

# Performance and Audit Scrutiny Committee



Forest Heath  
District Council

<b>Title of Report:</b>	<b>Financial Performance Report (Revenue and Capital) Quarter 2 – 2016-2017</b>	
<b>Report No:</b>	<b>PAS/FH/16/031</b>	
<b>Report to and date:</b>	<b>Performance and Audit Scrutiny Committee</b>	24 November 2016
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<b>Purpose of report:</b>	This report sets out the Financial Performance for the second quarter of 2016-17 and forecasted outturn position for 2016-17.	
<b>Recommendation:</b>	<b>Performance and Audit Scrutiny Committee:</b>  <b>Members are requested to <u>note</u> the year end forecast financial position and forward any relevant issues or comments to Cabinet for their consideration.</b>	
<b>Key Decision:</b>  <i>(Check the appropriate box and delete all those that <b>do not</b> apply.)</i>	<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>	

<b>Consultation:</b>		<ul style="list-style-type: none"> <li>This report and the figures therein have been compiled by the Finance team in consultation with the relevant budget holders, services and Leadership Team.</li> </ul>	
<b>Alternative option(s):</b>		<ul style="list-style-type: none"> <li>In order for the Council to be able to meet its strategic priorities it is essential that sufficient and appropriate financial resources are available.</li> </ul>	
<b>Implications:</b>			
Are there any <b>financial</b> implications? If yes, please give details		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> <li>As set out in the body of this report.</li> </ul>	
Are there any <b>staffing</b> implications? If yes, please give details		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li></li> </ul>	
Are there any <b>ICT</b> implications? If yes, please give details		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li></li> </ul>	
Are there any <b>legal and/or policy</b> implications? If yes, please give details		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li>As outlined in the body of this report.</li> </ul>	
Are there any <b>equality</b> implications? If yes, please give details		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li></li> </ul>	
<b>Risk/opportunity assessment:</b>		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
<b>Risk area</b>	<b>Inherent level of risk</b> (before controls)	<b>Controls</b>	<b>Residual risk</b> (after controls)
	Low/Medium/ High*		Low/Medium/ High*
Budget variances	High	Clear responsibilities for budget monitoring and control ensure that there is strong accountability for each individual budget line. Budget monitoring is undertaken on a monthly basis with budget holders and reported to Leadership Team quarterly.	Low
Wider economic situation around income levels	High	Budgets reflect the economic situation facing the Council, and have been scrutinised by officers and members at budget setting time. Continue to monitor areas closely to ensure assumptions remain reasonable.	Medium
Capital investment plans continue to be affordable, prudent and sustainable	Medium	Prudential Indicators are in place to safeguard the Council	Low

Treasury Management	Medium	Treasury Management Policy and Procedures are in place	Low
Fluctuation in Business rate retention yield	High	Work with ARP to understand the variance to deliver a realistic forecast.	Medium
<b>Ward(s) affected:</b>		All Ward	
<b>Background papers:</b>		None	
<b>Documents attached:</b>		<p>Appendix A – Revenue budget summary, for the period April to September 2016.</p> <p>Appendix B – Revenue budget detail, for the period April to September 2016.</p> <p>Appendix C – Capital budget summary, for the period April to September 2016.</p> <p>Appendix D – Earmarked Reserves for 2016/17</p>	

## 1. Key issues and reasons for recommendation(s)

### 1.1 Key Issues

- 1.1.1 This is the second quarter financial monitoring report for Forest Heath District Council; which includes year end forecast outturn figures for large variance items we are aware of. We will continue to monitor the position throughout the year and will update members on any change to this position at the next PASC meeting.
- 1.1.2 Details of the Council's revenue performance and year end forecasted outturn position can be found in **Appendix A** and **B**. Explanations of the main year end forecast over/(under) spends can be found in the table at 1.2.3.
- 1.1.3 The Council's capital financial position is summarised below at 1.3. Further details are provided in **Appendix C**.
- 1.1.4 A summary of the earmarked reserves can be found at **Appendix D** along with the forecast year end position for 2016/17.

### 1.2 Revenue Performance

- 1.2.1 The current forecast position for the year end is expected to be on budget. Explanations of the main year end forecast over / (under) spends can be found in the table at 1.2.3 below.
- 1.2.2 Members are requested to note the current position and the significant variances as outlined in the paragraphs below. Budget holders will continue to work with Resources Business Partners and Business Support Advisors and an updated outturn position will be provided to this committee in November.
- 1.2.3 Year end forecast variances over £25,000 are explained in the table below.

