

REPORT TO: CABINET

DATE: 19 JULY 2018

TITLE: YEAR END 2017/18 JOINT FINANCE AND PERFORMANCE REPORT

PORTFOLIO HOLDER: COUNCILLOR MARK INGALL, LEADER OF THE COUNCIL

LEAD OFFICER: BRIAN KEANE, MANAGING DIRECTOR (01279) 446000

This is not a Key Decision

It is on the Forward Plan as Decision Number I008560

The decision is not subject to Call-in Procedures for the following reason:

The recommendations are within the scope of the original budget and Corporate Plan approved by Full Council in February 2018.

This decision will affect no ward specifically.

RECOMMENDED that Cabinet:

- A** Acknowledges the outturn position set out in section three of Appendix A to this report for the year ending 31 March 2018 (1 April 2017 – 31 March 2018), subject to recommendations in paragraphs 17 to 19, as follows:
- i) An under-spend on controllable service budgets of £807,000 or -1.34 percent of the gross General Fund budget;
 - ii) A total general fund underspend of £1,276,000 (-2.12 percent of the gross General Fund Budget) after including the impact of windfall income and non-controllable items; and
 - iii) A General Fund balance of £4,321,000 after adjustments for the recommended transfers to reserves, carry forward requests and other one off proposals as set out in this report.
- B** Recognises the operational performance that has been achieved across all the Council services during 2017/18.
- C** Approves:
- i) The carry forward of £137,300 of budgets from 2017/18 to 2018/19 as set out in paragraph 17 of the report;
 - ii) The transfer to reserves of £592,811 as set out in paragraph 18 of the report;

- iii) The transfer of £500,000 to the Harlow and Gilston Town Funding Reserve;
- iv) The transfer of £750,000 to a new reserve to be utilised to support the delivery of the replacement of the towns remaining five paddling pools with new and modern splash park facilities;
- v) The utilisation of future receipts from the Ram Gorse development for the purpose of enabling the balance of funding to deliver the new splash parks to be made available; and
- vi) The transfer of £26,000 to the Discretionary Services Fund as set out in paragraph 19(c) of this report in support of future Community Wellbeing initiatives

REASON FOR DECISION

- A** To ensure that Cabinet reviews performance against the Council's approved General Fund Budget and Corporate Plan for 2017/18.
- B** To seek approval for the recommendations set out in the report in relation to the transfer to reserves (paragraphs 19) and carrying forward underspends to ensure that the resources remain to carry out works in 2018/19 (paragraph 17).

BACKGROUND

1. This report sets out the Council's corporate priorities and financial and performance position as at the end of the 2017/18 financial year. The report concludes the formal budget reporting process for the 2017/18 financial year and seeks approval for budget carry forwards across some service areas.
2. The closure of the Council's 2017/18 accounts was completed by 31 May; a month earlier than in previous years. The draft Annual Statement of Accounts is available and published on the Council's website. The closure of the accounts enables the final contribution to the General Fund Reserve to be calculated representing the variance between the approved budget and the actual income received and expenditure incurred delivering Council services during the year.
3. Careful management of service budgets has once again ensured any in-year pressures that have arisen have been effectively managed within the overall service budgets wherever possible.

ISSUES/PROPOSALS

4. A review of the 2017/18 financial year indicates that the service controllable budgets have underspent by £807,000 or -1.34 percent. After adjusting for the requested budget carry forward items detailed in this report totalling £137,300;

the resulting underspend on the controllable budgets is £669,700 or -1.11 percent of the gross General Fund budget. The previously reported underspend based upon the December 2017 forecasts presented at the March Cabinet meeting was an underspend of £333,000, or -0.55 percent.

5. Overall, taking into account the impact of windfall income, non-controllable items and the proposed transfers to the reserves the General Fund carries a total underspend of £1,276,000, which represents -2.12 percent of the gross General Fund budget.
6. Section four of Appendix A of this report summarises the major budget variations. The variance on the controllable budgets stems largely from the continual cost control opportunities and the favourable income streams; remains modest given the wide range and complexity of the services delivered by the Council.
7. The following table summarises the year-end financial position:

Table 1 – Summary of year-end financial position

	£
Total Service Variations	-807,000
Windfall and Non-Controllable variations	-469,000
Total General Fund outturn 2016/17	-1,276,000

8. As in previous years, careful management of budgets has been exercised across all services areas to guard against expenditure pressures and offset income reductions. This has enabled services to operate at lower levels of funding in the new financial year.
9. Earlier in the financial year, development of the 2018/19 budget took account of savings arising during 2017/18. The reported underspend includes £610,000 of the savings proposed and are included in the 2018/19 budget, which provides confidence for the Council to deliver these savings in the new financial year
10. Details of the major variations across all service areas and the non-controllable budgets are contained in a table in Appendix A.
11. Significant variations have previously been reported to Cabinet during the year with the last report in March 2018 identifying that based upon data from December 2017, the underspend would be around £1,500,000. Key areas that have significantly contributed to the non-controllable variations and have been confirmed as part of the closure of accounts; and include:
 - a) Additional funding received from Essex County Council under a sharing agreement based on the performance of Council Tax recovery in 2016/17 and 2017/18 of £484,000;
 - b) Improved performance on the administration of Housing Benefits has increased the funding received through Housing Benefits Subsidy by £440,000; and

- c) A service rebate and management charge from HTS (Property and Environment) Ltd of £492,000.

