

REPORT TO: CABINET

DATE: 20 JULY 2017

TITLE: YEAR END 2016/17 JOINT FINANCE AND PERFORMANCE REPORT

PORTFOLIO HOLDER: COUNCILLOR JON CLEMPNER, LEADER OF THE COUNCIL

LEAD OFFICERS: CORPORATE MANAGEMENT TEAM/ HEADS OF SERVICE (01279) 446004

This is not a Key Decision

It is on the Forward Plan as Decision Number I007279

This decision is not subject to Call-in procedures for the following reasons:

The recommendations are within the scope of the original budget and Corporate Plan approved by Full Council in February 2017.

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 2017 (1 April 2016 to 31 March 2017), subject to recommendations in paragraphs 18 and 20, as follows:
- i) An under-spend on controllable service budgets of £508,000 or -0.81 percent of the gross General Fund budget after adjusting for carry forwards requests.
 - ii) A total general fund underspend of £1,570,000 (-2.51 percent of the gross General Fund Budget) after including the impact of windfall income, non-controllable items.
 - iii) A General Fund balance of £4.714 million 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 Council services during 2016/17.
- C** Approves:
- i) The carry forward of £219,300 of budgets from 2016/17 to 2017/18 as set out in paragraph 19 of the report.

- ii) The transfer to reserves of £140,000 as set out in paragraph 21 of the report.
- iii) The allocation of up to £200,000 from the 2016/17 underspend to help support additional community safety resources in 2017/18 neighbourhood improvements, as reported elsewhere on the cabinet agenda.
- iv) An additional allocation of £25,000 to recognise the excellent uptake of Harlow's 70th birthday celebrations funding.
- v) The transfer of £300,000 to the Planning LDF Reserve to support the ongoing delivery of the Local Plan.

REASON FOR DECISION

- A** To ensure that Cabinet reviews performance against the Council's approved General Fund Budget and Corporate Plan for 2016/17.
- B** To seek approval for the recommendations set out in the report in relation to transfer to reserves (paragraphs 19 and 20) and carrying forward underspends to ensure that the resources remain to carry out works in 2017/18 (paragraph 19).

BACKGROUND

1. This report sets out the Council's corporate priorities and financial and performance position as at the end of the 2016/17 financial year. The report concludes the formal budget reporting process for the 2016/17 financial year and seeks approval for budget carry forwards across a range of service areas.

SUMMARY OF YEAR END FINANCIAL PERFORMANCE – 2016/17

2. The closure of the Council's 2016/17 accounts was completed by 31 May 2017, 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.

KEY ISSUES

4. A review of the 2016/17 financial year indicates that service controllable budgets have underspent by £727,000 or -1.16 percent. After adjusting for the requested budget carry forward items detailed in this report totalling £219,000 the resulting underspend on controllable budgets is £508,000 or -0.81 percent of the gross General Fund budget. The previously reported underspend based upon December 2016 forecasts and presented at the March Cabinet meeting was an underspend of £314,000 or -0.5 percent. Overall, taking into account the impact of windfall income, non-controllable items and proposed transfers to reserves, the General Fund carries a total underspend of £1,570,000 which represents -2.51 percent of the gross General Fund budget. Section three of Appendix A of this report summarises major budget variations. The variance on controllable budgets stems largely from continual cost control opportunities and from favourable income streams and remains modest given the wide range and complexity of the services delivered by the Council.
5. The following table summarises the year-end financial position:

	£
Total Service Variations	-727,000
Windfall and non-controllable variations	-843,000
Total General Fund outturn 2016/17	-1,570,000

6. As has been the case in previous years, careful management of budgets has been exercised across all services to guard against expenditure pressures and offset income reductions. This has enabled services to prepare to operate at lower levels of funding in the new financial year.
7. Earlier in the financial year, development of the 2017/18 budget incorporated savings arising during 2016/17, amounting to £1,120,100 offset by £340,000 of new service budget pressures emerging during 2016/17. The service specific underspend includes elements of the savings proposals included in the 2017/18 budget which provides confidence in the ability of services to deliver those savings in the new financial year.
8. Details of the major variations across all service areas and for non-controllable budgets are contained as a table in Appendix A. Significant variations have previously been reported to Cabinet during the year with the last report in March 2017 identifying that at that time and based upon data from December 2016 the underspend would be around £0.5 million. Key areas that have significantly contributed to the non-controllable variations and have been confirmed as part of the closure of accounts include:
 - a) Additional funding received from Essex County Council under a

sharing agreement based on the performance of council tax recovery in 2015/16 and 2016/17 £360,000;

- b) Improved performance on the administration of Housing Benefits has increased the funding received through Housing Benefits Subsidy by £380,000;
- c) Reduced Excess costs in relation to insurance claims has resulted in an underspend of £200,000; and
- d) Lower Audit fees have resulted in a saving of £50,000.

