

REPORT TO	DATE OF MEETING
Governance Committee	27 th November 2013



SUBJECT	PORTFOLIO	AUTHOR	ITEM
Budget Monitoring Statement – Month 6 (September) 2013/14	Finance & Resources	Jane Blundell	7

SUMMARY AND LINK TO CORPORATE PRIORITIES

This report provides an update on the Council's overall financial position compared to the financial strategy for the first six months of the financial year 2013/14 as at 30 September 2013. The following items have been included:

- Revenue income and expenditure (Appendix 1);
- Progress in respect of the efficiency programme contained in the Medium Term Financial Strategy (Appendix 2);
- Business rates monitoring (Appendix 3)
- Capital expenditure (Appendix 4);
- Medium Term Financial Strategy Interim Update (Appendix 1).

RECOMMENDATIONS

1. That the Governance Committee note, review and comment on report and appendices.

DETAILS AND REASONING

It is pleasing to report that the financial position as at 30 September 2013 shows that the Council is performing well against its profiled budget, however, it is important to note that this is based on a number of assumptions made with regard to expected spending patterns and levels of income received to the end of September. Therefore, it is too early in the year to accurately predict the projected position to the end of the year. In addition, although the efficiency targets listed in Appendix 2 are overall indicating a good position there are some projects that contain assumptions and estimating in respect of the year end position.

With regard to savings achieved to date this should be considered in the context of the continued budget gap contained within the Council's Medium Term Financial Strategy to 2016/17 and the uncertainty of future levels of funding. A cut in funding is forecast in 2014/15 and also 2015/16 and this is currently being incorporated within the Council's Medium Term Financial Strategy albeit on an estimated basis. The Government announced a further funding reduction of 10% in 2015/16 in its June Spending Review plus a proposal to 'top-slice' New Homes Bonus. How these specific reductions in funding will impact on individual local authorities hasn't been published and is expected to be made public at the end of December 2013 at the earliest. The best estimate at present, based on the information currently available, is that the overall cut to the Council's funding will be in the region of 15% in 2015/16, which equates to £0.681m in cash terms.

2013/14 is the first year of implementation of the business rate retention scheme whereby local authorities are allowed to retain a proportion of additional income generated from growth in the tax base in their area. This is a fundamental change which brings with it significant uncertainty and potential year on year fluctuations in funding. Therefore business rate income is being closely monitored to determine the impact on the medium-term financial strategy. The monitoring report incorporates a summary showing the latest rate yield compared with the forecast for the year (Appendix 3).

The total approved revenue budget for 2013/14 is £13.512m less a £0.607m transfer from general reserves resulting in a net budget requirement of £12.905m. The report compares the original 2013/14 budget with actual expenditure as at 30 September 2013. The comparison shows a net underspend in the first half of the year of £0.646m.

This has been brought about in summary terms as follows:-

Spend Category	(Under)/Over Spend £000
Expenditure	(284)
Income	(226)
Efficiency Targets Shortfall	47
Recurring savings identified	(194)
Total Budget Variation as at 30 September	(646)

Underspends have been achieved in employee, premises, supplies and services and also transport costs. Appendix 1 provides more detailed explanations but in general terms cost savings are being made in preparation for detailed business transformational reviews that will be undertaken to bridge the funding gap as set in the current MTFS.

With regard to managing risk in the budget management process the main income streams are reported in detail. These budget heads are subject to variations caused by circumstances outside the direct control of the Council. At this stage in the year the Council's main income streams are performing well with Planning Fee income exceeding the level anticipated so far. The income stream which hasn't achieved the target to date is Building Control. Despite action being taken, income has not been able to attain its budgetary level as it has been adversely affected by the current economic climate.

The revenue budget approved in the Medium Term Financial Strategy includes an efficiency saving programme totalling £0.515m. The savings achieved in respect of the efficiency programme (expressed as a full year figure) are £385,000, therefore, as at the end of September £130,000 remains outstanding. Since the end of September, however, steps have been taken to achieve the budget efficiency savings for the catering function. This target is back on track to be achieved in full for 2014/15.

In summary, performance against budget as at 30 September 2013 is good but should be treated with some caution at this stage of the year. The current position is being closely monitored with particular regard to budgets that are subject to fluctuation and therefore present a higher risk with further updates being reported during the course of the year.

Details of the Council's capital spending by each project are contained in Appendix 4. The projected spend is compared to the full year budget accompanied by an explanatory note where applicable. The total full year budget is £3.190m with £0.886m spent and committed as at 30 September 2013. The statement set out in Appendix 4 contains assumptions in respect of spending to the end of the year and will continue to be closely monitored.

WIDER IMPLICATIONS

In the preparation of this report, consideration has been given to the impact of its proposals in all the areas listed below, and the table shows any implications in respect of each of these.

FINANCIAL	The financial implications are contained within the report and attached appendices.		
LEGAL	None.		
RISK	Risk is identified in the report. The main risk area is the inclusion of assumptions. Assumptions have been made with regard to estimating future costs and external influences that will affect projections in future months. Therefore any conclusions drawn from the contents of the report should be treated with some caution at this stage of the year.		
THE IMPACT ON EQUALITY	This report is not considered to have any adverse impact on equality.		
OTHER (see below)			
<i>Asset Management</i>	<i>Corporate Plans and Policies</i>	<i>Crime and Disorder</i>	<i>Efficiency Savings/Value for Money</i>
<i>Equality, Diversity and Community Cohesion</i>	<i>Freedom of Information/ Data Protection</i>	<i>Health and Safety</i>	<i>Health Inequalities</i>
<i>Human Rights Act 1998</i>	<i>Implementing Electronic Government</i>	<i>Staffing, Training and Development</i>	<i>Sustainability</i>

BACKGROUND DOCUMENTS

Budget Report and Medium Term Financial Strategy – Cabinet 6 February 2013.
Budget Out-turn Report 2012/13 – Cabinet 26 June 2013