

REPORT TO THE MEETING OF THE EXECUTIVE 7 SEPTEMBER 2016

PORTFOLIO: FINANCE

REPORT FROM: SECTION 151 OFFICER

SUBJECT: QUARTER 1 2016/17 FINANCIAL MANAGEMENT REPORT

1 DECISION BEING RECOMMENDED

- 1.1 To note the Quarter 1 2016/17 revenue budget and capital position contained in paragraphs 3 and 4 and as shown in Appendices 1 and 2.
- 1.2 To note and agree the Quarter 1 2016/17 Capital Monitoring Report in Appendix 2.
- 1.3 To note the current financial performance on key revenue financial indicators, as shown in Appendices 3 and 4.

2 REASON/S FOR RECOMMENDATION

- 2.1 The purpose of this report is to provide the latest forecast for the General Fund revenue budgets for the end of the year compared to the original budgets agreed in February 2016 and an up to date position on how projects funded through the capital programme are progressing.
- 2.2 The commentary does not attempt to cover all the budgetary changes but to draw attention to the key factors affecting the net expenditure for that service area.
- 2.3 Allocations from the general balance for supplementary estimates (endorsed unplanned expenditure), including proposals to return underspends previously generated within the service to general balance, where applicable, will be recommended for approval by the Section 151 Officer. Where there are competing supplementary estimates for use of underspends, additional income or windfalls previously returned to general balance, priority will be given to the service(s) that generated that return.
- 2.4 The following is a list of all virements, supplementary estimates and drawdown from reserves during the period:-

Portfolio	Type	Amount £	Comment
Enterprise	Contribution from IT Reserve	15,500	Required to support the investment behind move to the IT Cloud.

Portfolio	Type	Amount £	Comment
Leader	Contribution from Transformation Reserve	50,000	Agreed by Full Council as provision for set-up of LATCo.
Community	Contribution from Environmental Health Reserve.	2,500	Required for the final payment of the Pest Control Contract.
Leader	Contribution from Transformation Reserve.	6,000	Required to cover the costs of external consultation on the Senior Management structure following Chief Executive Resignation.
Governance	Contribution from Council Tax Reserve	2,500	To cover the cost of Capita support for Freedom of Information requests.
Governance	Contribution from Housing Benefit Reserve	2,700	To cover the cost of Capita software charges in relation to universal credit.
Total		79,200	

3 OVERALL FINANCIAL POSITION

- 3.1 The net budget set by the Council is £8.87m. Factoring in the additional contributions from reserves, as listed above, the latest budget position for 2016/17 is £8.96m. The forecasted quarter 1 general fund expenditure outturn (after reserve movements) is £8.66m, which is a favourable variance of £294k (3.3%) against the latest budget.
- 3.2 Portfolio Holders, supported by the Assistant Directors, are accountable for any budget variations within their services and the associated responsibility to ensure expenditure and income are managed within agreed budgets. To make sure that this is successfully achieved, it is essential that, unless supplementary estimates are approved in-year, Assistant Directors are expected to develop action plans (endorsed by Portfolio Holders) and review these throughout the financial year to identify all significant emerging variances to ensure that overall expenditure is kept within their total available budget.
- 3.3 A breakdown of revenue monitoring by each Portfolio is set out in Appendix 1 and summarised in the table below:-

<u>Portfolio</u>	<u>2016/17 Latest Budget</u>	<u>Q1 Actual YTD</u>	<u>End of Year Forecast</u>	<u>Variance (Budget to End of Year Forecast)</u>
	£	£	£	£
Leader	1,560,300	451,800	1,524,800	(35,500)
Finance	1,303,200	966,500	1,359,100	55,900
Enterprise	395,600	699,700	295,900	(99,700)
Planning	262,900	47,300	267,400	4,500
Environment	3,067,200	675,600	3,028,200	(39,000)
Governance	1,049,700	911,800	932,200	(117,500)
Community	1,317,300	506,800	1,254,000	(63,300)
Total	8,956,200	4,259,500	8,661,600	(294,600)

3.4 The main factors that are reducing the overall net expenditure are:-

- Expenditure on salaries is expected to exceed the forecast vacancy factor by circa £200,000. An element of this can be banked for senior manager changes, but there are a number of vacancies that are planned to be filled by year end which will mean most of this saving is a one off and not ongoing.

3.5 The main factors that are increasing the overall net expenditure are:-

- Income from Treasury Management will not meet the original budget of £85,000. Income is expected to be circa £30,000. As the rates offered in the primary investment options have not increased as expected, and subsequently, since BREXIT, have now dropped. The current risk appetite in the Council's Treasury Management Strategy means that there is no real option for greater returns if the Bank of England base interest rate remains at this historic low.
- The number of people housed in temporary accommodation currently exceeds that budgeted for. Based on current levels, this budget will be exceeded by circa £46,000. Work is ongoing within the service to consider options to mitigate this cost pressure.

3.6 Within the service areas, there are budget headings that are considered significant to the overall financial position of the authority. An example of this would be salaries, which account for 56% of total expenditure, or significant income streams such as planning fees or parking. These key financial indicators are summarised in Appendices 3 and 4.

3.7 The position will be closely monitored and reported throughout the year and considered as part of the Medium Term Resource Strategy.