GENERAL FUND RESERVE BALANCE

9. 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:

General Fund Reserve Balance	£ millions
General Fund Opening Balance 1 Apr 2016	3.888
Transfer to Regeneration Reserves Approved by Cabinet in-year	-0.500
Budget carried over 2015/16 to 2016/17 (Cabinet 21/7/2016)	-0.137
General Fund Balance 2016/17	3.251
Total in-year service budget variations (favourable)	0.727
Net non-service variations	1.483
In-year technical reserve movements (includes Business Rates)	0.137
Proposed transfers to/from earmarked reserves	-0.140
General Fund Balance 31 March 2016	5.458
Additional transfer to reserves proposed (Planning)	-0.300
Proposed application of 2016/17 Underspend	-0.225
Proposed carry forwards from 2016/17 to 2017/18	-0.219
Effective Closing General Fund Balance 31 March 2017	4.714

- 10. The General Fund balance moves from its opening balance of £3.888 million to a year-end closing balance of £5.458 million, which will be reported within the Council's Statement of Accounts.
- 11. After adjusting for proposals made within this report the General Fund balance will stand at £4.714 million if the recommendations are agreed.
- 12. As part of the 2017/18 budget setting process and as approved in the Medium Term Financial Strategy (MTFS), the target level for the General Fund Reserve balance over the life of the current MTFS is £2.5 million 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 £2.214 million above the minimum recommended balance.

COLLECTION FUND - BUSINESS RATES

13. The Collection Fund is maintained by the Council in its statutory role as Billing Authority for Council Tax and Business Rates in the town, and records income generated and the distribution of those funds to the relevant preceptors. The Business Rates Retention Scheme introduced on 1 April 2013 (replacing the redistributive subsidy system) continues to bring unprecedented volatility and risk to the Council's financial position.
14. The Government determines an annual baseline funding level and allows the Council to retain an element of any business rate income above this. However, if business rate income falls below the baseline, the Council will bear the loss up to 7.5 percent of the baseline, after which there is a safety net payment.
15. When setting the budget for 2016/17, it was forecast that Business Rates income retained would be below the baseline funding level. The projected impact of that was forecast to carry a cost to the General Fund of £212,000. The final in-year surplus for the Council's Business Rates for 2016/17 was £134,000. This was primarily the result of improved income from businesses and the reduction in the level of Business Rates appeals (many of which generated prior-year deficits). However, 50 percent of any in-year Business Rates growth must be paid across to the Government; in 2016/17, this requires £252,000 to be repaid to central government in respect of 2016/17.
16. The accounting arrangements of the Scheme further complicate matters as any surpluses or deficits arising on the Collection Fund can only be accounted for in future years, with a sum of £2,029,000 to be met in 2016/17 in respect of the NDR Collection Fund deficit for 2015/16.
17. To help the Council manage the volatility caused by these accounting arrangements, a Business Rates Equalisation Reserve was established in 2013/14 as a mechanism to smooth the effect of this volatility on the General Fund revenue budget. In 2016/17, £2,257,745 was transferred to this reserve to offset any potential future deficits in Business Rates.

CARRY FORWARDS AFFECTING THE GENERAL FUND BALANCE

18. Cabinet is requested to approve the carry forward of 2016/17 budgets of

£219,300. These have been reviewed by the Corporate Management Team (CMT) prior to presentation to Cabinet and are detailed in Appendix B to this report. No funding is currently provided within the 2017/18 budget for the items identified and if the carry forwards are not approved it is unlikely that the work/ projects will be carried out.

TRANSFERS TO RESERVES

19. During the 2016/17 closure processes a number of transfers to reserves have taken place which included the transfer to the Regeneration Reserve of £500,000 that received previous Cabinet approval.
20. It is also recommended that a further £440,000 of service variations be put to reserves which are included in Appendix C. These will ensure that the Council has sufficient resources to meet the costs associated with future challenges, without impacting on resources available to fund core services.

SUMMARY OF QUARTER FOUR OPERATIONAL PERFORMANCE – 2016/17

21. Section four of Appendix A details information about the Council's operational performance. The Council performed on target or above target for 52 out of 55 (95 percent) of performance indicators. Sixty percent of indicators have been maintained or improved compared to Quarter Four 2015/16. Ninety percent of all Corporate Plan milestones were successfully completed or on track for completion on 31 March 2017.

