

REPORT TO	DATE OF MEETING
Governance Committee	26 November 2014



SUBJECT	PORTFOLIO	AUTHOR	ITEM
Budget Monitoring Statement – Month 5 (August) 2014/15	Finance & Resources	Susan Guinness	5

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 five months of the financial year 2014/15 as at 31st August 2014. The following items have been included:

- Revenue Income and Expenditure (Appendix One);
- Progress in respect of the Efficiency Programme contained in the Medium Term Financial Strategy (Appendix Two);
- Business Rates Retention (Appendix Three)
- Capital Expenditure (Appendix Four);

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 31st August 2014 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 August. 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 Two are overall indicating a good position there are some projects that contain assumptions and estimating in respect of the year end position.

The approved revenue budget for 2014/15 is £13.236m less a £0.132m transfer from general reserves resulting in a net budget requirement of £13.104m. The report compares the original 2014/15 budget with actual expenditure. The comparison shows a net overspend of £0.037m.

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 2017/18 and the uncertainty of future levels of funding. A cut in funding is forecast in 2015/16 and this has been incorporated within the Council’s Medium Term Financial Strategy.

Underspends have been achieved in employee, premises and transport costs. Appendix One provides more detailed explanations but in general terms cost savings are being made in preparation for business transformational change 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 (MTFS) includes an efficiency saving programme totalling £0.410m. The savings achieved in respect of the efficiency programme (expressed as a full year figure) are £263,000, therefore, as at the end of August £97,000 remains outstanding. To address this position, reviews are currently underway to secure the efficiency targets approved.

2013/14 was the first year of implementation of the Business Rates 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 coupled with also taking a share of the risk should the net business rates yield is less than estimated. This new regime brings with it significant uncertainty and potential year on year fluctuations in funding and therefore business rate income is being closely monitored to determine the impact on the MTFS. One of the key elements which can have a significant impact on business rates income is the level of appeals settled by the Valuation Office Agency which have a negative impact on yield.

This monitoring report incorporates a summary showing the latest rate yield compared with the forecast for the year (Appendix Three).

In summary, performance against budget as at 31st August 2014 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 Four. The projected spend is compared to the full year budget accompanied by an explanatory note where applicable. The total full year budget is £2.954m with £0.641m spent and committed. The statement set out in Appendix Four also contains an update on the latest committed spending level for information to show how capital expenditure has increased since the report date of 31st August 2014.

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.
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OTHER (see below)	
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<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 12 February 2014.

Budget Out-turn Report 2013/14 – Cabinet 25 June 2014