3.8 Car Parking:

- The revenue from car park pay & display machines is expected to generate circa £65,000 more than the original budget, if the current rate continues for the rest of the year.
- Revenue from the sale of car park season tickets is expected to exceed the original budget by circa £40,000 assuming current take up continues

4 CAPITAL PROGRAMME

4.1 The current Capital Programme for 2016/17 agreed by Council on 9 February 2016, including those items agreed to be rolled forward from the 2015/16 programme, is £926,800.

4.2 The forecasted outturn on the Council's Capital Programme as at quarter 1 is for the full programme to be delivered. The table at appendix 3 summarises the expenditure by each service.

4.3 In overall financial terms, 45% of the planned expenditure has been completed.

4.4 The overall forecasted outturn can be contained within the funds earmarked for the 2016/17 Capital Programme and is largely funded by grants, capital receipts from proceeds of a VAT Shelter arrangement and the sale of council housing under a sharing arrangement with Rochford Housing Association.

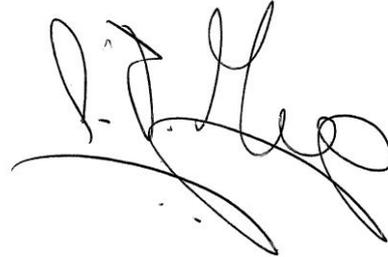
5 RISK IMPLICATIONS

5.1 Various projects within the Council's revenue budget and capital programme are supported by time-limited grants. Where there are delays to the implementation of these projects there is a risk that the associated grants will be lost. If this occurs either the projects will be aborted or a decision to divert resources from other Council priorities will be required.

5.2 Current economic conditions still have the potential to adversely affect some of the major income streams, such as Building Control and Development Control. Decrease in activity may lead to reductions in income. In addition delays in completing the items on the Capital Programme could prevent the Council from achieving its strategic objectives and lead to adverse publicity.

5.3 Regular monitoring of those budgets with the higher risk considerations will assist in providing early warnings to enable mitigation plans to be developed.

I confirm that the above recommendation does not depart from Council policy and that appropriate consideration has been given to any budgetary and legal implications.



LT Lead Officer Signature: _____

Section 151 Officer

Background Papers:-

None.

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FINANCIAL MANAGEMENT REPORT
FORECAST YEAR-END POSITION FOR 2016/17 AS AT END OF JUNE 2016

PORTFOLIO HOLDER: LEADER, CLLR T G CUTMORE

Service Area	Lead Officer	2016/17 Latest budget £	Quarter 1 Actual YTD £	End of Year Forecast £	Variance (surplus) / Deficit) £	Comment
Managing Director	S Scrutton	142,900	35,100	138,000	(4,900)	This Service Area includes costs for both the outgoing Chief Executive and the newly appointed Managing Director.
Corporate Management	S Scrutton	155,400	86,100	159,700	4,300	
Directors	S Scrutton	183,800	48,300	127,200	(56,600)	This Service area is for the newly appointed Executive Director. The original budget included costs for both Directors.
Assistant Directors	S Scrutton	700,800	180,000	701,900	1,100	
Leadership Support Team	N Khan	153,400	35,200	175,600	22,200	One of the new concepts in this year's budget was to consider back office savings, whilst this

Service Area	Lead Officer	2016/17 Latest budget £	Quarter 1 Actual YTD £	End of Year Forecast £	Variance (surplus) / Deficit £	Comment
						has not been directly achieved under this cost centre, the wider back office function will achieve the saving concept of £100,000.
Registration of Electors	A Law	80,250	18,800	90,400	(1,600)	
Conducting Elections	A Law	143,750	48,300	132,000		
	TOTAL	1,560,300	451,800	1,524,800	(35,500)	

PORTFOLIO HOLDER: FINANCE, CLLR S P SMITH

Service Area	Lead Officer	201617 Latest budget £	Quarter 1 Actual YTD £	End of Year Forecast £	Variance (surplus) / Deficit £	Comment
Financial Services	Robert Manning	341,500	81,300	333,800	(7,700)	Savings relate to a staff vacancy.
Risk & Performance Management	Robert Manning	64,500	16,800	68,300	3,800	
Procurement	M Harwood – White	37,500	10,100	41,400	3,900	
Audit	John Bostock	67,600	21,200	68,300	700	
Other Operating Income & Expenditure	Robert Manning	(21,200)	23,800	34,000	55,200	This Service area includes income generated from Treasury investments. Following the EU referendum and the drop in Bank of England base rate, it is unlikely that this income stream will match budget.
Non Distributed Costs	Robert Manning	813,300	813,300	813,300	0	
	TOTAL	1,303,200	966,500	1,359,100	55,900	