Details of all of the Council's performance indicators can be found on the Council's website, www.harlow.gov.uk/performance/

22. Despite an extraordinarily challenging financial environment, the Council made performance improvements in several key areas linked to its corporate priorities during the fourth quarter of 2016/17 including:

a) NI154 Net additional homes provided:

Housing completions continue to increase year on year. The Strategic Housing Site at Newhall is now well under way and makes up the bulk of the completions. Other sites are coming forward which have planning permission and this trend should continue as developers are given more certainty with the anticipated progression of the Local Plan, which will allocate more sites for housing.

b) JVC 305 Housing appointments made and kept (%):

Since the launch of the new company HTS, increased emphasis has been focused on the service delivery of the repairs team and resource

has been reallocated within the existing call centre enabling ownership of emergencies to be prioritised.

c) NI195a Street and Environmental Cleanliness (% land assessed having unacceptable levels of litter):

This KPI measures whether the amount of litter in the surveyed transects is at acceptable levels. The lower the figure the better the result. The result reflects good performance.

23. Three out of fifty-five (five percent) of performance indicators did not perform as well as expected. Each has a detailed Improvement Action Plan which explains why the performance was not as good as expected. Areas of reduced performance include:

d) People sleeping rough (numbers):

The performance indicator is a snapshot of those people that are rough sleeping. The data is submitted by local partners for monitoring purposes and the Council annually submit rough sleeping estimates to the DCLG that are verified via homeless link. The Council works together with partner agencies and organisations with the aim of preventing people sleeping rough including those that are housed but are at risk of sleeping rough and where the Council may not have a statutory duty to house under the Homelessness legislation.

e) Number of households living in Temporary Accommodation:

The Performance Indicator is a snapshot of the total number of households in temporary accommodation (TA) at the end of each quarter. Quarter Four data has increased by 29.71 percent compared to Quarter Four 2015/16, close to the predicted level of 30 percent. Nationally data shows that England (excluding London Boroughs) continues to see an increase of 50 percent in TA placements for the period 31 March 2012 up to 31 December 2016.

The last 12 months has seen the closure of Occasio House and the relocations associated with Phase 2 and 3 of the redevelopment of the Briars, Aylets Field and Copshall Close. This has significantly impacted on the number of family sized TA: reducing the number of units available to applicants that require temporary accommodation. In addition welfare reforms have impacted following the introduction of the benefits cap.

f) Tree works carried out within 80 working days (4 months) (%):

Due to the need to deal with emergency tree works arising from an

adverse weather event on 23 February 2017 (Storm Doris) 14 trees reported as requiring attention within 80 working days were not attended to in that timescale. The Council and HTS (Property and Environment) Ltd will agree an individual action plan for each such event identifying how additional resources in the form of additional work hours and or subcontracted specialists are to be deployed to counteract any potential effect on this indicator.

SIGNIFICANT RISKS / OPPORTUNITIES

24. The Council is operating in a period of major change driven by both the world-wide economic condition and the legislative changes being introduced by the Government. Some of the key changes that will or are already impacting on the Council include:
- a) The risk associated with the Government's localisation of council tax support and business rates;
 - b) Variations in income from fees and charges as public spending habits respond to the economic climate; and
 - c) Continued long-term austerity measures placed upon Councils by the Government.
25. Section six of Appendix A details information about two exceptional risks (rated 20 or higher – high likelihood, high impact) recorded in the Council's Risk Register as of March 2017* it is:
- a) The Government's fiscal policy in respect of deficit reduction reducing public sector funding combined with the Council's limited ability to raise income could result in the Council's financial resilience being at risk; and
 - b) The town requires a suitable housing mix to attract new and retain existing residents for an evolving and sustainable community. Supply must be balanced with demand and housing need, taking into account National Housing and Planning policies. As part of that mix, housing for local people that is genuinely affordable remains a high priority for the Council.

* These risks relate to 31 March 2017 and may have changed between that period of time and the meeting of Cabinet.

IMPLICATIONS

Place

Any specific implications are set out in the report.

Author: **Graeme Bloomer, Head of Place**

Finance (Includes ICT)

Any specific implications are set out in the report.

Author: **Simon Freeman, Head of Finance**

Housing

Any specific implications are set out in the report.

Author: **Andrew Murray, Head of Housing**

Community Wellbeing (includes Equalities and Social Inclusion)

Any specific implications are set out in the report.

Author: **Jane Greer, Head of Community Wellbeing**

Governance (includes HR)

Any specific implications are set out in the report.

Author: **Brian Keane, Head of Governance**

Background Papers

None.

Glossary of terms/abbreviations used

None.

Appendices

Appendix A – Joint Finance and Performance Report, Year End 2016/17

Appendix B – Carry forward details 2016/17

Appendix C – Proposed end-of-year General Fund Earmarked Reserve
Movements