General Fund Reserve Balance

12. As a result of the final outturn and the completion of the draft Statement of Accounts, the position of the General Fund Reserve balance is set out in the table below:

Table 2 – General Fund Reserve Balance

General Fund Reserve Balance	£ millions
General Fund Opening Balance 1 Apr 2017	5.458
Total in-year service budget variations (favourable)	0.807
Net non-service variations	1.062
Proposed transfers to/ from earmarked reserves	-0.593
General Fund Balance 31 March 2018	6.734
Drawdown towards Harlow Town improvements – Approved Council 1 February 2018	-1,000
Proposed application of 2017/18 Underspend	-1,276
Proposed carry forwards from 2016/17 to 2017/18	-0.137
Effective Closing General Fund Balance 31 March 2018	4.321

13. The General Fund balance moves from its opening balance of £5,458,000 to a year-end closing balance of £6.734 million, which has been reported within the Council's Statement of Accounts.
14. After adjusting the proposals previously approved by the Council and the new proposals contained within this report, the General Fund balance will stand at £4,321,000 if the recommendations are agreed.
15. As part of the 2018/19 budget setting process and as approved in the Medium Term Financial Strategy (MTFS), the minimum recommended General Fund Reserve balance over the life of the current MTFS is £2,500,000.
16. This level was previously increased to ensure that the Council has adequate reserves to meet the financial uncertainty resulting from the Government's welfare reform, the Local Government Resource Review proposals and the impacts of the on-going economic conditions in the medium term. Subject to Cabinet decision, the forecast level for 2017/18 will be £1,821,000 above the minimum recommended balance.

Carry Forwards Affecting the General Fund Balance

17. Cabinet is requested to approve the carry forward of 2017/18 budgets of £137,300. These have been reviewed by the Senior Management Board prior to the presentation to Cabinet and are detailed in Appendix B to this report. No funding is currently provided within the 2018/19 budget for the items identified

and if the carry forwards are not approved it is unlikely that the work/projects will be carried out or completed.

Transfers to Reserves

18. During the 2017/18 closure processes, a number of transfers to the reserves took place including the transfers to the Harlow and Gilston Garden Town Funding Reserve of £160,000 and the Volunteering Reserve of £40,000 as previously approved by Cabinet. It is recommended that the net movement through the reserves for the 2017/18 financial year of £592,811 as set out in Appendix C of this report is agreed.
19. It is recommended that the underspend of £1,276,000 be added to specific reserves as follows:
 - a) A further £500,000 is added to the Harlow and Gilston Garden Town Funding Reserve. This funding will ensure that the Council has the resources earmarked and available to support the delivery of and achieve the best outcomes from this significant development for the Town. The funding will enable dedicated resources, specific studies, and associated legal and other professional advice necessary to be procured to support Harlow during the delivery of this project; and
 - b) £750,000 will be utilised to create a reserve that, when combined with the receipts to be achieved from the Ram Gorse development will be applied to support the implementation of a project to replace the Towns remaining five paddling pools with new splash park facilities. The new facilities will be safe, modern and will enable the Council to increase the availability of a service that is an important and highly a valued feature of Harlow as a place. The delivery of this initiative is likely to be over the 2019/20 and 2020/21 financial years and will be subject to a full procurement process.
 - c) £26,000 be contributed to the Discretionary Services Fund to be utilised in support of Community and Wellbeing initiatives

Summary of Quarter Four Operational Performance – 2017/18

20. Section four of Appendix A details the Council's operational performance. The Council performed on or above target for 49 out of 53 (92 percent) of its quarterly and annual performance indicators.
21. Fifty seven percent of the indicators have been maintained or improved compared to Quarter Four 2016/17. Eighty five percent of the Corporate milestones were successfully completed and the remaining 15 percent of the indicators were cancelled due to changes in priorities or suspended as they would take place in the new financial year (2018/19).

22. The Council continues to improve performance in key areas linked to its Corporate Priorities. Some of the performance indicators that have contributed to this achievement are:

- a) CS25Q – % of customer complaints responded to within target time;
- b) BF006 – Average days to process change events;
- c) HTS 3.12 (201) – Maintenance of existing playgrounds and hard standing areas;
- d) HTS 3.39 (205) – Customer Satisfaction with Grounds Maintenance Service; and
- e) NI157a – Processing of major applications within 13 weeks or agreed timescale (%).

23. Four out of the 53 (eight percent) performance indicators did not perform as well as expected. Each of the four indicators detailed below has an Improvement Action Plan (IAP) which outlines the performance situation and the steps for improvement.

- a) BF005 – Average days to process new claims;
- b) HTS 2.1b – Routine cleaning of streets (NI195) Detritus to Grade A standard (Wave);
- c) BV012 – Average number of working days/shifts lost to sickness and absence; and
- d) NI185 – CO2 reduction from Local Authority operations.

IMPLICATIONS

Place (Includes Sustainability)

As set out in the report.

Author: Graeme Bloomer, Head of Place

Finance (Includes ICT)

As set out in the report.

Author: Simon Freeman, Head of Finance

Housing

As set out in the report.

Author: Andrew Murray, Head of Housing

Community Wellbeing (Includes Equalities and Social Inclusion)

As set out in the report.

Author: Jane Greer, Head of Community Wellbeing

Governance (Includes HR)

As set out in the report.

Author: Colleen O'Boyle, Interim Head of Governance

Appendices

Appendix A – Joint Finance and Performance Report, Year End 2017/18

Appendix B – Carry Forward Details 2017/18

Appendix C – Proposed End of Year General Fund Earmarked Reserve Movements

Background Papers

None.

Glossary of terms/abbreviations used

IAP – Improvement Action Plan

HTS – HTS (Property and Environment) Ltd

MTFS – Medium Term Financial Strategy