PORTFOLIO HOLDER: ENTERPRISE, CLLR G J IOANNOU

Service Area	Lead Officer	201617 Latest budget £	Quarter 1 Actual YTD £	End of Year Forecast £	Variance (surplus) / Deficit) £	Comment
Estate Management Services	M Harwood – White	67,900	25,000	63,500	(4,400)	
Off St Parking	M Hotten	(1,017,600)	(155,600)	(1,109,600)	(92,000)	Revenue from Pay & Display charges is forecast to exceed budget by £60,000. The revenue generated from sale of car park season tickets is forecast to exceed budget by £40,000
Office Accommodation Rochford	M Harwood – White	196,900	81,400	195,000	(1,900)	
Office Accommodation Rayleigh	M Harwood - White	92,600	29,500	94,600	2,000	
Computer Services	S Scrutton	979,700	701,500	978,000	(1,700)	
Communications	N Khan	76,100	17,900	74,400	(1,700)	
	TOTAL	395,600	699,700	295,900	(99,700)	

PORTFOLIO HOLDER: PLANNING, CLLR I H WARD

Service Area	Lead Officer	201617 Latest budget £	Quarter 1 Actual YTD £	End of Year Forecast £	Variance (surplus) / Deficit) £	Comment
Building Control Client Account	M Thomas	135,600	45,400	142,700	7,100	Additional costs have been incurred from external temporary staffing to cover staff sickness.
Building Control Fee Account	M Thomas	(246,200)	(72,700)	(246,200)	-	
Planning Policy & Economic Development	M Thomas	365,800	39,300	366,600	800	
Development Management	M Thomas	7,700	35,300	4,300	(3,400)	
	TOTAL	262,900	47,300	267,400	4,500	

PORTFOLIO HOLDER: ENVIRONMENT, CLLR D J SPERRING

Service Area	Lead Officer	2016/17 Latest budget £	Quarter 1 Actual YTD £	End of Year Forecast £	Variance (surplus) / Deficit) £	Comment
Parks & Open Spaces	M Hotten	705,500	95,500	706,800	1,300	
Public Conveniences	M Hotten	91,300	6,100	86,500	(4,800)	
Street Cleansing	M Hotten	716,600	55,900	714,900	(1,700)	
Recycling Collection	M Hotten	2,204,800	15,000	2,198,600	(6,200)	Income from Bulky Waste recycling is forecast to exceed budget by c£6,500 based on income to date.
Recycling Disposal	M Hotten	(626,900)	494,900	(631,100)	(4,200)	
Depot	M Hotten	32,200	29,700	32,600	400	
Highways/ Roads Routine	M Hotten	(700)	5,800	(3,700)	(3,000)	
Coast Protection	M Hotten	2,100	2,100	2,100	0	
Emergency Planning	Matt Harwood White	45,900	11,000	42,900	(3,000)	

Service Area	Lead Officer	201617 Latest budget £	Quarter 1 Actual YTD £	End of Year Forecast £	Variance (surplus) / Deficit) £	Comment
Cemeteries & Churchyards	M Hotten	(103,600)	(40,400)	(121,400)	(17,800)	Income from grave purchases / internments is forecast to exceed budget by c£10,000.
	TOTAL	3,067,200	675,600	3,028,200	(39,000)	

PORTFOLIO HOLDER: GOVERNANCE, CLLR MRS C E ROE

Service Area	Lead Officer	2016/17 Latest budget £	Quarter 1 Actual YTD £	End of Year Forecast £	Variance (surplus) / Deficit) £	Comment
Legal Services	A Law	122,000	24,900	104,900	(17,100)	Saving relates to 3 month staff vacancy, now filled.
Hackney Carriage	A Law	(95,800)	(25,400)	(93,500)	2,300	
Licensing	A Law	11,600	4,500	15,900	4,300	
Local Land Charges	A Law	(194,000)	(48,400)	(193,500)	500	
Council Tax	D Tribe	62,100	45,800	27,100	(35,000)	Forecast saving relates to 1 staff vacancy plus maternity leave.
Housing Benefit Administration	D Tribe	116,500	(9,500)	111,800	(4,700)	
Business Rates	D Tribe	(111,500)	900	(140,900)	(29,400)	This service area is carrying 3 vacant posts.
Housing Benefits Payments	D Tribe	(197,300)	542,600	(197,300)	-	
Member & Committee Services	J Bostock	430,800	119,900	435,600	4,800	
Overview and Scrutiny	J Bostock	40,400	10,400	42,100	1,700	

Service Area	Lead Officer	201617 Latest budget £	Quarter 1 Actual YTD £	End of Year Forecast £	Variance (surplus) / Deficit) £	Comment
Information	A Law	20,800	5,300	21,600	800	
Health & Safety	M Harwood White	34,500	6,100	20,600	(13,900)	Post vacant for period, recruited to in July 2016.
Support Services	D Tribe	281,400	93,800	283,100	1,700	
Customer Services	D Tribe	277,700	56,500	244,700	(33,000)	Forecast saving relates to staff vacancies
Human Resources	S Scrutton	124,000	43,500	128,900	4,900	
Reception	D Tribe	126,500	40,900	121,100	(5,400)	
	TOTAL	1,049,700	911,800	932,200	(117,500)	

PORTFOLIO HOLDER: COMMUNITY, CLLR MRS J R LUMLEY

Service Area	Lead Officer	2016/17 Latest budget £	Quarter 1 Actual YTD £	End of Year Forecast £	Variance (surplus) / Deficit) £	Comment
Culture & Heritage – Windmill	M Harwood – White	(4,300)	(6,500)	(5,200)	(900)	
Leisure Premises	M Harwood – White	287,500	223,400	267,000	(20,500)	Based on spend to date the forecasted level of spend on repairs and maintenance is not expected to be met.
Sports Development & Promotion	M Harwood – White	5,300	(31,600)	2,800	(2,500)	
Leisure Client Account	M Harwood – White	19,500	2,300	16,300	(3,200)	
Housing Strategy	L Moss	15,000	1,100	12,800	(2,200)	
Private Sector Housing Renewal	L Moss	90,300	32,800	60,200	(30,100)	Cost centre is carrying 2 vacancies; these are being reviewed as part of a wider Community Services review.
Homelessness	L Moss	368,200	136,800	414,200	46,000	Relates to an increase in the number of people housed in temporary accommodation.

