

# FOR PUBLICATION

AGENDA ITEM

## BUDGET PROGRESS REPORT

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MEETING: OVERVIEW AND PERFORMANCE SCRUTINY FORUM

DATE: 29 JANUARY 2015

REPORT BY: CHIEF FINANCE OFFICER

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### 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 budget progress report.

### 3.0 BACKGROUND

3.1 There have been two formal budget monitoring reports to the Cabinet during the financial year to date, 9<sup>th</sup> September and 2<sup>nd</sup> December, these reports then went on to the full Council. This Forum considered the reports at its meeting on 10<sup>th</sup> September and 2<sup>nd</sup> December, with a further interim report on 13<sup>th</sup> November.

3.2 The 'first draft' Portfolio budget reports and an overall summary report were considered by the Cabinet on 16<sup>th</sup> December. This report provides a summary of the first draft budget, highlights changes since then and outlines what remains to be done in order for the Council to formally approve the budget on 26<sup>th</sup> February.

3.3 The table below provides a summary of the overall budget forecasts at the various reporting stages:

## (Surplus) /Deficit Forecasts

	2014/15	2015/16	2016/17
	£'000	£'000	£'000
Original budget Feb 14	(244)	(450)	279
OPSF 10 <sup>th</sup> Sept	301	471	852
OPSF 13 <sup>th</sup> Nov	(12)	76	298
OPSF 4 <sup>th</sup> Dec	(9)	350	104
Cabinet 16 <sup>th</sup> Dec	174	138	613
Update January 2015	174	373	873

The table illustrates just how volatile budgets can be for a Council of this size. Members will no doubt recall the range of variances that have been reported to date, including changes to income, staffing, savings and pension budgets.

### 4.0 FIRST DRAFT BUDGET REPORTS

- 4.1 The first draft budget reports were considered by the Cabinet on the 16<sup>th</sup> December and the reports can be viewed on the on-line Mod-Gov system at:

<http://chesterfield.moderngov.co.uk/ieListDocuments.aspx?CId=134MId=3970&Ver=4>

- 4.2 The main assumptions made in producing the budget forecasts are shown in para. 4.1 of the Cabinet report of the 16<sup>th</sup> December. A key assumption to note is that the Council Tax freeze grant, equivalent to a 1.2%, is accepted.

### 5.0 CHANGES SINCE THE DECEMBER REPORT

- 5.1 The announcement of the Local Government Finance Settlement was delayed again this year, and was not made until 18<sup>th</sup> December, two days after the Cabinet meeting at which the first draft budget report was considered. Fortunately there were no major surprises in the settlement, with a £4k net gain in 2015/16 and £8k in 2016/17. Nevertheless, the settlement was very tough with the Council experiencing a 16% cut, equivalent to £1m, in its general government grant.

The Government uses “Revenue Spending Power” as the key measure of revenue available to local authorities. Revenue Spending Power is the total of the money available to councils from the Council Tax, specific Government grants, New Homes Bonus payments and general Government grant. In both 2014/15 and 2015/16 Chesterfield Borough has suffered a cut of over £1m in its general grant from the Government. By 2015/16 the general grant will have reduced to only £5.4million. In terms of the cut in its Revenue Spending Power, the Council has been one of the worst affected councils in the country, with its reductions capped at the 6.9% maximum in 2014/15 and the 6.4% maximum in 2015/16, equivalent to £0.75 million. This year’s cut in Revenue Spending Power seems particularly unfair when you consider that some councils in the south will actually receive an increase in the amount they have to spend.

- 5.2 The schedule of savings proposals has been risk assessed which resulted in some of the targets being reduced, adding £239k to the deficit forecast in 2015/16.

## **6.0 OUTSTANDING ISSUES**

- 6.1 Retained Business rates now forms a significant element of the Council’s funding but, due mainly to the issue of back-dated appeals, it is very difficult to accurately forecast. Work is on-going to finalise this budget and a verbal update will be provided at the meeting.
- 6.2 Secondly, in order to try and avoid significant underspends being reported at the year end, service managers have been asked to review the revised budget forecasts based on the actual figures

as at the end of December, and report any variances in time for inclusion in the final budget report. Again, this work is on-going and a verbal update will be provided at the meeting.

- 6.3 The final budget report is due to be considered by the Cabinet on the 17<sup>th</sup> February and recommendations will then be made to the full Council on the 26<sup>th</sup> February.

## **7.0 RISK MANAGEMENT**

- 7.1 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.

## **8.0 LEGAL CONSIDERATIONS**

- 8.1 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.

## **9.0 RECOMMENDATION:**

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

**BARRY DAWSON  
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You can get more information about this report from Barry Dawson  
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