

Performance and Audit Scrutiny Committee



Forest Heath
District Council

Title of Report:	Financial Performance Report (Revenue and Capital) Outturn – 2016-2017	
Report No:	PAS/FH/17/014	
Report to and dates:	Performance and Audit Scrutiny Committee	25 May 2017
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Purpose of report:	This report sets out the Financial Performance for the year of 2016-17.	
Recommendation:	Performance and Audit Scrutiny Committee: Members are requested to <u>note</u> the 2016/17 outturn revenue and capital 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:		None	
Documents attached:		<p>Appendix A – Revenue outturn position for 2016/17.</p> <p>Appendix B – Analysis of revenue variances for 2016/17.</p> <p>Appendix C – Capital outturn position for 2016/17.</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 Monitoring year-end financial performance plays an important role in understanding how the Council's financial plans and strategies have contributed towards the achievement of the Council's priorities.
- 1.1.2 The Council continues to face considerable financial challenges as a result of uncertainty in the wider economy and constraints on public sector spending, declining interest receipts and increased demand on front line services such as Housing Benefits and homelessness along with the reduction in central government grant funding. In order to respond to these pressures, the Council has had to make significant savings, the main contributor to delivering these savings continues to be through sharing services with St Edmundsbury Borough Council, which has to date achieved in excess of £4.0m in savings across both Councils.
- 1.1.3 This report is the final outturn position for the year 2016/17. The report includes a revenue year end outturn break-even position, details of which can be seen in **Appendix A** and **B**. Explanations of the main year end over / (under) spends can be found in the table at 1.2.2.
- 1.1.4 The Council's capital financial position for year end 2016/17 shows expenditure of £21,013,906 (including spend of £14,473,017 in respect of the Solar Farm). Further details are provided in **Appendix C**.
- 1.1.5 The council holds a variety of reserves which are earmarked for specific purposes as outlined to Council in February as part of the Budget and Council Tax Setting report. These include reserves to fund the management of council assets and reserves committed to support the strategic objectives and medium term financial strategy of the council. A summary of the earmarked reserves can be found at **Appendix D** along with the year end position for 2016/17.
- 1.1.6 Please note that the numbers reported here are subject to the final stages of the Council's 2016/17 accounts closure process and the review from external auditors Ernst & Young. These figures may change depending on the findings and outcomes of those pieces of work; however any changes will be reported to this committee as part of the final accounts report in September 2017.

1.2 Revenue Performance

- 1.2.1 The revenue outturn position as at 31 March 2017 currently shows an overall break-even position. A summary by Assistant Director can be found in **Appendix A** with comments for variances by cost centre in **Appendix B**.
- 1.2.2 Year end variances against budget over £50k are explained in the following table:

Year end variance: Over / (under) spend £'000s	Explanation (in Assistant Director order)
224	General Fund / Business Rates Additional levy payable due to more business rates collectable and

	<p>a significant drop in estimated appeals figures, offset by additional income from the Suffolk Business Rate Pool. The additional growth income will be retained in the Collection Fund to be redistributed in future years.</p> <p>In addition, £113k originally budgeted to be transferred from the Business Rate Equalisation Reserve has only been partly taken, due to the overall budget position and insufficient balance on the reserve.</p>
(82)	<p>ICT Underspend arising primarily from additional income generated by the service, plus some underspends on maintenance agreements and software charges.</p> <p>Income assumptions from service Level Agreements (SLAs) to be closely monitored in 2017/18 with regard to the budget position going forward.</p>
244	<p>Development Control Income from planning applications during 2016/17 has underachieved against budgeted levels by £130k. Additional staffing costs have also been incurred as a result of service development initiatives.</p> <p>Planning application is being closely monitored during 2017/18 with regard to budget assumptions going forward.</p>
74	<p>Environmental Management Underachievement of budgeted feed-in-tariffs due to changes in Government Legislation and lower take-up than initially anticipated.</p> <p>Feed-in tariff income to be kept under review during 2017/18 as part of the budget process going forward.</p>
(197)	<p>Solar Farm (Unbudgeted in 2016/17) The Solar Farm went live for Forest Heath in July 2016 and has generated returns in line with expectations.</p> <p>The council's budgets from 2017/18 onwards include income assumptions for the Solar Farm.</p>

1.2.3 Employee-related Expenses

Whilst the year end outturn variances 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 just under 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 being continually reviewed as part of the budget setting process.

1.2.4 Compostable Collection (Brown Bin)

The report SE/PAS/15/029 "Subscription Charge for the Brown Bin Service" was presented to the Performance and Audit Scrutiny Committee on 25 November 2015. 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.

This cost centre is break even, allowing for the impacts of implementation costs incurred by other service areas (including prior year) and the resulting additional impact on the black bin round capacity.

Recognition of the one-off nature of implementation cost funding, the additional ongoing costs of administration and marketing of the service, and the remaining uncertainty of that agreement, have been taken into account in respect of funds that may be called upon in future years.

1.3 Capital Position

1.3.1 The Council has spent £21,013,906 of its capital budget of £23,350,295 as at the 31 March 2017, £14,473,017 of which related to the purchase of the Solar Farm. A further £1,525,203 is being requested to be carried forward from the 2016/17 capital budget into 2017/18 as a result of project timings.

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

Service Area	2016/17 Revised Full Year Budget	2016/17 Actual Spend to Date	2016/17 Carried Forward	2016/17 Forecast Over / (under) Spend
	£000s	£000s	£000s	£000s
Planning and Growth	14,864	14,822	62	20
Housing	190	0	190	0
Resources and Performance	5,008	3,845	296	(867)
Families and Communities	441	11	441	11
Operations	2,847	2,335	536	24
Totals:	23,350	21,013	1,525	(812)