Service Area	Lead Officer	201617 Latest budget £	Quarter 1 Actual YTD £	End of Year Forecast £	Variance (surplus) / Deficit) £	Comment
Environmental Health	L Moss	270,800	76,100	238,800	(32,000)	Salary budget includes provision for a new Environmental Health Officer. This post is yet to be recruited to and is being considered as part of a wider service review.
Public Health	M Hotten	29,100	18,200	29,700	600	
Corporate Policy & Partnership	L Moss	165,900	37,800	155,200	(10,700)	The forecast underspend relates to a vacant post.
Community Safety	L Moss	34,100	9,200	33,500	(600)	
Safeguarding	L Moss	35,900	7,200	28,700	(7,200)	Safeguarding officer was budgeted as a full time post, it has been reduced to part time hours.
	TOTAL	1,317,300	506,800	1,254,000	(63,300)	

QUARTER 1 CAPITAL MONITORING REPORT 2016/17

	Portfolio	Latest Budget 2016/17	Actual 2016/17	End of Year Forecast	Comments
Information & Communications					
Financial Management System	Enterprise	9,000	-	9,000	To upgrade the financial management system
Vehicles and Equipment					
Wheelie Bins	Environment	45,000	44,879	45,000	RDC is responsible for providing replacement bins.
Operational Assets					
St Andrews Churchyard	Environment	4,500	-	4,500	To rectify broken section of boundary wall at St, Andrews Churchyard, Rochford.
Cemeteries	Environment	29,700	10,094	29,700	This relates to the ongoing cultivation and seeding in the cemetery. An order was raised in 2015/16 but works have not started until 2016/17.
Depot	Environment	344,000	239,896	344,000	Finalisation of Depot re-builds Resurface rear section , flexible construction
Pavilion Refurbishments	Environment	30,000	-	30,000	£20K St John Fisher and Ashingdon Pavilion. £10K Clements Hall Pavilion car park resurface. Provision for internal works.

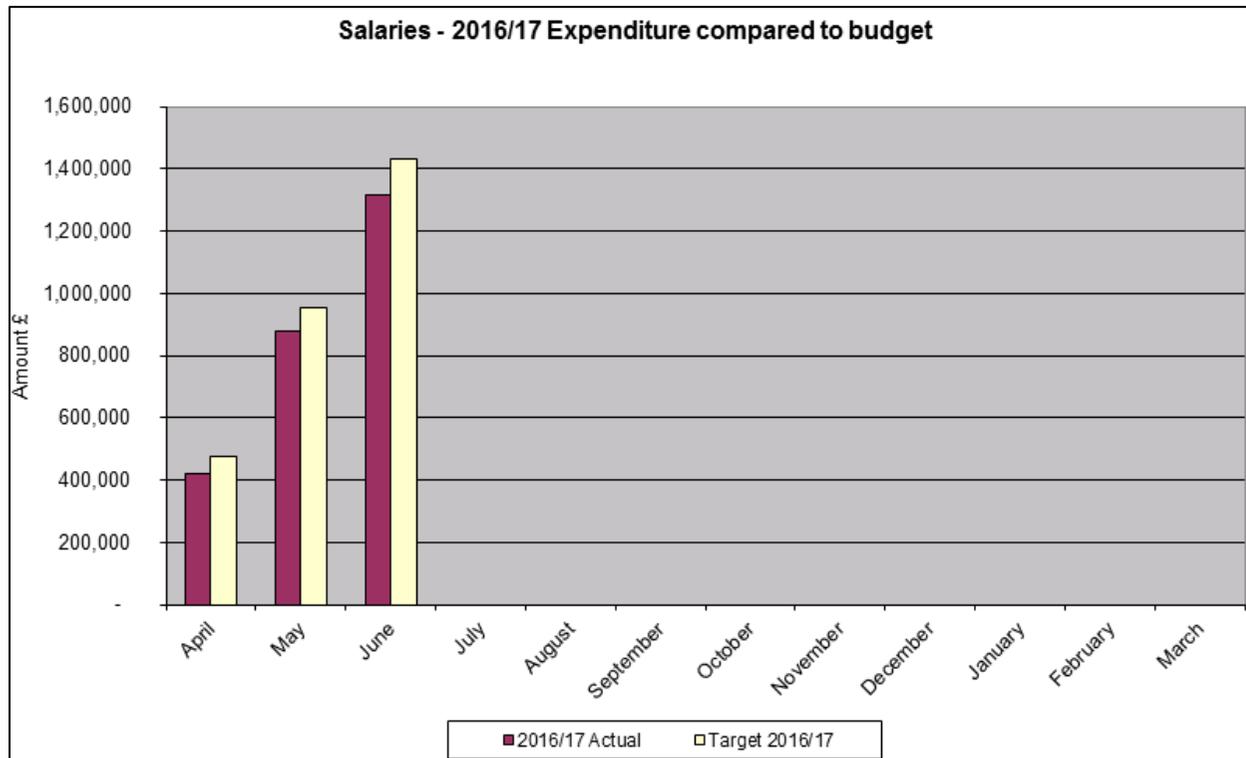
	Portfolio	Latest Budget 2016/17	Actual 2016/17	End of Year Forecast	Comments
Car Parks					
Resurfacing Rolling Programme		48,000	-	48,000	Rolling 2 Year Programme Back Lane resurfacing and other car parks to be identified.
Town & Village improvements					
Community Funding	Community	15,000	-	15,000	Indicative Capital Element of Small Grants to VCS
Parks & Play Facilities					
Play Spaces	Environment	45,000	-	45,000	Provision for replacement play equipment £20K match funding for Canewdon BMX facility
Parks and Open Spaces Programme	Environment	21,600	4,200	21,600	£10K for access improvements at Millview Meadows. £1,600 for resurfacing at Canewdon Rec Ground General Works provision
Rawreth Recreation Field	Environment	2,000	-	2,000	Resurface car park with permeable asphalt material and markings

