

## Revenue Budget Monitoring Report – September 2010

### 1. REVENUE PERFORMANCE AGAINST BUDGET

The original budget for 2010/11 is £15.318m including a £0.399m transfer from general reserves. This report compares the original budget with the latest projected outturn position for the full year which is £14.795m, a reduction of £523,000. The major variances are shown below:

Note Reference	Details	(Under)/over spend £000's
2.1	<b>Expenditure</b>	
	Employee Costs saving	(1,009)
	<i>Less: taken as efficiency savings (Appendix 2)</i>	1,009
	Severance / Redundancy Payments (one-off)	277
	National non-domestic rates	(41)
	Transport	38
	Land Charges – potential liability	120
	Leisure Partnership contract payments	(44)
	Concessionary travel	(330)
2.2	<b>Income</b>	
	Building Control Income shortfall	95
	Land Charges income shortfall	30
	Planning fee increased income	(20)
	Investment Interest	56
	Housing / Council Tax Benefit (net) Over-recovery	(228)
3	Forecast Progress against Efficiency Targets	(206)
	Other net movements	7
	<b>Net Underspending</b>	<b>(246)</b>
2.1	Less: Additional funding from General Reserve	<b>(277)</b>
	<b>Projected outturn variation (underspending)</b>	<b>(523)</b>

## **2. Budget Variations**

There are a number of factors that have impacted on the budget performance and resulted in the current forecast revenue budget variation position.

### **2.1 Expenditure**

#### **Employee Costs**

There is currently a total net underspending in overall employee related costs to date of £732,000, being an underspend of £1,009,000 off set by one-off redundancy/severance costs amounting to £277,000:

. This is made up of the following:

- An underspend of £1,009,000 which is mainly attributable to the restructuring of teams within the Council and posts in the establishment which have remained vacant. This figure includes variations to budget for casual staff, overtime and agency staff being used as an interim measure to cover some of the vacancies. These vacancy savings have largely been achieved in areas where CSmart reviews are in progress, such as the Revenues, Benefits and Shared Services feasibility project with Chorley Council and the Senior Management restructure. These savings are shown in the table on Appendix 2 against the relevant service area. General turnover savings have been allocated against the £110,000 staff turnover provision.
- The senior management restructure has resulted in unbudgeted one-off redundancy / severance payments amounting to £277,000 which it has already been agreed will be funded from a transfer from general reserve with this being paid back through recurring savings in the current and future years. The restructure will ultimately generate full year recurring savings of £318,000 which is in excess of the £250,000 target.

#### **Premises related**

The Non-Domestic rates (NNDR) original budget for the year included costs for investment properties (commercially rented) as a contingency for some empty properties within the year. The forecast outturn has been reduced by £41,000 which is partly due to a higher level of occupation (whereby the liability for non-domestic rates falls to the tenants) than originally forecast. Another factor contributing to this saving is a change in requirement for empty properties which are valued at less than £18,000. The Council were notified in March 2010 that there is no NNDR liability for these properties.

#### **Transport Related**

The total transport-related costs for 2010/11 have increased by £38,000 in the projected outturn. The Neighbourhoods service is currently undertaking a transport review with an expectation that efficiency savings will be achieved.

## **Land Charges**

A provision has been made in the 2010/11 provisional outturn budgets in relation to the potential one-off cost of repaying personal search fees and related to the charging period Jan 2005 to August this year. There is currently uncertainty as to whether repayment will be required.

## **Leisure Partnership**

The Leisure Services management fee and Repair and maintenance contract payments are adjusted annually based on the inflation provisions within the two contracts. For 2010/11 this has resulted in a reduction of £44,000 in the total amount payable for the year compared with the original forecast.

## **Concessionary Travel**

This is a significant area of expenditure which continues to be closely monitored. There are ongoing negotiations with one of the bus operators which continues to make forecasting problematic. A redistribution of special grant within Lancashire was agreed to compensate South Ribble and Pendle Councils who were due to lose grant in 2010/11. This benefits the budget forecast for the year by £73, 000. A further £257,000 was received in the first half year which is a refund of overpaid pool contributions paid in 2009/10. Therefore the total reduction in the Concessionary Travel budget in the year is £330,000.

A consultation paper on the proposed changes to the administrative and reimbursement arrangements of the scheme has been published by the Government. It is proposed that responsibility for the administration of the scheme will move to upper- tier councils from April 2011 transferring the function from districts to counties in two tier areas and this will impact on the distribution of formula grant in future years. The new arrangements for the Concessionary Travel scheme will be included in the Local Government Finance Settlement information due on 2 December.

## **2.2 Income**

As reported previously, the current economic climate presents some “trading” challenges for our Building Control team. Building Control income to date is showing a shortfall of £2,899 against the profiled budget and close monitoring has been undertaken to project any potential impact on this income stream for the remainder of the financial year. This downturn in income which is reflected in the projected outturn budget, is currently affecting the majority of local authorities, the exception being major cities where large building developments are taking place. Recent research is indicating that local authorities aren't losing market share to their competitors and that approved inspectors are also losing out.

