

Performance and Audit Scrutiny Committee



St Edmundsbury
BOROUGH COUNCIL

Title of Report:	Financial Performance Report (Revenue and Capital) Quarter 3 – 2014-15	
Report No:	PAS/SE/15/004	
Decisions plan reference:	Not applicable.	
Report to and dates:	Performance and Audit Scrutiny Committee	29 January 2015
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Purpose of report:	This report sets out the Financial Performance for the third quarter of 2014-15 and forecasted outturn position for 2014-15.	
Recommendation:	Performance and Audit Scrutiny Committee: Members are requested to <u>note</u> the year end forecast financial 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:		None	
Documents attached:		<p>Appendix A – Revenue budget summary, for the period April to December 2014.</p> <p>Appendix B – Capital budget summary, for the period April to December 2014.</p>	

1. Key issues and reasons for recommendation

1.1 Key Issues

- 1.1.1 Savings achieved through sharing services with Forest Heath District 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 As reported to the November Committee, Report PAS/SE/14/009, 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. Through these challenge days, £128,000 of savings were identified which were built into the 2015/16 budget setting process.
- 1.1.3 The report includes a year end forecast outturn under spend of £108,000 and details of these can be seen in **Appendix A**. This is a significant decrease to the £290,500 under spend forecasted at the end of September, as reported at the November committee. The main reasons for this change are due to the now expected shortfall in planning income, coupled with further reductions in investment income.
- 1.1.4 The overall underspend forecasted in this financial year has arisen in part from the budget challenge work during the past few 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.
- 1.1.5 The Council's capital financial position for the first nine months of 2014/2015 shows expenditure of £1,692,000. Further details are provided in **Appendix B**.

1.2 Revenue Performance

- 1.2.1 The year to date position after nine months currently shows an under spend of £502,000. The forecast position for the year end is showing an under spend of £108,000. 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 outturn position will be provided to this committee at the end of the financial year. The forecasted year end position will also feed into the 2015/16 budget setting process.
- 1.2.3 Initial reporting is showing that the overall business rate yield anticipated for 2014/15 is higher 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 year end outturn report. Any additional income or shortfall 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
(£80,000)	Rebate received on previously paid gate fee expenditure for dry recyclables, not budgeted for. Paid up until October 2014.
(£220,000)	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.
(£150,000)	More people visiting the town centres (and using the car parks) than anticipated.
(£50,000)	Increased tickets sales at the Apex resulting in more income than budgeted.
(£30,000)	Part year reduction in TIC costs associated with move into the Apex
(£30,000)	Income from renting desk space at West Suffolk House to external organisations.
£75,000	A reduction in income from rents of industrial properties, due to some vacant properties and irrecoverable debts (representing 2.7% of total budget).
£200,000	See paragraphs 1.3.3 to 1.3.5 below.
£50,000	Repayments of housing benefit over payments below expected level.
£20,000	As at December 2014 the estimated level of building control income will be lower than was predicted at this time last year.
£50,000	Market toll income 12% lower than anticipated.
£220,000	Current returns on the Council's investments to date are £183,000 lower than anticipated, with a deficit of £220,000 predicted for the end of the financial year. This difference would normally be funded from the Council's interest equalisation reserve, however in the event of an overall underspend across the Council this transfer would not be made.

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.

1.3.3 The variance reported in Planning, as reported in **Appendix A**, is created in the main by two elements. The first is the introduction of Permitted Development Orders and the impact of the 'Prior approval' process, which has reduced the number of applications the authority are now able to charge for, even though these applications still require a similar level of resource to administer. The anticipated loss of income will be provided at the meeting. It should be noted that these

changes to the Permitted Development Order were intended to be a short term incentive and will need to be reviewed by any new Government in 2015/16.

- 1.3.4 The second is linked to additional legal costs relating to enforcement and appeals. Appeal costs of circa £100k were unbudgeted and would typically be funded from the council's contingency general fund. For 2014/15 it is proposed that these costs are funded from the overall underspend presented in this report. In terms of enforcement, members will note in Report PAS/SE/15/001 on this agenda that the significant backlog in enforcement has been substantially reduced as a result of outsourcing 79 cases to an external agency.
- 1.3.5 In the context of the above extra budgetary pressures, it should be noted that the overall performance in planning has improved in quarter 3 as reported in the Performance and Audit Scrutiny Committee Report PAS/SE/15/001.

Capital Position

- 1.3.6 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 31 December 2014 £000s
Planning & Growth	2,787	132
Housing	1,000	642
Resources & Performance	0	13
Families & Communities	323	216
Operations	1,895	689
TOTAL	6,015	1,692