	Portfolio	Latest Budget 2016/17	Actual 2016/17	End of Year Forecast	Comments
Office Accommodation - Rochford					
Rochford Offices	Enterprise	23,000	-	23,000	Renewal of canopy between arch and reception Planned usage intensification and reconfiguration.
Office Accommodation - Rayleigh					
Civic Suite	Enterprise	10,000	-	10,000	Rayleigh civic suite office reception reconfiguration
Housing (Internally funded)					
Home maintenance and Adaptation Grants	Community	50,000	3,665	50,000	Private Sector Renewal Grants
Externally Funded Projects					
Disabled Facilities Grants	Community	250,000	115,032	250,000	DFG - earmarked funding will reflect actual grant allocation
<u>Total Capital Programme</u>		926,800	417,766	926,800	

	Portfolio	Latest Budget 2016/17	Actual 2016/17	End of Year Forecast	Comments
<u>Statement of Capital Financing</u>					
Revenue Contribution to Capital				150,000	
Capital Receipts Reserve				526,800	
Housing Grant DFG - From ECC via Better Care Fund				250,000	
Total Financing				926,800	

FINANCIAL MANAGEMENT REPORT
KEY FINANCIAL INDICATORS AS AT END OF QUARTER 1

Salaries



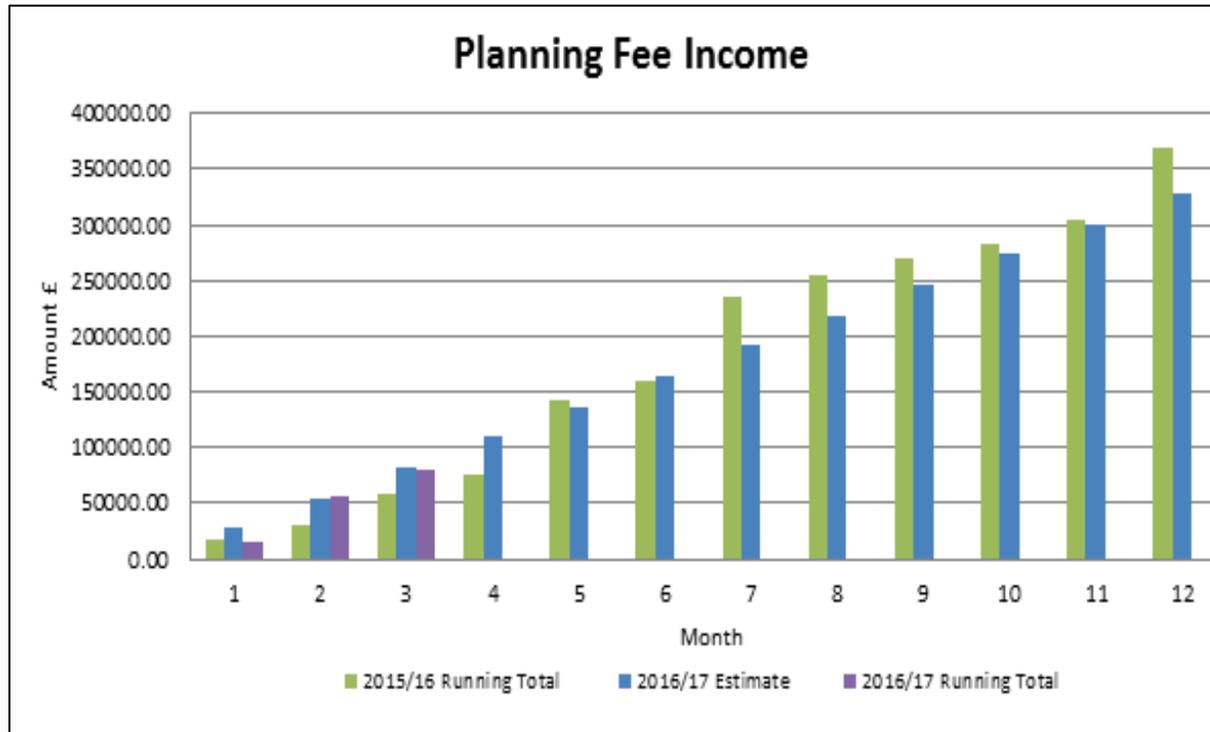
Commentary

Total salaries are estimated at £5.73m (55% of total council budget) which includes a staff vacancy concept of £200,000.

