

FOR PUBLICATION

AGENDA ITEM

BUDGET PROGRESS REPORT

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| MEETING: | OVERVIEW AND PERFORMANCE SCRUTINY FORUM |
| DATE: | 13 NOVEMBER 2014 |
| REPORT BY: | HEAD OF FINANCE |

FOR PUBLICATION

1.0 PURPOSE OF REPORT

- 1.1 To provide the Overview and Performance Scrutiny Forum with a progress report on the budget.

2.0 RECOMMENDATION

- 2.1 That the Overview and Performance Scrutiny Forum receive and consider the progress report.

3.0 BACKGROUND

- 3.1 The last formal budget report was to the Cabinet on 9th September and this Forum on 10th September. The report provided an update on the original budget after 4 months of the year. The report highlighted how the position had worsened in the current financial year; changing an originally forecast surplus of £244k into a revised deficit forecast of £301k. This was due mainly to:

- A potential £250k increase in the pension costs for staff transferred under the PPP contract;
- The 'big ticket' savings targets not being achieved;
- A possible £100k shortfall in car parking income.

3.2 It was emphasised that typically the budget monitoring reports in the early part of the year tended to be pessimistic but things generally improve as we move through the year.

4.0 THE CURRENT SITUATION

4.1 The latest budget update shows an improving position due mainly to:

- A distinct possibility that the £250k PPP pension issue can be reduced or eliminated, although this is yet to be formally confirmed by the Pension Authority.
- The forecast car parking income shortfall has been reduced by £50k.

4.2 For the later years in the Medium Term Forecast the position has improved due to the potential resolution of the £250k PPP pension issue and the additional £260k Business Rate income from Pooling (as reported to the full Council meeting on 15th October).

The table below provides a summary of the budget surplus/deficit forecasts to date:

Surplus) /Deficit Forecasts

| | 2014/15 | 2015/16 | 2016/17 |
|------------------------|---------|---------|---------|
| | £'000 | £'000 | £'000 |
| Original budget Feb 14 | (244) | (450) | 279 |
| Oct Council report | 301 | 471 | 852 |
| Latest – incl. Pooling | 238 | 326 | 518 |
| Latest excl. pensions | (12) | 76 | 298 |

- 4.3 There are, however, still a number of significant budget risks/uncertainties (such as future grant settlements, the retained share of Business Rate income, achieving budget savings targets, etc.) which could have a material impact on the forecasts.
- 4.4 The second quarter's budget monitoring report is due to be considered by the Cabinet and full Council in December, by which time we will also be well into the draft budget setting process for 2015/16. Therefore the Overview and Performance Scrutiny Forum may wish to hold a special meeting of the Forum to consider the report before it goes to the full Council meeting on the 17th December.

5.0 RISK MANAGEMENT

- 5.1 Budget forecasting, particularly over the medium term, and in the current economic climate is not an exact science. Assumptions have to be made about possible changes where the final outcome could be very different e.g. government grants, pay awards, investment returns, etc. A full budget risk assessment will be included in the budget setting reports later in the process.

6.0 LEGAL CONSIDERATIONS

- 6.1 There is a legal requirement for the Council to set a balanced budget before the start of each financial year and for the Chief Finance Officer to report on the robustness of the estimates and the adequacy of the reserves. Clearly, there is lot of work to be done over the coming months to reduce the budget deficit forecast in the current financial year and to be in a position to set a balanced budget for 2015/16 in February 2015.

7.0 RECOMMENDATION:

- 7.1 That the Overview and Performance Scrutiny Forum receive and consider the progress report.

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You can get more information about this report from Barry Dawson
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