

Scrutiny Panel

11 November 2014

Item
14

Report of	Assistant Chief Executive	Author	Sean Plummer ☎ 282347 Darren Brown ☎ 282891
Title	Financial Monitoring Report – April to September 2014		
Wards affected	Not applicable		

The Panel is invited to review the financial performance of all General Fund services and the Housing Revenue Account for the first six months of 2014/15

1. Action required

- 1.1 The panel is asked to consider the financial performance of General Fund Services and the Housing Revenue Account (HRA) in the first six months of 2014/15.

2. Reason for scrutiny

- 2.1 Monitoring of financial performance is important to ensure that:
- Service expenditure remains within cash-limited budgets.
 - Potential variances at year-end are identified early so that remedial action can be taken to recover the position or 'recycle' any surplus budgets.
 - Performance targets are being met.
- 2.2 This report also gives the panel the opportunity to hold Service Managers and Portfolio Holders accountable for their budgets.

3. Background and Summary Position

- 3.1 This report reviews the Council's overall position based on profiled income and expenditure for the six months to 30 September 2014, and also shows a projection of the outturn figures for the full year. All the information presented in respect of General Fund Services shows the position based on net 'direct costs'. The review of the Housing Revenue Account is different in that it shows all costs, both direct and indirect.
- 3.2 The projected outturn for the General Fund is currently a net underspend of £409k. The Housing Revenue Account forecast outturn position is currently an underspend of £200k.
- 3.3 The General Fund position is set out in more detail in the following paragraphs and the HRA position explained in section 6.

4. General Fund – Position to 30 September 2014

Service Budgets

- 4.1 Appendix A summarises the Council position by expenditure group and by Service Group. The net position shows a variance against profiled budget for General Fund Services (excluding benefits) of £1,466k (favourable). This comprises total expenditure being £801k lower than expected and more income than expected totalling £665k. Appendix B provides a more detailed view, breaking this information down by individual Service Groups.
- 4.2. Both Appendices A & B to the report include traffic light indicators. The thresholds are as follows:
 Green – Variance less than £50k and 5% of budget
 Amber – Variance greater than £50k **OR** 5% of budget
 Red – Variance greater than £50k **AND** 5% of budget
- 4.3. Benefits payments are not shown in Appendix A to avoid distorting the reported position for Service Groups. It is currently projected that this area will be on budget at year end, when the final subsidy claim is paid.

5. Outturn Forecast / Risk Areas

- 5.1 This is the second review this year of the 2014/15 budget position and the current forecast outturn is a net underspend of £409k.

	£'000	
Service budgets	(459)	See para's 5.2 – 5.3 and Appendix C
Commercial Activities	100	See para 5.5
Technical Items - Interest	(50)	See para 5.6
Potential net underspend	(409)	

Service Budgets

- 5.2 The following table sets out the forecast outturn for all service areas with outturn variances. This shows a net forecast underspend of £459k. As the table shows, this mainly reflects additional income within Professional Services, along with a number of off-setting cost pressures, savings and additional income in other service areas.

Service	Forecast outturn		
	<i>Expenditure</i>	<i>Income</i>	<i>Net</i>
	£'000	£'000	£'000
Corporate & Financial Management	(2)	(34)	(36)
Community Services	8	(18)	(10)
Commercial Services	(380)	252	(128)
Customer Services	-	(50)	(50)
Operational Services	41	(51)	(10)
Professional Services	121	(346)	(225)
Total all services	(212)	(247)	(459)

- 5.3 Appendix C sets out details of all forecast variances against service budgets at the year-end totalling (£419k). These include a budget shortfall of £40k in respect of Museum expenditure. Under the terms of the joint museum service, if this forecast transpires then this overspend will be carried forward and as such will not impact on balances. Therefore, this has been excluded from the table at paragraph 5.1.
- 5.4 In the review of the position at the end of June it was highlighted that other risks, both positive and negative, to the outturn position were not currently shown at the time. As

part of the review of Quarter 2, a number of these have now been reflected in the outturn forecast and whilst there remain other variables, a realistic view of current pressures has been shown.