Although planning fee income fell off during the second quarter of the year, the projected outturn budget has been revised up to £320,000. This increase takes into account a single major application which generated a fee of £90,000 in October and therefore isn't reflected in the Actual to September figures in the table below.

Recycling income is no longer received by the Council due to the transfer of the processing of domestic waste to the Farington waste plant. This has no impact on the Council's net budget as the reduction in income is offset by compensation from LCC and has been amalgamated into the cost of the new waste service.

The reduction in land charges income against the original forecast is due to the abolition of the personal search fee from 2<sup>nd</sup> August 2010 by DEFRA.

There is a forecast shortfall in investment income of £56,000 against the original budget. This variance is partly due to lower cash balances than anticipated plus interest rates haven't risen as quickly as forecast in the original budget which assumes a yield of 1%.

The Housing / Council Tax Benefit position continues to experience a growth in caseload above those estimated and has resulted in both greater costs and subsidy income received. Higher recovery of overpayments compared to budget has contributed to a higher forecast net surplus of income to expenditure of £228,000 for the year.

### Summary of Key Income generating Budgets

These income targets are affected by changes in the economic climate and any material variations against budget could significantly impact on our overall revenue budget position. These income budgets are being closely monitored and the table below details the variance position for the year to the end of September and the Projected Outturn for the year.

Income Budgets	Original Budget 2010/11 £	Projected Outturn 2010/11 £	Budget Variance 2010/11 £	Profiled Budget to Sept £	Actual to Sept £	Variance to Projected Outturn £
Investment Property Income	931,300	910,351	20,949	455,305	471,918	(16,613)
Bulk Containers	350,000	350,000	0	175,000	175,616	(616)
Planning Fee Income	300,000	320,000	(20,000)	140,000	138,592	1,408
Building Control Income	288,500	193,000	95,500	96,500	93,601	2,899
Land Charges	110,000	80,000	30,000	40,000	49,277	(9,277)
Car Parking Income	100,400	95,100	5,300	47,550	45,851	1,699
Recycling income	195,000	73,600	121,400	73,600	78,412	(4,812)

## **2.3 Overall Commentary**

Although the financial performance of the Council when compared to the original budget is currently showing an underspend it should be noted that there are a number of issues that mean that the above should be treated with some caution:-

- The efficiency targets listed in Appendix 2 are performing well and the projected actual full year savings exceed the full year target of £920k at this stage.
- The full budgetary implications of the Coalition Government's emergency budget and the Comprehensive Spending Review have been assessed but the Local Government Finance Settlement announcement due on 2 December will provide us with specific funding information that will enable us to update our medium term financial strategy.

### **3. Efficiency Savings/additional income against targets**

The original Budget for 2010/11 included an efficiency target totalling £0.920m of which £0.760m is allocated to specific services, £0.050m relates to income from external partnerships and the remaining £0.110m is a general efficiency for staff turnover during the year. These targets and savings achieved in the first quarter are set out in Appendix 2. General turnover savings and staffing restructures in non-targeted services have been allocated against the £110,000 staff turnover provision. The current outturn forecast is total Efficiency Savings/additional income savings of £1.126m, an improvement of £0.206m against the original target.

### **4. Implications of Coalition budget**

The £6bn savings package announced in the Chancellor's Emergency Budget in May included £1.166bn total reductions in Local Government grants (revenue and capital). The Comprehensive Spending Review (CSR) announcement in October set out the broad parameters for significant funding reductions over the next few years. The potential financial implications of these grant reductions and other measures announced by the Government to-date are set out below and have been reflected in the projected outturn estimates where applicable, however the majority of the changes will only take effect from 2011/12. The detail of how these measures will impact on South Ribble Council will be set out in the Local Government Finance Settlement announcement due on 2 December.

Government Measure	Budget Implications	Impact/Risk
i. Abolition of Comprehensive Area Assessments	Positive	Will generate budget saving c. £3,000 p.a. in relation to External Audit inspections.
ii. Reduction of ring-fencing of central government grants	Positive	Allows greater flexibility in application of funding. Actual impact has yet to be identified.
iii. Freezing Council Tax	Negative	Potential cumulative budget shortfall from 2011/12 (£188,000 in 2011/12). The Govt has indicated that it will provide compensatory funding to local authorities.
i. Two year pay freeze from 2011/12 (£250 increase for those earning up to £21,000)	Positive	Potential budget saving. Original Budget forecasts included provision for 1% increase in 11/12 and 12/13.
ii. 2.5% increase to 20% standard VAT rate from 4 Jan 2011	Budget Neutral	Fees and charges (particularly VAT inclusive charges) reviewed to minimise any loss of revenue.
iii. 1% increase to 6% Insurance Premium Tax rate from 4 Jan 2011	Negative	Additional annual cost c£2,000 (impacts from 2012 renewals)
iv. Grant reductions:		
a. Revenue Grant funding	Awaiting notification	Potential cumulative reduction of up to 28% to 2014/15. Further details to be published in the Local Government Finance Settlement due on 2 <sup>nd</sup> Dec 2010.
b. Free swimming grant (cut from July 2010)	Budget Neutral	Programme has been terminated by the Leisure Trust from July 2010. No budget implications.
c. LAA Reward Grant (Performance Reward Grant) programme reduced.	Budget Neutral	2 <sup>nd</sup> tranche of funding for South Ribble Partnership (£478,000) withdrawn. Funding not budgeted but will impact on future Partnership projects.
d. Housing and Planning Delivery Grant (HPDG) abolished in 2010/11.	Budget Neutral	Spending plans based on funding received to 31 March 2010. No new grant funding assumed in budget forecasts.
e. Area Based Grant (ABG) - general	Budget Neutral	No funding assumed in budget forecasts.
f. Area Based Grant from Home Office re Community Safety Partnership	Awaiting notification	LCC have 9.5% savings target. No indication yet on how this will impact on South Ribble.
g. Housing Capital (Regional Housing Pot and Disabled Facilities Grant)	Awaiting notification	Ring fencing removed. £1,045,000 received in total in 2010/11. Awaiting information in relation to future years' allocations.

