monetary terms. We have however achieved more income in Events, Building Control, 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

- 4.3 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.
- 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 2017/18 budget position, and the current forecast outturn is a net overspend of £488k.

	£'000	
Service budgets	488	See paras. 5.2 – 5.3 and Appendix C
Technical Items	-	
Potential net overspend	488	

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 £488k. As the table shows, this is primarily due to an overall shortfall in income of £615k. The largest areas contributing to this income shortfall are; Commercial Services (North Colchester Leisure Site, Culver Centre and Digital income), and Sport & Leisure where income from Lifestyle memberships is forecast to be below budget. The latter is partially offset by less expenditure, although a net overspend is forecast.

Service	Forecast outturn		
	<i>Expenditure</i>	<i>Income</i>	<i>Net</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Corporate & Financial Management (incl CDC)	45	4	49
EMT	5	-	5
Community Services	(54)	32	(22)
Commercial Services	(55)	359	304
Customer Services	(142)	11	(131)
Operational Services	(146)	209	63
Professional Services	20	-	20
Corporate Item – Smarter Working saving to be allocated	200	-	200
Total all services	(127)	615	488

- 5.3 Appendix C sets out details of all forecast variances against service budgets at the year-end totalling £288k. In addition, the 2017/18 budget includes a Smarter Working saving of £200k. This is currently being held within our technical area, and will be allocated out to services in Period 4 when the new management structure goes live. The assumption is that services are forecasting all their known staffing changes and requirements, therefore the allocation of this saving will have the effect of removing £200k of expenditure budgets and hence increase the variance currently being showing at an individual service level. This will be reviewed during Quarter 2.
- 5.4 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.
- 5.5 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.
- 5.6. There is a balance of £15k to find against the procurement target for the current financial year. Opportunities to close this gap are expected during the year.

Summary position and action proposed

- 5.7. The forecast outturn shows a potential net overspend of £488k. 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.
- 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 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.

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 2017, the HRA is showing a net underspend of £384k compared to the profiled budget for the same period. This is primarily due to lower expenditure on Premises costs (£295k) and £67k more income than budgeted.

Position to date

- 6.2 Premises related costs are showing an underspend of £295k as at the end of June 2017. Overall, there is a net underspend of £195k 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 £41k on Grounds Maintenance budgets, £22k on Council Tax on void properties and £14k on Utility and Water costs which relate to the timing of expenditure.
- 6.3 We have received £67k more income at the end of June 2017. This reflects the net impact of less rental & service charge income being lost from dwellings and garages than assumed within the budget, through a combination of voids and the level of Right to Buy sales.

Forecast Outturn

- 6.4 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 2017/18 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 2017/18 revenue budget report that was approved by Council in February 2017 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		(34)	-	(34)	(5)	-	(5)
	Total	(34)	-	(34)	(5)	-	(5)
Corporate & Financial Management							
	Assistant Chief Executive	4	-	4	-	-	-
	Finance	17	-	17	60	-	60
	ICT and Communications	56	-	56	(52)	-	(52)
	People and Performance	9	-	9	7	4	11
	Governance	(34)	(3)	(37)	35	-	35
	Total	52	(3)	49	50	4	54
Executive Management Team							
	EMT	(2)	-	(2)	5	-	5
	Total	(2)	-	(2)	5	-	5
Community Services							
	Head of Community Services	1	-	1	-	-	-
	Cultural Services	(3)	4	1	-	8	8
	Community Zones	4	6	10	(19)	-	(19)
	Community Development	12	(8)	4	(35)	(1)	(36)
	Colchester Museums	(3)	24	21	-	25	25
	Subtotal	11	26	37	(54)	32	(22)
	Colchester & Ipswich Museums	10	4	14	42	(11)	31
	Total	21	30	51	(12)	21	9
Commercial Services							
	Head of Commercial Services	(1)	-	(1)	74	-	74
	Place Strategy	(100)	115	15	6	-	6
	Economic Growth	(12)	47	35	(37)	303	266
	Corporate Asset Management	(69)	(11)	(80)	23	(4)	19
	Commercial - Trading	32	44	76	(117)	60	(57)
	Commercial - Housing	(21)	(61)	(82)	(4)	-	(4)
	Total	(171)	134	(37)	(55)	359	304