- 5.5 The outturn position for services includes the anticipated surplus from Commercial activities, but this has been removed from the overall figure as this is being “ring-fenced” against the UCC FSR commercial target.

Corporate / Technical Items

- 5.6. The budget includes a number of corporate and technical budget areas such as net interest earnings, the provision to repay debt, pension costs and some non-service specific grants. The table above sets out that it is currently forecast that there will be an underspend of £50k in these areas. The main reason for the position is in respect of the interest budget where costs of borrowing are expected to be lower due to timing of capital schemes, funding decisions and the current strategy.

Summary position and action proposed

- 5.7. The forecast outturn shows a potential net underspend of £409k. Further more detailed work will be undertaken during Quarter 3 to ensure forecast outturn positions are robust; this work will then feed into the 2015/16 budget setting process given the impact it has on balances.
- 5.8. SMT continues to monitor the budget position on a monthly basis. The next report to the Panel will consider the position after 9 months. This will provide a better opportunity to assess progress against budget targets and income levels. In addition an update of the current year’s budget forecast will be reported to Cabinet in January as part of the final 2015/16 budget proposals. This report will be submitted prior to this for the Panel to scrutinise.

6. Housing Revenue Account

- 6.1 The Housing Revenue Account (HRA) is a ring-fenced account which is affected by a number of variable factors. At the end of September 2014, the HRA is showing a net underspend of £572k compared to the budget for the same period. This is primarily due to lower expenditure on Premises costs (£274k) and Supplies & Services costs (£101k). Furthermore, we have received £206k more income than anticipated.

Position to date

- 6.2 Premises related costs are showing an underspend of £274k as at the end of September 2014. Overall, there is a net underspend of £26k on Repairs and Maintenance, which primarily relates to the timing of expenditure on repairs and maintenance of pumping stations, Homeless Persons Units and other delegated areas. There are further underspends of £108k on Grounds Maintenance budgets which relate to the timing of expenditure, £32k on Cleaning contract costs and £33k on Council Tax on Empty properties. Finally, there is an underspend of £45k on Utility and Water costs.
- 6.3 Supplies & Services costs are underspent by £101k at the end of September. There is a general underspend across most budget headings, however these are partially offset by an overspend on IT costs which relates to the timing of expenditure.
- 6.4 We have received £206k more income at the end of September 2014. This primarily reflects £147k of unbudgeted Leaseholder service charge income relating to the External Decorating programme. It also includes the net impact of less rental & service charge income being lost from dwellings and garages than assumed within the budget, through a combination of voids and the level of Right to Buy sales.

Forecast Outturn

- 6.5 The current projected outturn for the HRA is that it will be underspent by £200k, taking into account the additional rent & service charge income we have received to date.

7. Strategic Plan references

- 7.1 The priorities within the Strategic Plan are reflected in the Medium Term Financial Forecast. This makes assumptions regarding government grant and Council Tax income, and identifies where necessary savings will be found in order to achieve a balanced budget. The 2014/15 revenue budget was prepared in accordance with the Strategic Plan's priorities, in the context of the Council facing growing financial pressures. Budget monitoring enables the financial performance against these priorities to be assessed.

8. Financial implications

- 8.1 As set out above.

9. Risk management implications

- 9.1 Risk management is used throughout the budget cycle, and this is reflected in the strategic risk register. The 2014/15 revenue budget report that was approved by Council in February 2014 detailed a number of potentially significant risk areas that had been identified during the budget process. In addition, Heads of Service identify a number of both positive and negative risk areas during the year.

10. Other Standard References

- 10.1 Having considered consultation, publicity, equality, diversity and human rights, community safety, and health and safety implications, there are none that are significant to the matters in this report.

Background Papers

No