

Performance and Audit Scrutiny Committee



Forest Heath
District Council

Title of Report:	Financial Performance Report (Revenue and Capital) Quarter 2 – 2014-15	
Report No:	PAS/FH/14/009	
Decisions plan reference:	Not applicable	
Report to and dates:	Performance and Audit Scrutiny Committee	26 November 2014
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Purpose of report:	This report sets out the Financial Performance for the second quarter of 2014-15 and forecasted outturn position for 2014-15.	
Recommendation:	Performance and Audit Scrutiny Committee: Members are requested to note the year end forecast financial position and forward any relevant issues or comments to Cabinet for their consideration.	
Key Decision: (Check the appropriate box and delete all those that do not apply.)	<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 budget summary, for the period April to September 2014.</p> <p>Appendix B – Capital budget summary, for the period April to September 2014.</p> <p>Appendix C – Revenue reserves summary, for the period April to September 2014.</p>	

1. Key issues and reasons for recommendation(s)

1.1 Key Issues

- 1.1.1 Savings achieved through sharing services with St Edmundsbury Borough Council have to date been predominately delivered through the joining up of services and staff structures. However it was always envisaged that further savings could be achieved through the procuring and commissioning of joint service and supply contracts.
- 1.1.2 During September and October business partners and advisors from the Resources and Performance team held a number of budget challenge meetings with heads of service and portfolio holders. The focus of these meetings was to review all supplies, service and income budgets across West Suffolk. This review took into account previous spending patterns, but more importantly what the projected spending and income requirement under a shared service for 2015/16 would look like. The challenge meetings also provided the opportunity to consider potential contractual savings as a result of joining up contracts across West Suffolk.
- 1.1.3 The report includes a year end forecast outturn under spend of £143,000 and details of these can be seen in **Appendix A**. The overall underspend forecasted in this financial year has arisen in part from the budget challenge work during the past couple of months as we continue to control our overall spending in preparation for the 2015/16 budget. Wherever appropriate, potential savings identified through this process were implemented immediately rather than waiting for the next financial year.
- 1.1.4 The Council's capital financial position for the first six months of 2014/2015 shows expenditure of £2,524,000. Further details are provided in **Appendix B**.
- 1.1.5 A summary of the Council's earmarked reserves can be found at **Appendix C**.

1.2 Revenue Performance

- 1.2.1 The year to date position after six months currently shows an under spend of £116,000. The forecast position for the year end is showing an under spend of £143,000. Details are set out in **Appendix A**.
- 1.2.2 Members are requested to note the year end forecast position and the significant variances as outlined in the paragraphs below. Budget holders will continue to work with Resources Business Partners and Business Support Advisors for the remainder of the financial year in order to monitor the forecast position and an updated position will continue to be provided to this committee on a quarterly basis.
- 1.2.3 Initial reporting is showing that the overall business rate yield anticipated for 2014/15 is slightly lower than the forecasted yield as part of the NNDR1 return back in January 2014. We will continue to monitor the business rates closely with Anglia Revenues Partnership and a further update will be provided in the next quarter monitoring. Any shortfall of income against what was forecast will be transferred from the Business Rate Reserve.

1.3 **Commentary on Significant Revenue Performance Variances**

1.3.1 Significant year end forecast variances are explained in the table below.

Year end forecast variance: Over / (under) spend	Explanation
(£65,000)	Rebate received on previously paid gate fee expenditure for dry recyclables, not budgeted for.
(£50,000)	Net additional income from trade waste fees.
(£17,000)	Additional licensing income.
(£135,000)	Waste management underspends relating to savings on vehicle costs due to lower fuel prices, tipping charges less than anticipated and some vacant posts in the operation team.
£34,000	As at November 2014 the estimated level of building control income will be lower than was predicted at this time last year.
£100,000	Repayments of housing benefit over payments below expected level. Anglia Revenues Partnership to monitor position, update
£110,000	Income variance from rents of industrial properties, mainly due to anticipated vacancy period of a number of units which are currently being refurbished in year under the Councils Asset Management Plans.

1.3.2 As part of the budget setting process for 2015/16, work has been done to adjust the budgets for the variances stated above. The overall underspend forecasted in this financial year has arisen in part from the budget challenge work during October in preparation for the 2015/16 budget. More details of this can be found in report PAS/FH/14/008.

1.3 **Capital Position**

1.3.1 The table below is a high level summary of capital expenditure against budget for 2014/15. The Resources Team will continue to work with Budget Holders to monitor capital spend and project progress closely for the remainder of the financial year and an updated position will be presented to this committee on a quarterly basis.

Service Area	Revised 2014/15 Budget £000s	Spent to 30 September 2014 £000s
Policy, Communications & Customers	107	0
Housing	705	85
Leisure, Culture & Communities	1,013	2,310
Resources & Performance	2	4
Planning & Regulatory Services	56	20
Waste, Street Scene, Property & Grounds Maintenance	434	105
TOTAL	2,317	2,524