Savings to date are £102,000. It is anticipated that the concept of £200,000 will be met, with a forecast end of year saving of circa £300,000

Expenditure on salaries is managed corporately to both reduce employment costs and improve services through better job design.

Planning Fees



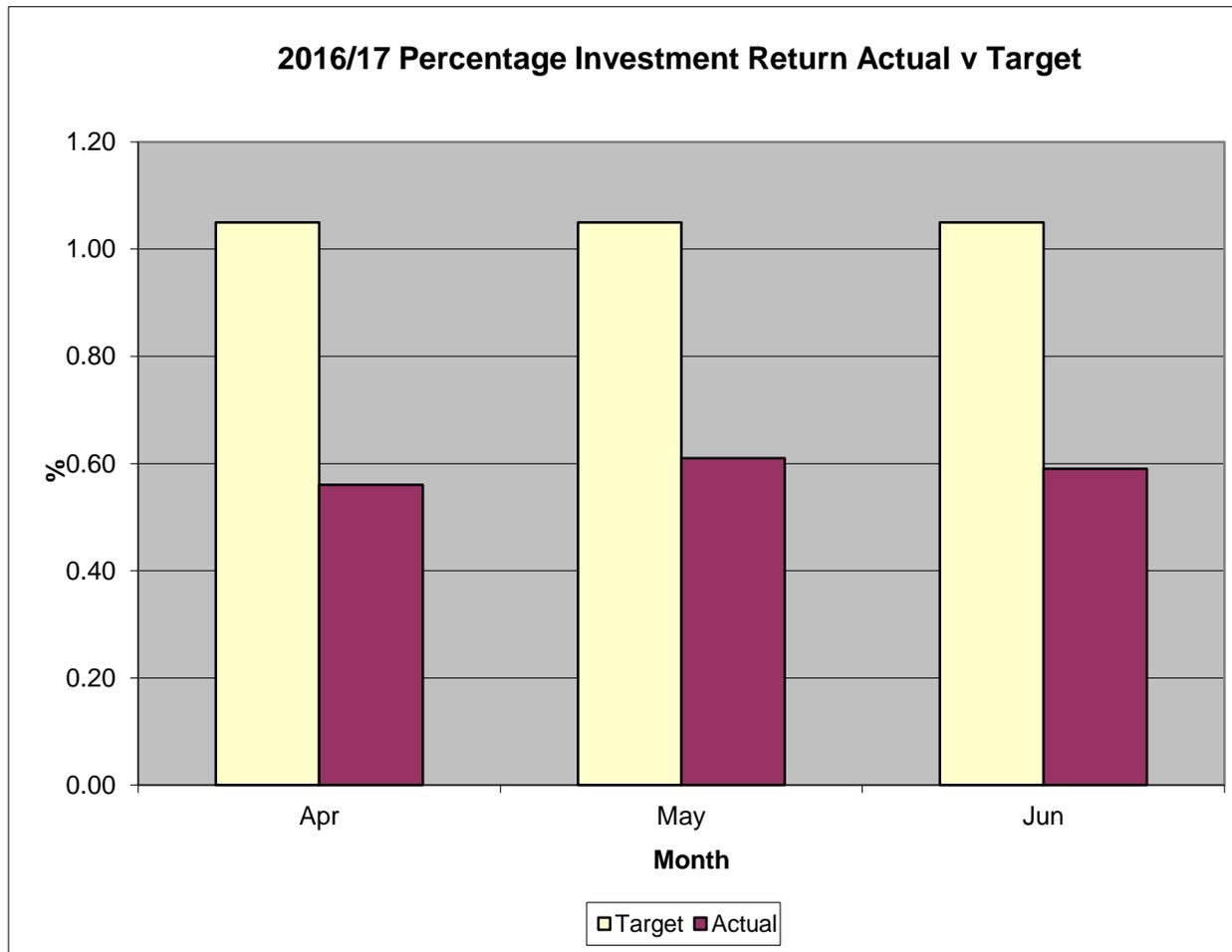
Commentary

The original budget for planning fee income was £328,100. This was based on officer assumptions on Planning Applications for 2016/17.

At this stage, the year to date position is under budget by £1,885. Based on current application rates, original budget is expected to be met.

Compared to the same period in previous years, 2016/17 income at £80,140 is up by £21,640 against 2015/16.