		Position to date			Forecast Outturn		
	Area	Spend	Income	Net	Spend	Income	Net
		£'000	£'000	£'000	£'000	£'000	£'000
Customer Services							
	Head of Customer Services	23	-	23	6	-	6
	Customer Operations	67	-	67	(39)	-	(39)
	Customer Demands & Research	16	7	23	(6)	11	5
	Customer Solutions	(59)	35	(24)	(80)	-	(80)
	Local Taxation & NNDR	(21)	(5)	(26)	(23)	-	(23)
	Subtotal	26	37	63	(142)	11	(131)
	Benefits - Payments & Subsidy	(816)	616	(200)	-	-	-
	Total	(790)	653	(137)	(142)	11	(131)
Operational Services							
	Head of Operational Services	-	-	-	-	-	-
	Sport & Leisure	(42)	55	13	(55)	133	78
	Recycling & Fleet	(74)	25	(49)	(91)	76	(15)
	Car Parking	(4)	(5)	(9)	-	-	-
	Subtotal	(120)	75	(45)	(146)	209	63
	Parking Partnership (NEPP)	105	177	282	(114)	-	(114)
	Total	(15)	252	237	(260)	209	(51)
Professional Services							
	Head of Professional Services	1	-	1	-	-	-
	Licensing & Food Safety	(12)	10	(2)	14	-	14
	Environmental Health Services	7	(4)	3	12	-	12
	Electoral Services	(1)	-	(1)	-	-	-
	Prof Support Units	(24)	12	(12)	(23)	-	(23)
	Land Charges	(14)	5	(9)	15	-	15
	Planning	1	51	52	2	-	2
	Total	(42)	74	32	20	-	20
	Total (excluding Benefits, NEPP & JMC)	(280)	343	63	(327)	615	288

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	6,410	6,484	(74)	25,484	25,682	(198)
	Premises Related	2,678	2,882	(204)	7,033	7,007	26
	Transport Related	512	525	(13)	2,955	2,965	(10)
	Supplies & Services	3,012	3,016	(4)	10,435	10,363	72
	Third Party Payments	737	762	(25)	2,355	2,372	(17)
	Transfer Payments	65	25	40	100	100	0
	Capital Financing Costs	0	0	0	110	110	0
	Total	13,414	13,694	(280)	48,472	48,599	(127)
	Income						
	Government Grant	(770)	(778)	8	(1,329)	(1,366)	37
	Other Grants & Reimbursements	(349)	(514)	165	(2,461)	(2,546)	85
	Customer & Client Receipts	(5,911)	(6,078)	167	(20,862)	(21,345)	483
	Income-Interest	(30)	(33)	3	(121)	(131)	10
	Inter Account Transfers	0	0	0	0	0	0
	Total	(7,060)	(7,403)	343	(24,773)	(25,388)	615
	Net	6,354	6,291	63	23,699	23,211	488

Forecast Outturn Variances

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Corporate and Financial Management (incl. CDC)				
Corporate & Democratic Core	(5)	0	(5)	Forecast underspend on banking transaction charges (25%)
Finance	60	0	60	Forecast overspend relating to employee costs (7.7%)
ICT and Communications	(52)	0	(52)	Forecast underspend across employee costs mainly due to vacant posts in ICT (3.4%)
People & Performance	7	4	11	Forecast overspend due to vacancy factor not fully matched at Period 3 (1.3%). Less income from CBH SLA (27.5%)
Governance	35	0	35	Forecast overspend mainly due to vacancy factor not matched at Period 3 (3.4%)
Executive Management Team				
EMT	5	0	5	Overspend forecast on employee costs due to maternity cover (0.8%)
Community Services				
Cultural Services	0	8	8	Shortfall in income due to Party in the park not going ahead, and less income related to advertising and sales (6.6%)
Community Zones	(19)	0	(19)	Forecast underspend primarily relating to employee costs (0.8%)
Community Development	(35)	(1)	(36)	Forecast underspend on employee costs (5.16%). £1k more income forecast for water supply charges (0.3%)
Colchester Museums	0	25	25	Shortfall in income of £25k being forecast (5.6%)
Colchester and Ipswich Museums	42	(11)	31	Underspend of £26k on employee costs being forecast (1.43%), which is offset by £55k for storage costs in Ipswich. Retail is forecasting £8k overspend on materials for re-sale (6.1%).

