

Performance and Audit Scrutiny Committee



St Edmundsbury
BOROUGH COUNCIL

Title of Report:	Financial Outturn Report (Revenue and Capital) 2014/15	
Report No:	PAS/SE/15/015	
Report to and dates:	Performance and Audit Scrutiny Committee	4 June 2015
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Purpose of report:	This report sets out the Financial Performance for the year 2014/15.	
Recommendation:	Performance and Audit Scrutiny Committee: Members are requested to <u>note</u> the 2014/15 outturn revenue and capital 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: <i>(all background papers are to be published on the website and a link included)</i>		None	
Documents attached:		Appendix A – Revenue outturn position 2014/15. Appendix B – Analysis of Revenue Variances 2014/15 Appendix C – Capital outturn position 2014/15. Appendix D – Earmarked Reserves 2014/15. Appendix E – Explanation of Reserves	

1. Key issues and reasons for recommendation

1.1 Key Issues

- 1.1.1 Monitoring year-end financial performance plays an important role in understanding how the Council's financial plans and strategies have contributed towards the achievement of the Council's priorities.
- 1.1.2 The Council continues to face considerable financial challenges as a result of uncertainty in the wider economy and constraints on public sector spending, declining interest receipts and increased demand on front line services such as Housing Benefits and homelessness along with the reduction in central government grant funding. In order to respond to these pressures, the Council has had to make significant savings, the main contributor to delivering these savings was through sharing resources with Forest Heath District Council, which has to date achieved in excess of £3.5m in savings across both Councils.
- 1.1.3 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.
- 1.1.4 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 for St Edmundsbury of savings were identified which were built into the 2015/16 budget setting process.
- 1.1.5 The report includes a revenue year end outturn **under spend of £109,000**, details of these can be seen in **Appendix A**.
- 1.1.6 The overall underspend position has arisen in part, as reported at quarter 3 in January report PAS/SE/15/004, from the budget challenge work as detailed in paragraph 1.1.4 above, where potential savings were identified and implemented immediately rather than waiting for the next financial year.
- 1.1.7 The Council's capital outturn position for the year 2014/2015 is a **net underspend of £3,735,000** which predominately relate to the timing of capital projects. Further details are provided in **Appendix C**.
- 1.1.8 A summary of the earmarked reserves for the year 2014/2015 can be found at **Appendix D**, as at 31 March 2015 the balance of the Council's reserves is **£13,383,000**

- 1.1.9 The numbers reported here are subject to the final stages of the Council's 2014/15 accounts closure process and the review from external auditors Ernst and Young and may change depending on the findings and outcomes of those pieces of work, however any changes will be reported to this committee as part of the final accounts report in September 2015.
- 1.1.10 In order to understand the numbers within this report, we felt it may be useful to explain the meaning of the brackets around some of numbers, as this can be confusing if you are not familiar with them. In accounting terms if a budget or actual figure has a bracket around it then it will increase the council's general fund reserve, so income is in brackets and expenditure is not. In the variance column, a bracket around the number means the actual against the budget has resulted in an under spend against budget or income above budget. Numbers without brackets means the actual against the budget has resulted in an over spend against budget.

1.2 Revenue Performance

- 1.2.1 The revenue outturn position as at 31 March 2015 currently shows an overall under spend of £109,000. A summary by Head of Service area can be found in **Appendix A** with comments for variances by cost centre at **Appendix B**
- 1.2.2 Resources and performance is showing an overspend of £181,000, this is largely due to the cost of change (including one off redundancy costs) following the in-year Leadership Team and Service Management restructure. This was originally planned to be funded from the invest to save earmarked reserve, however having taken into account the overall underspend position across the Council general fund budget for 2014/15, these costs will now be met from the in-year budget, leaving more in the reserve to fund future investment opportunities.
- 1.2.3 Business Rates
- 1.2.4 The Business Rates Retention Scheme introduced by Government from April 2013 is intended to provide incentives for local authorities to drive economic growth. The authorities will be able to retain a share of any growth that is generated in business rates revenue in their areas. Previously, all business rates revenues were held centrally and redistributed to councils based on the government's assessment of our need.
- 1.2.5 Under the new scheme local authorities were also allowed to form pools for the purposes of business rates retention. Both West Suffolk authorities signed up along with the other Suffolk Authorities and the County Council to be designated as the Suffolk Pool from April 2013.
- 1.2.6 The collection of business rates, income and expenditure (such as appeals provisions and exemptions) goes into a designated collection fund. The 2014/15 outturn position shows a deficit of £98k in respect of this collection fund for business rates. This is a combination of the deficit brought from 2013/14 and the in year surplus in respect of 2014/15. Under current accounting rules, this deficit is carried forward into 2015/16 onwards. This has been reflected in the 2015/16 budget.

1.2.7 However the accounting treatment for any growth and section 31 grants is in the year of receipt and any difference from budget is transferred to/from the earmarked reserve for Business Rates Retention Equalisation to mitigate the impact on the general fund. For 2014/15, the net transfer to the reserve is £100k.

1.2.8 Year end variances over £50k are explained in the table below.

Year end 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.
(£310,000)	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.
(£151,000)	More people visiting the town centres (and using the car parks) than anticipated.
(£75,000)	Increased tickets sales at the Apex resulting in more income than budgeted.
(£125,000)	Vacant posts within Internal Audit and Customer Services Sections through vacancy management processes.
(£111,000)	Lower than budgeted housing benefit payments made.
(£90,000)	Higher than anticipated council tax court costs received.
(£52,000)	Lower utility costs, including gas and cleaning than anticipated.
£276,000	Overspend in planning services, see paragraphs 1.2.10 to 1.2.13 below.
£65,000	Level of building control income lower than was predicted at this time last year.
£58,000	Market toll income 12% lower than anticipated.
£349,000	Cost of change resulting from the Leadership Team and Service Manager restructure, se paragraph 1.2.2 above.
£219,000	Interest receipts received from the Council's investments are £219,000 lower than anticipated due to lower interest rates. This difference would normally be funded from the Council's interest equalisation reserve, however as there is an overall underspend across the Council this transfer has not be made.

1.2.9 As part of the budget setting process for 2015/16, work has already been done to adjust the majority of these budgets for the variances stated above.

1.2.10 The variance reported in Planning, as reported in **Appendix A**, is created in the main by three elements. The first is due to less planning fee income being received than budgeted, circa £258k. Part of the reason for this 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. 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. There are also some large applications which were expected to be received in 2014/15, which are now likely to be received in the 2015/16 financial year. The estimated value of these applications is £77k.

- 1.2.11 The second is linked to additional legal costs relating to enforcement and appeals. Appeal costs of circa £60k 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.
- 1.2.12 The third element is around employee costs. Due to a number of vacancies across the planning section, and staff turnover there has been a net underspend on employee costs of circa £54k. This is despite incurring costs of £84k with an external solicitor to undertake planning enforcement work, and employing agency staff to undertake scanning of historic planning files.
- 1.2.13 In the context of the above extra budgetary pressures, it should be noted that the overall performance in planning has improved in Quarter 4 as reported in the Performance and Audit Scrutiny Committee Report PAS/SE/15/008.

1.3 **Capital Position**

- 1.3.1 The Council's capital outturn position for 2014/15 shows a **net underspend of £3,735,000**. **Appendix C** to this report contains further details by project with respective variances and comments.