

FINANCIAL RESULTS 2014/15 – to the end of February 2015

Finance and Resources Advisory Committee – 14 April 2015

Report of Chief Finance Officer

Status: For consideration

Also considered by: Cabinet – 4 June 2015

Key Decision: No

This report supports the Key Aim of Effective Management of Council Resources

Portfolio Holder Cllr. Ramsey

Contact Officer(s) Helen Martin Ext. 7483

Recommendation to Finance and Resources Advisory Committee: That the report be noted, and any comments forwarded to Cabinet.

Recommendation to Cabinet: Cabinet considers any comments from Finance and Advisory Committee and notes the report.

Reason for recommendation: Sound financial governance of the Council.

Introduction and Background

Overall Financial Position

1. Eleven months into the year the results to date show an overall favourable variance of £800,000.
2. The year-end position is forecast to be £809,000 better than budget; this is 5.6% of the net budget for the year.
3. Both the results to date and forecasts include any significant accruals.
4. Previously, the Chief Executive had set officers a target favourable variance of £500,000 in 2014/15 to enable:
 - funds to be put aside for development projects and asset maintenance;
 - funding of a Housing Stock Survey; and

- in light of budget pressures expected in 2015/16, to apply any further favourable variance to the Budget Stabilisation Reserve.

In the light of increasing pressures on future years budgets this was reviewed to a target of £600,000. This is a challenging target but officers have made a concerted effort and their hard work is likely to result in a positive outcome which will help support the Council's budget going forward.

Key Issues for the year to date

5. **Income** from Planning, Land Charges and On Street Parking are showing a combined favourable variance of £319,000 at the end of February; Income from car parking is currently £19,000 behind profile and the loss of income from Pembroke Road car park is now being offset by income from the additional surface car parking places adjacent to M&S. A grant of £97,000 has been received for the Transformation Challenge and is being used for efficiency work in Building Control.
6. **Pay costs** – the actual expenditure to date on salaried staff (excluding those who are externally funded) is £318,000 below budget, but £82,000 of that relates to Direct Services and may be offset by agency staff costs held within the trading account. There are currently favourable variances arising from vacant posts in Corporate Support, Direct Services and Planning. A small favourable variance would be expected at this time because the budget for 2014/15 includes provision for a 1% pay award but the award arrangements did not begin until December 2014.
7. **Other Variances** include some savings on CCTV (transmission costs) £27,000; deferred expenditure on administrative supplies £19,000; re-negotiated arrangements with Dartford regarding the partnership agreement, together with budgets for non-finance partnerships, where work is currently being contained within existing budgets, accounts for current variances of £139,000. Other variances arise from underspending against budget on external audit fees and discretionary rate relief as addressed in the 2015/16 budget process. Funding in 14/15 for the new Economic Development & Property Team (originally entitled 'Broadband') shows an underspending of £70,000 arising as the project did not begin in April. and this is likely to be requested for carry forward to 2015/16.
8. **Direct Services** – Direct Services' results show a positive variance of £116,000 compared to budget.

Year End Forecast

9. In summary, the year-end position is forecast to be a favourable variance of £809,000 and this arises for two reasons
 - Net savings made during the year due to efficiencies, or where income receipts that have been greater than expected. (Where budget variances are expected to be ongoing, they were included as SCIA items for the 2015/16 budget).

- Project activity, commonly time limited, originally scheduled to take place during 2014/15 which has been delayed or where the project start was deferred and the budget is still required to complete the project.

Favourable variances due to deferred project activity will be the subject of formal requests to FRAC to carry forward the budgets so that the projects can be commenced or continued in 2015/16.

Main reasons for the expected year end variance are given in the following paragraphs:

Significant variances forecast for 2014/15

10. The significant variances forecast for 2014/15 are as follows:

- Expenditure on software maintenance will exceed budget and this is reflected in growth item for the 2015/16 budget (SCIA 4).
- The re-negotiation of the partnership agreement with Dartford BC for Revenues, Benefits, Audit and Fraud. (SCIA 11 refers).
- External Audit fees will be £30,000 below budget in 2014/15 and this is offered as a saving for 2015/16 (SCIA 10).
- Budgets for Discretionary Rate Relief (£106,000) are no longer required and this is offered as a SCIA saving for 2015/16. (SCIA 9).
- Net expenditure on car parking is forecast to be £55,000 worse than budget at the year end.
- Expenditure on asset maintenance (premises) is expected to be £58,000 over budget in 2014/15 due to some urgent works. In addition some one-off building maintenance work for Argyle Road is expected to be £159,000
- Direct Services expect to achieve a surplus that is £124,000 better than budget; savings on fuel purchases account for £30,000 of this.
- Corporate Savings arising from savings in vacant posts and market supplements are forecast to be £162,000.
- £98,000 Refunds of VAT in respect of car parking and trade waste were received from HMRC.
- Over achievement of Planning income, arising mainly from a small number of high fee applications and increase in applications before the introduction of CIL gives rise to a year end favourable forecast for Development Management of £219,000.
- Work on Corporate projects has been contained within overall budgets.

Likely Carry Forward Requests

11. Expenditure against project work funded from the Transformation Challenge award is currently £86,000 behind profile. Work is now committed but will now take place after April 2015 and the budget will be needed in 2015/16.
12. There will be a favourable variance on budgets associated with the Economic Development and Property initiative as the project did not begin in April. These unspent budgets will be required to be carried forward to fund this time-limited project.
13. A Housing Stock survey is required but cannot now be completed before April 2015; the expected cost of this is £40,000.
14. The remaining Council Tax Support funding in needed to support the scheme going forward as ongoing funding is expected to reduce.

Future Issues and Risk areas

15. Chief Officers have considered the future issues and risk areas for their services and the impacts these may have on the Council's finances as follows:
 - the investment strategy is constantly under review and reports are made regularly to FRAC;
 - Asset Maintenance costs may increase
 - Benefits workload continues at a higher level and additional resources are being used to address this; Universal Credit will impact on this council in October 2015;
 - Tax collection rates, though currently in line with the previous year are vulnerable and we are being proactive in contacting Council Tax Support customers;
 - Benefit Fraud will move to the DCLG in February 2016. It is the intention to have a corporate fraud function after that date;
 - Following the introduction of retained business rates, the responsibility for payment of backdated appeals rests with this Council. The impact of any successful appeals is being closely monitored.
 - There remains the risk that planning decisions will be challenged, either at appeal or through the Courts;
 - Our ability to collect s.106 monitoring contributions may be adversely affected by a recent judgement and this is being carefully reviewed.

- It has proved difficult to recruit to some vacant posts especially in Planning and Communities and Business.
- Planning Income from fees and pre-apps continues to overachieve, but application numbers are kept under close review.

16. Planned savings for 2014/15 total £479,000, including the generation of income, particularly from new partnership working, and this remains a risk area for future years.

Key Implications

Financial

The financial implications are set out elsewhere in this report.

Legal Implications and Risk Assessment Statement.

Under section 151 of the Local Government Act 1972, the Section 151 officer has statutory duties in relation to the financial administration and stewardship of the authority.

Detailed budget monitoring is completed on a monthly basis where all variances are explained. Future risk items are also identified.

Equality Assessment

The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Appendices

Appendix – February Budget Monitoring

Background Papers:

None

Adrian Rowbotham
Chief Finance Officer