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
				which is offset by £12k more income (9.2%)
Commercial Services				
Head of Commercial Services	74	0	74	Overspend forecast due to vacancy factor savings for whole service not achieved at Period 3, due to lower staff turnover.
Place Strategy	6	0	6	Small variances across the service, primarily relating to employees costs. Pre-Planning Application income is forecast to be on budget by year end.
Economic Growth	(37)	303	266	Employee costs are forecast to be underspent by a net £43k (5.6%), which is a combination of savings from vacant posts and additional temporary agency cover costs. In addition, commercial properties have forecast some unplanned security and legal costs of £7k. Income shortfalls forecast on North Colchester Leisure site £150k (100%); Culver Centre £75k (14.9%) and Digital Income £80k (80%).
Corporate Asset Management	23	(4)	19	Rowan House service charge balance of £23k relating to the previous financial year (16.3%)
Commercial - Trading	(117)	60	(57)	Events team forecasting to deliver on budget as at the end of the 1 st Quarter. Monitoring & Response services forecasting a shortfall in income £60k (5.6%) (Helpline) although this will be partially offset by a £30k underspend on employee costs (4.4%). Building Control are forecasting a £85k saving on employees (25%)
Commercial - Housing	(4)	0	(4)	Small saving on employee costs (2.1%)

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Customer Services				
Head of Customer Services	6	0	6	Small overspend relating to employee costs (4.7%)
Customer Operations	(39)	0	(39)	Forecast underspend relating to employee costs (2.7%)
Customer Demand & Research	(6)	11	5	£5k less income from commissioned project work with external organisations (14.8%) Transformation costs will be offset by the Transformation Challenge Award Grant.
Customer Solutions	(80)	0	(80)	Forecast underspend relating to employee costs (6.3%)
Local Taxation & NNDR	(23)	0	(23)	Forecast underspend relating to employee costs (5.8%)
Operational Services				
Sport and Leisure	(55)	133	78	Savings on Employee Costs across all cost centres are offset by a shortfall of £135k (11.9%) income from Lifestyle Memberships. To reduce this shortfall, new membership packages have been introduced and a number of new income streams are being identified.
Recycling and Fleet	(91)	107	16	Employee underspends are due to the management of vacancies whilst optimised routes are put into operation (3.6%). Less income from Glass sales is due to the falling price of Glass (63.6%)
Parking Partnership	(114)	0	(114)	The NEPP is currently undergoing an organisational review to find the savings required from the Essex Review and a number of posts are currently unfilled (5.1%).
Professional Services				
Licensing & Food Safety	14	0	14	Forecast overspend due to vacancy factor not fully matched at Period 3 (2.8%).

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Environmental Health Services	12	0	12	Forecast overspend due to vacancy factor not matched at Period 3 (3.1%).
Professional Support Units	(23)	0	(23)	Forecast underspend relating to employee costs (1.5%)
Land Charges	15	0	15	Overspend forecast due to unbudgeted cost of apprentice.
Planning	2	0	2	Small overspend forecast on employee costs (0.4%).

June 2016 Account Description	Current Period - June 2017			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
HRA - Direct & Non-Direct						
EXPENDITURE						
Employees	27	27	-	109	109	-
Premises Related	1,805	1,510	(295)	6,615	6,615	-
Supplies & Services	190	178	(12)	792	792	-
Third Party Payments	1,159	1,156	(3)	3,503	3,503	-
Transfer Payments	42	35	(7)	168	168	-
Support Services	1,088	1,088	-	4,354	4,354	-
Capital Financing Costs	-	-	-	14,364	14,403	39
TOTAL EXPENDITURE	4,311	3,994	(317)	29,905	29,944	39
INCOME						
Other Grants & Reimbursements	(23)	(23)	-	(178)	(178)	-
Customer & Client Receipts	(7,820)	(7,887)	(67)	(29,561)	(29,600)	(39)
Income-Interest	(8)	(8)	-	(32)	(32)	-
Inter Account Transfers	-	-	-	(135)	(135)	-
TOTAL INCOME	(7,851)	(7,918)	(67)	(29,906)	(29,945)	(39)
TOTAL NET - HRA	(3,540)	(3,924)	(384)	(1)	(1)	-