

## Budget Monitoring Report – September 2011 (Quarter 2 2011-12)

### 1. Revenue Performance Against Budget

The approved budget for 2011/12 is £13.647m less a £0.430m transfer from general reserves, which gives a net budget requirement of £13.217m. This report compares the profiled 2011/12 budget with the net expenditure to 30<sup>th</sup> September 2011, which shows a net underspending of £0.258m. The reasons for this variation are shown below:

Note Reference	Details	Variance to September (Under)/over spend £000's
<b>2.1</b>	<b>Expenditure</b>	
	Employee Costs net saving (after efficiencies)	(28)
	Premises	8
	Printing, stationery & postages	(58)
	Consultancy/contract payments	(27)
	Advertising & publicity	(14)
	Other supplies and services savings	(59)
	Waste Partnership	(38)
	Transport	(30)
	Housing / Council Tax Benefit (net) Over-recovery	(45)
<b>2.2</b>	<b>Income</b>	
	Planning application fees increase	(10)
	Land Charges income increase	(22)
	Investment Interest (short-term)	(26)
	Other increases in income	(39)
	<b>Other</b>	
<b>2.4</b>	Forecast Progress against Efficiency Targets (see Appendix 1)	174
	Other net movements	(44)
	<b>Projected outturn variation (underspending)</b>	<b>(258)</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 £28,000. This is made up of a saving in employee costs of £162,000, savings in advertising and training budgets of £22,000 offset by one-off redundancy/severance costs amounting to £156,000. Where casual or agency staff or additional overtime has been worked as an interim measure to cover some of the current vacancies, these have been netted off within the £162,000. Some vacancy savings have been achieved in areas where staffing reviews were still in progress during the first 6 months of the year and therefore where reviews are complete, any savings generated for the remainder of the year will offset budgeted savings targets. The full year effect of these savings are shown in the table on Appendix 2 against the relevant service area.
- The staff restructures have resulted in unbudgeted one-off redundancy / severance payments which amounted to £156,000 to the end of September. It is the intention to fund these costs from a transfer from reserves at the end of the financial year.

#### **Premises**

There was an overspend in National Non-domestic rates (NNDR) in relation to investment properties of £46,000 at the half year. The main reason for this is that properties with a valuation below £17,000 were exempt from payment of NNDR in 2010/11. All the empty units fell below this threshold and therefore the original budget forecasts assumed the Council had no liability. The Government changed the rules from 1<sup>st</sup> April 2011 reducing the threshold to just £2,900 which meant that all the empty units became liable for NNDR. In addition, rate relief after the first 6 months was abolished this year, whereby it was previously levied at 50%. This has been compounded by an increase in the number of empty units this financial year which is reflected in the shortfall in property rental income against budget at the half year.

This overspend to budget is partly offset by savings in utilities and other premises-related costs of £38,000.

#### **Transport Related**

The variation in transport-related costs for the first half quarter of 2011/12 against budget was a saving of £30,000 of which £13,000 related to vehicle hire and £17,000 mileage & other travel costs.

## Supplies and Services

Supplies and services costs, including printing, stationery and postages costs, are currently underspent against the profiled budget. It is too early in the year to forecast the outturn position but these budget heads are included in the planned base budget review in the Shared Financial Services Business Plan.

Savings have been realised in 2011-12 following the conclusion of discussions with the Waste partner regarding harmonisation costs. These are partly offset by the impact of inflation increases on contract payments.

The Housing / Council Tax Benefit position continues to experience growth in caseload above those anticipated and this has resulted in both greater costs and offsetting subsidy income received.

## 2.2 Income

These key 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 shows the half year position.

Key Income Budgets	Original Budget 2011/12 £	Budget to Sept 2011/12 £	Actual to Sept 2011/12 £	Current Budget Variance 2011/12 £
Investment Property Income	(950,600)	(731,000)	(726,000)	5,000
Bulk Containers/Trade Waste	(378,500)	(378,500)	(372,000)	6,500
Planning Fee Income	(300,000)	(150,000)	(159,973)	(9,913)
Investment Interest	(270,375)	(135,242)	(161,264)	(26,022)
Building Control Income	(193,000)	(96,500)	(98,855)	(2,355)
Land Charges	(70,000)	(35,000)	(56,731)	(21,731)
Car Parking Income	(95,100)	(47,568)	(43,510)	4,058

There has been an increase in the number of empty units this financial year which is reflected in the shortfall in property rental income against budget at the half year.

Short-term investment income has increased due to higher cash balances than anticipated and improved rates earned on some term deposits. This is forecast to be an increase of £43,000 against the original budget by the end of the year.

Although there is a projected full year reduction in Trade Waste income of £6,500, changes in customers' service requirements to expand recycling of trade waste has enabled a reduction in landfill and disposal costs of approx £20,000.

Planning fee income increased significantly during the first quarter against the profiled budget but income reduced during the second quarter, with the variance reducing to a £10,000 surplus to the end of September.

Building Control income exceeded the budget in the first half of 2011/12. As reported previously, the current economic climate presents some “trading” challenges for our Building Control team. There was a downturn in income in 2010/11 which affected the majority of local authorities, the exception being major cities where large building developments took place.

