

Performance and Audit Scrutiny Committee



Forest Heath
District Council

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| Title of Report: | Financial Performance Report (Revenue and Capital) Quarter 3 – 2016-17 | |
| Report No: | PAS/FH/17/004 | |
| Report to and dates: | Performance and Audit Scrutiny Committee | 25 January 2017 |
| Portfolio holder: | Stephen Edwards Portfolio Holder for Resources, Governance and Performance Tel: 01638 660518 Email: Stephen.edwards@forest-heath.gov.uk | |
| Lead officer: | Rachael Mann Head of Resources and Performance Tel: 01638 719245 Email: rachael.mann@westsuffolk.gov.uk | |
| Purpose of report: | This report sets out the Financial Performance for the third quarter of 2016-17 and forecasted outturn position for 2016-17. | |
| Recommendation: | Performance and Audit Scrutiny Committee: 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. | |
| Key Decision: (Check the appropriate box and delete all those that <u>do not</u> apply.) | Is this a Key Decision and, if so, under which definition? Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/> | |

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| Consultation: | | <ul style="list-style-type: none"> This report and the figures therein have been compiled by the Finance team in consultation with the relevant budget holders, services and Leadership Team. | |
| Alternative option(s): | | <ul style="list-style-type: none"> In order for the Council to be able to meet its strategic priorities it is essential that sufficient and appropriate financial resources are available. | |
| Implications: | | | |
| Are there any financial implications? If yes, please give details | | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> As set out in the body of this report. | |
| Are there any staffing implications? If yes, please give details | | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> | |
| Are there any ICT implications? If yes, please give details | | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> | |
| Are there any legal and/or policy implications? If yes, please give details | | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> As outlined in the body of this report. | |
| Are there any equality implications? If yes, please give details | | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> | |
| Risk/opportunity assessment: | | <i>(potential hazards or opportunities affecting corporate, service or project objectives)</i> | |
| Risk area | Inherent level of risk (before controls) | Controls | Residual risk (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 |

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| 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 |
| Ward(s) affected: | | All Ward | |
| Background papers: <i>(all background papers are to be published on the website and a link included)</i> | | None | |
| Documents attached: | | <p>Appendix A – Revenue budget summary, for the period April to December 2016.</p> <p>Appendix B – Revenue budget detail, for the period April to December 2016.</p> <p>Appendix C – Capital budget summary, for the period April to December 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 third 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 February.
- 1.2.3 Year end forecast variances over £25,000 are explained in the table below.

| Year end forecast variance: Over / (under) spend £000s | Explanation |
|---|--|
| (34) | Resources and Performance Savings on salary costs resulting from staffing vacancies (see paragraph 1.2.4) and an expected £22k underspend on software maintenance charges. |
| (26) | Council Tax Administration: Administration Subsidy Grant is higher than budgeted by £12k 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 by approximately £14k. |
| Year end forecast | Explanation |

| variance: Over / (under) spend £000s | |
|--------------------------------------|---|
| | |
| 128 | <p>General Fund Adjustments:</p> <p>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.</p> |
| (47) | <p>Corporate Expenditure</p> <p>Savings on salary costs resulting from staffing vacancies (see paragraph 1.2.4).</p> |
| (29) | <p>Community Development</p> <p>Saving on salary and pension costs associated with the recent changes in the Families and Communities team (see paragraph 1.2.4).</p> |
| 132 | <p>Development Control:</p> <p>Overspend arising through additional approved staffing costs (see paragraph 1.2.4), combined with a projected income shortfall of £70k and additional service development costs</p> |
| 65 | <p>Environmental Management:</p> <p>Underachievement of budgeted feed-in-tariffs due to changes in Government Legislation and less take-up than initially anticipated.</p> |
| (180) | <p>Solar Farm (Unbudgeted in 2016/17)</p> <p>Solar Farm went live for Forest Heath in July and is currently generating returns in line with expectations.</p> |
| (32) | <p>Industrial and Business Units:</p> <p>Rental income currently overachieving against budget, and underspending on landlord costs as a result of better occupancy than anticipated.</p> |
| 40 | <p>Palace House and Stables:</p> <p>Building Repairs and Maintenance costs plus one-off £15k payment for business rates unbudgeted. Property costs now picked up by National Horse Racing Museum.</p> |

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| 27 | <p>Interest Receivable:</p> <p>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> |
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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 at the end of 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**.

1.3.2 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 Revised Full Year 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 | 15,667 | 14,060 | 14,636 | 1,031 | 0 |
| Housing | 4,165 | 130 | 234 | 3,466 | (466) |
| Resources & Performance | 5,008 | 3,476 | 4,712 | 296 | 0 |
| Families & Communities | 36 | 0 | 0 | 36 | 0 |
| Operations | 2,968 | 1,880 | 2,480 | 611 | 123 |
| Totals: | 27,844 | 19,546 | 22,062 | 5,440 | (343) |