Investment Income



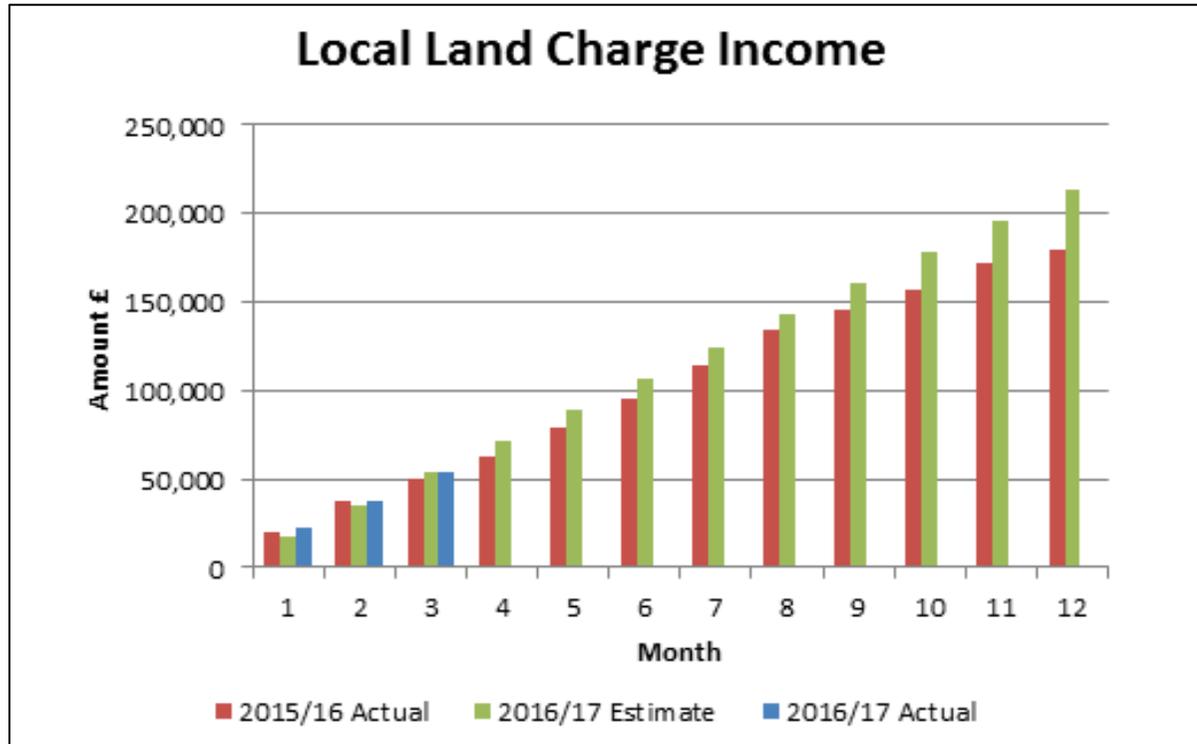
Commentary

The original estimate for investment income for 2016/17 was £85,000. This included a concept of generating an additional £50,000 through a more diverse Treasury Management Portfolio. Members decided to remain with the 2015/16 Treasury management portfolio, mitigating market risks. Current indications are that income from investments will be in down against original budget, with total investment income for the year expected to be nearer £30,000.

Current interest rates are between 0.35% and 0.51% for short term deposits, with 6 monthly deposits at 0.65%

The Bank of England base rate is expected to drop from 0.50% in the near future to 0.25%.

