

Performance and Audit Scrutiny Committee



St Edmundsbury
BOROUGH COUNCIL

Title of Report:	Financial Performance Report (Revenue and Capital) Quarter 3 – 2016-2017	
Report No:	PAS/SE/17/004	
Report to and dates:	Performance and Audit Scrutiny Committee	25 January 2017
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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: <i>(Check the appropriate box and delete all those that do not 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"/>	

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

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 St Edmundsbury Borough 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 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 under / over 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 a slight underspend against budget of £34,000. 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
(32)	Resources and Performance: Savings on salary costs resulting from staffing vacancies (see paragraph 1.2.4) and an £11k expected underspend on software maintenance charges.
467	General Fund Adjustments: The budgeted contribution from the Business Rate Equalisation Reserve has not been taken due to the overall budget position being on target.
Year end forecast variance: Over / (under) spend £000s	Explanation

61	ICT: Overspend due to higher than expected software contract expenditure of £37k as well as expected shortfall on SLA income. Budgets under review.
(62)	Council Tax Administration: 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.
119	Housing Benefits: We are currently forecasting a shortfall on the recovery of overpayments. This will be closely monitored over the coming months.
96	Development Control: Overspend arising through additional approved staffing costs (see paragraph 1.2.4), combined with additional service development costs, a projected income shortfall and an increase in appeals and a one off compensation payment of £45k as per report CAB/SE/16/070.
30	Land Charges: Income shortfall expected due to a drop in volume of applications.
69	Building Control: Forecast underachievement of fee income, mainly arising from loss of market share which is slowly being recovered.
(60)	Waste and Cleansing Operatives: Underspend mainly arising from lower anticipated vehicle costs eg. fuel.
56	Recycling Collection (Blue Bin): Increased cost due to reduction in worldwide commodity prices for recyclable materials resulting in an increased gate fee at the Material Recovery Facility (MRF). The net recycling credit from Suffolk County Council that was budgeted at £34/tonne has therefore dropped to £27/tonne.
(187)	Trade Waste: Forecast income expected to be around £187k higher than budgeted. Income levels are being monitored closely and factored in to the ongoing budget assumptions from 2017/18 onwards.
Year end forecast variance: Over / (under) spend £000s	Explanation

(302)	<p>Off Street Car Parks: Car Parking income continues to exceed the levels anticipated in the budget, reflecting our success in our town centres. Actual income for the 9 months of 2016/17 is around £160k higher than the previous year's figures for the same period. Whilst the 2016/17 budget does not reflect these increased income levels, we have reviewed the ongoing Medium Term Financial Strategy (MTFS) from 2017/18 with regard to car parking income to take account of this. For 2016/17 this gives us the opportunity to utilise the additional monies over the budget for future Car Park investment.</p>
(61)	<p>Property Management: Rental income currently overachieving against budget, and underspending on landlord costs as a result of better occupancy than anticipated.</p>
(52)	<p>The Apex Additional income from tickets sales and box office commission. The recent staffing structure changes will also generate some expenditure savings.</p>
34	<p>Homelessness Increase in costs in quarter 3 due to a greater demand for the service.</p>
(139)	<p>Interest Receivable Currently forecasting to overachieve on interest receivable as a result of more funds available for investment than originally forecasted.</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 PAS/SE/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**. 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	4,568	94	3,494	1,072	(2)
Housing	4,570	624	877	3,275	(419)
Resources & Performance	223	0	0	223	0
Families & Communities	154	69	90	65	0
Operations	7,975	1,105	5,305	2,763	92
Totals:	17,490	1,892	9,766	7,398	(329)