The increase in land charges income against the original forecast is due to a greater number of property searches from house buyers than originally forecast.

## **2.3 Overall Commentary**

Although the financial performance of the Council when compared to the original budget is currently showing a projected underspend it should be noted that there are a number of assumptions made to project performance to the end of the year and therefore this current position should be treated with some caution.

## **2.4 Efficiency Savings/additional income against targets**

The original Budget for 2011/12 includes an efficiency savings target of £1.819m which has been allocated to specific services. At the end of the second quarter there was a shortfall of £174k in meeting these targets and the projected outturn for the full year is set out in Appendix 2. The current outturn forecast is total Efficiency Savings/additional income savings of £1.461m, a shortfall of £0.358m against the original target.

A further programme of budget savings has been compiled to address the overall budget gap from 2012/13 and future years. This programme includes items totalling £0.273m which have been identified in the current year as potential budget savings which will also have a recurring benefit in future years. Therefore a number of the savings within the £0.258 underspending at the half year (itemised in paragraph 1 above) will help to address the forecast shortfall of £0.358m against the original efficiency target for the year.

## **3. Capital Programme**

Details of the Council’s capital spending against budget for the current year is set out in Appendix 3. In summary, the 2011/12 budgeted capital expenditure, including re-phasing from 2010/11, is £3.332m. The forecast outturn for 2011/12 at 30 September is £2.497m, a forecast variation of £0.835m, of which £0.812m relates to works re-programmed into future years and £0.023m is the forecast saving in 2011/12.

## Appendix 2

### EFFICIENCY SAVINGS AND ADDITIONAL INCOME TARGETS – FORECAST OUTTURN 2011/12

	BUDGET £	Estimated PYE 2011/12 £	Projected FYE 2012/13 £	Notes - Progress/Implementation Stage
<b><u>Income Generation</u></b>				
Pre-planning advice	25,000	5,000	5,000	Demand led income depending on buoyancy of the development market
Memorial Plaques	5,000	0	0	Not viable option to generate income
Worden Park - kiosk	50,000	0	0	Income is demand led and not at the levels originally anticipated
Memorial woodlands	10,000	0	0	LCC funding has been withdrawn
Bins at new properties	15,000	3,000	15,000	Completed and target income forecast to be achieved in 2012/13
Taxi Licensing fee increase	16,000	0	0	No. of private hire licences has fallen, no longer a viable option to generate income
<b><u>Collaborative Working</u></b>				
Shared Revenues and Benefits	220,000	220,000	270,000	Completed and achieved
Shared Financial Services	75,000	75,000	60,000	Completed and achieved
Shared Assurance Services	45,000	46,000	46,000	Completed and achieved
Commercial Services	60,000	47,000	66,500	Review completed. Shortfall in 2011-12 is due to the restructure being implemented half way through the year
<b><u>Management and Administration &amp; Service Restructures</u></b>				
Deputy Chief Executives' Post	120,000	120,000	120,000	Completed and achieved
Housing	110,000	110,000	123,000	Review Completed and achieved
Community Involvement	350,000	223,000	350,000	Shortfall in 2011-12 is due to the restructure being implemented half way through the year
Environmental Health	33,000	33,000	33,000	Completed and achieved
Property Services	41,000	20,500	41,000	Review completed and achieved – part year impact in 2011/12
ICT	110,000	112,000	129,000	Review completed and target exceeded
Administration	120,000	100,000	133,500	Review completed and target exceeded from 2012/13
Development Control	13,000	13,000	13,000	Review completed and achieved

		<b>BUDGET £</b>	<b>Estimated PYE 2011/12 £</b>	<b>Projected FYE 2012/13 £</b>	<b>Notes - Progress/Implementation Stage</b>
<b><u>Discretionary Spending</u></b>	Leisure Partnership Review	50,000	40,000	40,000	The target has partly been achieved through the reduction of repair & maintenance costs
	Lancs and Blackpool Tourist Board	5,000	5,000	5,000	Completed and achieved
<b><u>Asset Utilisation</u></b>	Worden Park - visitor attraction	60,000	0	0	Feasibility study re: play barn scheme indicated that it is not a viable option
	Civic Centre	70,000	75,000	75,000	Completed and target exceeded
	Moss Side depot	10,000	-	10,000	Negotiation underway with Property Services and third party
	Vehicle Replacement	56,000	58,000	58,000	Review completed and target exceeded
	Transport Review	50,000	55,000	55,000	Review completed and target exceeded
	Deferral desktop replacement	50,000	50,000	50,000	Review Completed and achieved
<b><u>Short Term Options</u></b>	Parks Development	30,000	30,000	30,000	Completed and achieved
	Reduce Litter/Dog bin replacement	5,000	5,000	4,000	Completed and achieved
	Street furniture replacement	5,000	5,000	4,000	Completed and achieved
	Corporate Training Budget	10,000	10,000	10,000	Completed and achieved
		<b>1,819,000</b>	<b>1,460,500</b>	<b>1,746,000</b>	
<b>Forecast Shortfall in 2011/12 (Full year forecast)</b>			<b>358,500</b>		