<b>Year end forecast variance: Over / (under) spend £000s</b>	<b>Explanation</b>
(30)	<b>Resources &amp; Performance</b> Savings on salary costs resulting from staffing vacancies (see paragraph 1.2.4) and an expected underspend on software maintenance charges.
96	<b>General Fund Adjustments:</b> Additional income from the Suffolk Business Rates Pool offset by an overspend on Business Rate Levy payable due to more business rate growth than included in the budget. This additional growth income will be retained in the Collection Fund to be redistributed in future years.

Year end forecast variance: Over / (under) spend £000s	Explanation
(44)	<p><b>Council Tax Administration:</b> Administration Subsidy Grant is higher than budgeted due to the government's decision to merge in New Burdens funding. It is also anticipated that income from court costs recovered will exceed expectations.</p>
115	<p><b>Development Control:</b> Overspend arising through additional approved staffing costs (see paragraph 1.2.4), combined with a projected income shortfall, additional service development costs and an increase in advertising costs.</p>
56	<p><b>Environmental Management:</b> Underachievement of budgeted feed-in-tariffs due to changes in Government Legislation and less take-up than initially anticipated.</p>
(160)	<p><b>Solar Farm (Unbudgeted in 2016/17)</b> Solar Farm went live for Forest Heath in August and is currently generating returns in line with expectations.</p>
(25)	<p><b>Property Services</b> Salary costs currently underspent as a result of vacancies (see paragraph 1.2.4).</p>
(29)	<p><b>Industrial and Business Units:</b> Rental income currently overachieving against budget, and underspending on landlord costs as a result of better occupancy than anticipated.</p>
52	<p><b>Interest Receivable:</b> Reduction in expected income resulting from fewer funds invested overall. The purchase of the Solar Farm has been a key contributor to the reduction in the funds available to invest, however the returns expected from the Solar Farm more than compensate for the loss of investment income.</p>

#### 1.2.4 Employee-related Expenses

Whilst the year end forecast variances in the table above will always include a number of areas where there are overspends or underspends on employee related costs, the overall position for the West Suffolk councils in this area is broadly on track with the approved budget, with a small forecasted year end underspend of around 1%. This underspend has arisen as a result of a number of factors, including the success of close budgetary control and vacancy management, staffing vacancies during the year, structural changes and

assumptions around pension scheme take-up which are currently being reviewed as part of the budget setting process.

### 1.2.5 Compostable Collection (Brown Bin)

1.2.6 The report SE/PAS/15/029 "Subscription Charge for the Brown Bin Service" was presented to this committee on 25 November 2015. This report outlined the rationale behind the proposed charging regime, and modelled a number of potential scenarios and outcomes which might arise as a result of the introduction of a subscription service. This report agreed that the subscription would be fixed for a three year period, and that the budget would be reviewed annually once a better understanding of the take-up is available.

1.2.7 There are a number of variables that impact upon arrangements for sharing costs and benefits with Suffolk County Council that are still to be fully understood and agreed. As such this report assumes that the budget position on the Garden Waste Collection service is broadly in line with the cost neutral (status quo) and safe assumptions that were presented in the original report. Work is ongoing as regards reviewing the costs and benefits, and it is envisaged that a more complete position will be available later in the financial year when there will be a fuller understanding of the impact to waste collection and disposal and cost sharing arrangements are confirmed.

### 1.3 Capital Position

1.3.1 The following table is a high level summary of capital expenditure against budget for 2016/17. Further details by capital project can be found at **Appendix C**.

The Resources Team will continue to work with Budget Holders to monitor capital spend and project progress closely for the remainder of the financial year and an updated position will be presented to this committee on a quarterly basis.

Service Area	2016/17 Budget	2016/17 Actual Spend to Date	2016/17 Forecast Spend	2016/17 Carried Forward	2016/17 Forecast Over / (under) Spend
	£000s	£000s	£000s	£000s	£000s
Planning & Growth	17,117	14,011	14,636	1,031	(1,450)
Housing	4,315	47	268	3,515	(532)
Resources & Performance	5,312	2,681	4,712	500	(100)
Families & Communities	36	6	9	28	0
Operations	2,786	1,493	2,203	628	46
<b>Totals:</b>	<b>29,566</b>	<b>18,238</b>	<b>21,828</b>	<b>5,702</b>	<b>(2,036)</b>