Local Land Charges

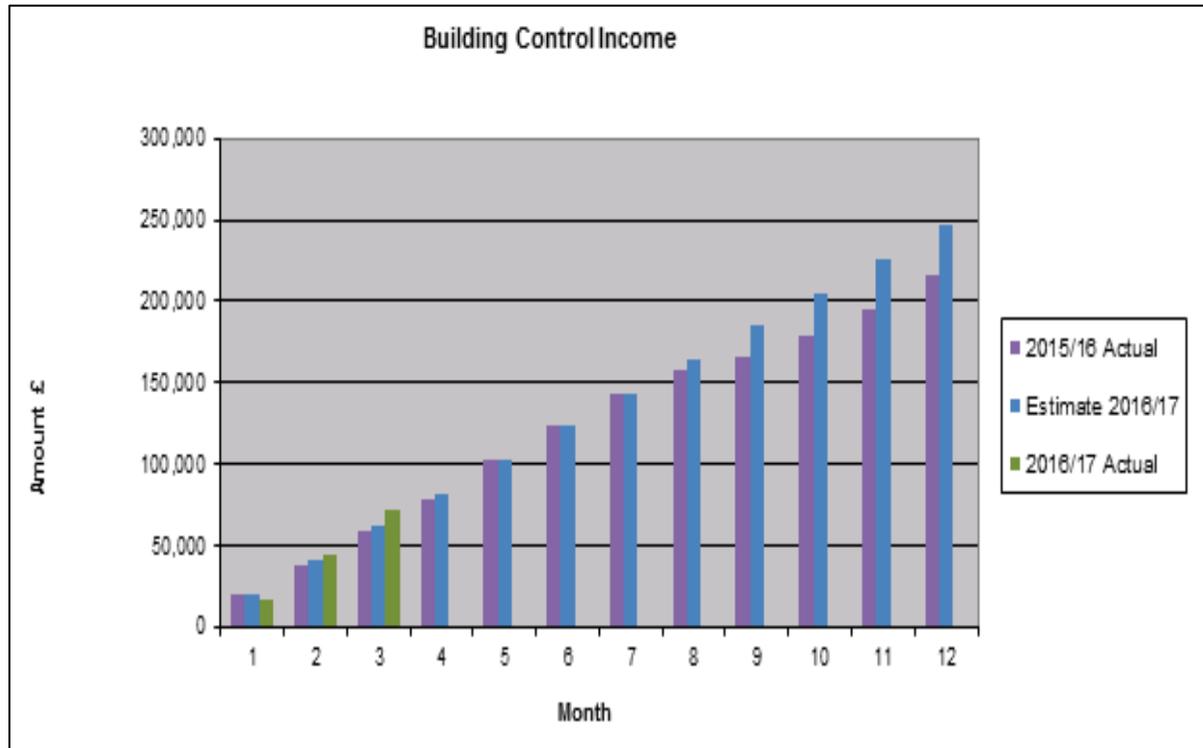


Commentary

The original budget for 2016/17 is £214,000. Income to date is £53,854 against a year to date target of £53,500.

Based on income to date, total Income for the year is forecast to be in line with original budget.

Building Control Income

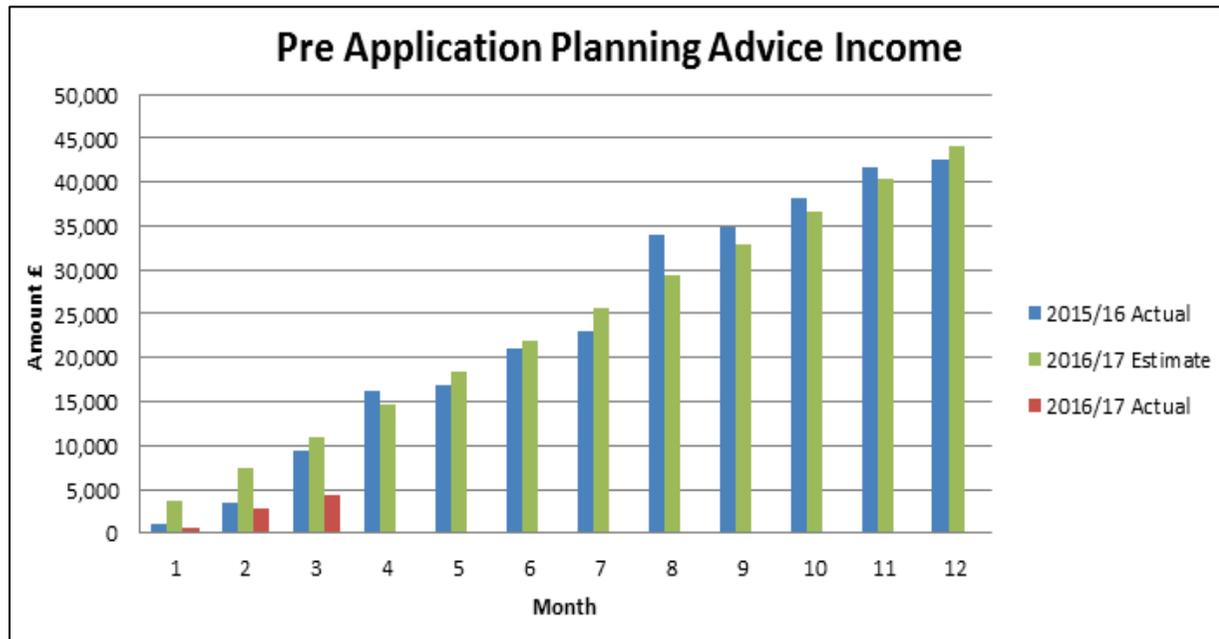


Commentary

The original budget for 2016/17 is £246,700. Income to date is £72,153 against a year to date target of £61,675, this compares to £59,079 for the same period last year.

Based on current application levels, income is expected to match original budget.

Pre Planning Application Advice



Commentary

The original budget for 2016/17 was set at £44,000. This was based on officer assumptions on the take up of this service.

Current indications are that Income for the whole year will be below original budget by circa £25,000.

Car Park	Financial Year	Revenue received Q1 £	Revenue Received Q2 £	Revenue Received Q3 £	Revenue Received Q4 £
Webster's Way	2015/16	113,335	146,554	132,373	118,527
	2016/17	144,269			
Castle Road	2015/16	32,740	44,770	44,203	37,918
	2016/17	52,010			
Back Lane	2015/16	31,878	38,111	37,119	32,128
	2016/17	38,402			
Market Car Park	2015/16	16,844	22,296	20,844	19,248
	2016/17	22,773			
Bellingham Lane	2015/16	34,721	43,336	40,408	36,172
	2016/17	42,390			
Southend Road	2015/16	12,413	14,857	13,885	11,370
	2016/17	14,972			
The Approach	2015/16	12,227	8,062	8,719	8,363
	2016/17	10,159			
Hockley Woods	2015/16	4,763	6,101	5,111	4,079
	2016/17	5,619			
Freight House	2015/16	4,303	3,513	4,632	3,813
	2016/17	4,402			
Old Ship Lane	2015/16	1,962	2,408	2,305	1,768
	2016/17	2,378			
Total	2015/16	265,254	330,008	310,797	273,386
	2016/17	337,374			