

Performance and Audit Scrutiny Committee



St Edmundsbury
BOROUGH COUNCIL

Title of Report:	Financial Performance Report (Revenue and Capital) Outturn – 2016-17	
Report No:	PAS/SE/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: <i>(all background papers are to be published on the website and a link included)</i>		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 Forest Heath District 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 underspend of **£160,000**, details of these 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.

In accordance with the recommendations from report COU/SE/17/004 "Budget and Council Tax Setting: 2017/2018 and Medium Term Financial Strategy 2017-2021", this underspend has been transferred to the council's Invest to Save reserve (included at **Appendix D**).

1.1.4 The Council's capital financial position for the year end of 2016/17 shows expenditure of £3,802,446. 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 underspend of £160,000 (0.22% of the budget). 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)
531	<p>General Fund / Business Rates Additional levy payable of £252k due to more business rates collectable and a significant drop in estimated appeals figures, offset by an extra £50k 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, £337k originally budgeted to be transferred from Business Rate Equalisation Reserve has not taken due to the overall budget position being underspent.</p>
(70)	<p>Council Tax Administration Administration Subsidy Grant is higher than budgeted due to the government's decision to merge in New Burdens funding (£21k). In addition to this income from court costs recovered exceeded expectations (£49K).</p>
65	<p>Building Control Underachievement of fee income, mainly arising from loss of market share.</p> <p>Fee income is being closely monitored during 2017/18 with regard to budget assumptions going forward.</p>
(65)	<p>Tree Maintenance Operatives Underspend on Salary and Pension costs (£27k), along with some additional income from tree works (£35k).</p> <p>Income assumptions for the service to be reviewed and closely monitored during 2017/18 with regard to the budget going forward.</p>
(98)	<p>Waste and Cleansing Operatives Lower vehicle costs than expected (Fuel £49k), (Maintenance £28k).</p> <p>Vehicle costs to be closely monitored during 2017/18 with regard to the budgets going forward, with future district growth assumptions to be factored in.</p>
(88)	<p>Refuse Collection – Black Bin Additional income received from Refuse Collection, combined with a one-off underspend on costs that have been reallocated in order to reflect the loss of capacity on black bins arising from the changes to the Garden Waste Service. This increase in black bin waste collected is in line with our original expectations.</p>

66	<p>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 (on 8,000 tonnes) has therefore dropped to £27.23/tonne.</p> <p>These increased costs have been factored into future budget assumptions, and will be closely monitored.</p>
(206)	<p>Trade Waste Income from Trade Waste collection exceeding the budget (£237k), partly offset by an overspend on tools and equipment (£47k).</p> <p>Increased income levels have been factored into the 2017/18 budgets going forward.</p>
(146)	<p>Interest Receivable Interest receivable from investments has exceed the budget as a result of more funds being available than originally forecasted.</p>

1.2.3 Employee-related Expenses

Whilst the year end outturn 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 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 £3,802,446 of its capital budget of £10,196,781 as at the 31 March 2017. A further £6,332,476 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	807	409	330	(68)
Housing	3,626	476	3,150	0
Resources and Performance	0	0	0	0
Families and Communities	90	78	0	(12)
Operations	5,674	2,840	2,852	19
Totals:	10,197	3,803	6,332	(61)