Government Measure	Budget Implications	Impact/Risk
<i>h. Local Authority Business Growth Incentives Scheme (LABGI)</i>	Budget Neutral	No funding assumed in budget forecasts
<i>i. Concessionary Travel Grant</i>	Awaiting notification	Responsibility for administration of scheme to move to upper- tier councils from April 2011. CLG have consulted on proposals to change the grant distribution formula. Further details to be published in the Local Government Finance Settlement due on 2 <sup>nd</sup> Dec 2010.
<i>j. Other grant funding potentially at risk</i>	Awaiting notification	Current Playbuilder funding secured (capital). Potential cut in Benefits admin grant funding in future years. Other funding at risk includes Sports Development & Homelessness grant.

## Appendix 2

### EFFICIENCY AND ADDITIONAL INCOME TARGETS – FORECAST OUTTURN AT 30 SEPTEMBER 2010

	TARGET 2010/11	OUTTURN FORECAST PAY	OUTTURN FORECAST NON-PAY	TOTAL 2010/11 FORECAST	RECURRING SAVING 2011/12	NOTES
	£'000	£'000	£'000	£'000	£'000	
<b>C-SMART Reviews:</b>	<b>510</b>					
Canine Welfare	30	30	0	30	40	Savings due to reduced officer hours. Recurring saving includes £15k increased income through issue of Fixed Penalty Notices brought in from Sept. 2010.
Pest Control	23	0	0	0	0	Options being considered.
Housing	110	101	0	101	0	Full year forecast based on vacancies in year. Restructure proposed but not yet approved.
Planning Customer Support	130	15	0	15	0	Technical support team restructured and staff redeployed. 2 staff redeployed from Policy into vacant posts in Planning .
Commercial Services	100	37	0	37	79	Restructure complete.
Democratic Services	40	69	27	96	45	Legal restructure, WP Operator to ICT, (both recurring) Scrutiny manager post vacant (one-off) .
Revenues & Benefits	100	59	0	59	170	Shared Services feasibility project with Chorley Council commenced May 2010. Recurring savings are based on implementation of Phase 1 of proposed changes in January 2011. Savings in 2010/11 are as a result of vacancies & reduced hours.
Procure to Pay	47	0	0	24	47	The project is in its early stages and the forecast presents a prudent outturn position based on only part year savings being achieved in 2010/11.
Gateway	(70)	(10)	0	(10)	(10)	Increased costs as a result of staff re-deployed from Customer Support lower than forecast .
<b>Income from External Partnerships</b>	<b>50</b>	<b>0</b>	<b>45</b>	<b>45</b>	<b>45</b>	Funding secured from South Ribble Partnership for Partnership manager post (3 year allocation 2010/11 to 2012/13)



	TARGET 2010/11	OUTTURN FORECAST PAY	OUTTURN FORECAST NON-PAY	TOTAL 2010/11 FORECAST	RECURRING SAVING 2011/12	NOTES
	£'000	£'000	£'000	£'000	£'000	
<b>Senior Management Costs/Collaborative working</b>	<b>250</b>	<b>231</b>	<b>0</b>	<b>231</b>	318	Savings derived from the recent senior management restructuring. Includes 40% contribution from Chorley Council re Director of Business Improvement post.
<b>Staff Turnover – provision</b>	<b>110</b>	<b>468</b>	<b>0</b>	<b>468</b>	0	General vacancy savings & other restructures during year Asset Man £92k, Neighbourhoods £109k, Env. Health £106k, IT £61k, Shared Assurance £13k, Building Control £59k, Other £28k
<b>Sub-total</b>	<b>920</b>	<b>1,000</b>	<b>72</b>	<b>1,072</b>	<b>734</b>	
<b>Other recurring savings identified</b>						
IT Supplies & Services	0	0	45	45	45	Includes savings in network support costs and maintenance of servers following virtualization
Sports Development - Community Coaching	0	9	0	9	18	Vacant post deleted
<b>Total</b>	<b>920</b>	<b>1,009</b>	<b>117</b>	<b>1,126</b>	<b>797</b>	