

## Budget Monitoring Report – December 2012 (Quarter 3 2012-13)

### 1. Revenue Performance Against Budget

The approved budget for 2012/13 is £13.570m less £0.437m transfer from general reserves, which gives a net budget requirement of £13.133m. This report compares the original 2012/13 budget with the latest projected outturn for 2012/13, which shows a forecast net underspend of £0.679m. The reasons for this variation are shown below:

#### PROJECTED OUT-TURN 2012/13 SUMMARY OF KEY VARIANCES TO ORIGINAL ESTIMATE

Details	(Under)/over spend £000's
<b>Expenditure</b>	
Premises	(20)
External Audit fees	(30)
Homelessness Temporary Accommodation	15
Reduced capital financing costs	(11)
<b>Income</b>	
Investment income increase	(16)
Other net movements	19
<b>Underspend against the Council's budget</b>	(43)
<b>One off items</b>	
Employee Costs reduction	(206)
Planning application fees increase	(175)
Housing/Council Tax Benefit (net) Over-recovery	(186)
Additional Benefits Administration Subsidy Grant	(69)
<b>Total Projected outturn variation (underspending)</b>	<b>(679)</b>
<b>Effect on Reserves:-</b>	
<b>Transfer from General Reserves – Original Forecast</b>	<b>(437)</b>
<b>Transfer to General Reserve – Projected Outturn</b>	<b>242</b>
<b>Movement</b>	<b>679</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**

- The forecast net overspending in overall employee related costs is £206,000. This is made up of a saving in employee costs of £227,000 as a result of vacancies, reduced training costs of £16,000, offset by one-off redundancy costs amounting to £37,000.

#### **Premises**

- There is a forecast underspend in overall premises costs of £20,000 of which £12,000 relates to national non-domestic rates (NNDR) and the remainder £8,000 relates to other premises-related costs..

#### **Supplies and Services**

- The Council's finances were previously audited by the Audit Commission. New external auditors have been appointed (Grant Thornton) from 2012/13 and as a consequence, the annual audit fee has reduced by £30,000 per annum.
- The Housing / Council Tax Benefit position continues to experience fluctuations in caseload and this has resulted in both greater costs and offsetting subsidy income received. The forecast net recovery position is a surplus of £186,000.

### **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 latest estimated position.

Key Income Budgets	Original Budget 2012/13 £	Projected Outturn 2012/13 £	Forecast Budget Variance 2011/12 £
Investment Property Income	(959,604)	(970,204)	(10,600)
Bulk Containers/Trade Waste	(381,000)	(381,000)	0
Planning Fee Income	(300,000)	(475,000)	(175,000)
Investment Interest	(266,000)	(282,000)	(16,000)
Building Control Income	(193,000)	(183,000)	10,000
Land Charges	(110,000)	(110,000)	0
Car Parking Income	(90,000)	(83,000)	7,000

Investment property income is expected to exceed the original forecast as a result of successful lettings which were not anticipated and additional income due to rental increase agreements.

Planning fee income has increased significantly against the level that was originally anticipated and also when compared to the fee income achieved in the same period in the last financial year. This is reflected in the projected outturn forecast. New planning application fee regulations have also come into effect and these regulations set out the new scale of fees to be applied by local planning authorities. In general terms the proposed new fees represent an overall increase of approximately 15% on current fee levels to allow for inflation since the last increase. The actual impact on income levels for South Ribble, however, will depend on the type and number of applications received.

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 £16,000 against the original budget by the end of the year.

There is a forecast shortfall in Building Control income for 2012/13 of £10,000. As previously reported, the current economic climate presents a challenging environment for the Building Control function. The income is down compared to the same period last year and this is being experienced by the majority of local authorities, the exception being major cities where large building developments have taken place.

Although car parking income was up from previous years in May it fell to lower than anticipated levels in November and December, but particularly in November. The forecasted reduction in car parking income above assumes and reflects this overall trend in reduced car parking income receipts this financial year.

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

The revenue budget approved for 2012/13 includes a programme of budgetary efficiency targets totalling £643,600. These targets have been successfully allocated to specific services and projects and therefore no savings targets are outstanding. Further monitoring throughout the year to evidence continued successful implementation will be carried out and reported to Governance Committee should any issues arise with regard to both financial and service performance in these areas.

**BUDGET EFFICIENCY PROGRAMME 2012/13 and ONWARDS**

Directorate	Scheme	Budget Savings 2012/13 £	Budget Savings 2013/14 onwards £	Progress/Implementation Stage
<b>Neighbourhoods</b>	Staffing Review	63,405	63,405	Review complete and recurring savings achieved through deletion of vacant posts.
	Review of Vehicle Fleet	89,000	89,000	Reduced repairs & maintenance, vehicle hire costs and rephasing of life of fleet achieved through smarter route planning and the impact of the Farington Waste Plant.
	Waste Management contract	15,000	15,000	Savings through review of the harmonisation costs for staff employed in the waste partnership.
	Partnership Income	15,000	15,000	Additional work undertaken for partners (LCC) through locality working.
	Trade Waste Income	15,000	15,000	Net income achieved through encouraging trade customers to move to a reduced cost recycling service.
	<b>Sub-Total</b>	<b>197,405</b>	<b>197,405</b>	
<b>Shared Financial Services</b>	Budget Review (50% of Total Saving)	50,000	50,000	Recurring savings achieved through restructure of service and reduced IT costs following implementation of new FMIS.
	Base Budget Review	122,000	124,000	Savings achieved across various budgets following a detailed review.
	<b>Sub-Total</b>	<b>172,000</b>	<b>174,000</b>	
<b>Regeneration &amp; Healthy Communities</b>	Review of Catering Services	42,920	42,920	Recurring staffing savings achieved through review of catering and caretaking services.
	<b>Sub-Total</b>	<b>42,920</b>	<b>42,920</b>	

Directorate	Scheme	Budget Savings 2012/13 £	Budget Savings 2013/14 onwards £	Progress/Implementation Stage
Shared Assurance Services	Staffing Restructure	3,175	3,175	Achieved following restructure implemented from Jan 2012.
	Insurance Policy Renegotiation	10,000	10,000	Savings in premiums achieved with effect from Jan 2012.
	<b>Sub-Total</b>	<b>13,175</b>	<b>13,175</b>	
Business Transformation	Desktop Replacement	20,000	20,000	Leasing cost saving due to upgrade of existing desktops.
	Consultancy Budget	10,000	10,000	Budget no longer required as work undertaken by inhouse IT staff.
	Gateway Staffing - reduced contingency	43,515	43,515	Achieved through customer contact structure.
	Overpayment Recovery	50,000	0	Income target in relation to the recovery of Housing Benefit debt.
	Restructure proposals	62,240	62,240	Savings delivered through structural reviews of Benefits, IT and Admin across the council.
	<b>Sub-Total</b>	<b>185,755</b>	<b>135,755</b>	
Corporate Governance	Staffing Restructure - Mayoral & Civic/Democratic Arrangements	27,345	27,345	Savings achieved through restructure of service.
	Procurement of Online Legal Material	5,000	5,000	Budget reduced to reflect saving in procurement of legal materials on line
	<b>Sub-Total</b>	<b>32,345</b>	<b>32,345</b>	
	<b>Totals</b>	<b>643,600</b>	<b>595,600</b>	

### **3. OVERALL COMMENTARY**

It is pleasing to report that the forecast out-turn position shows the Council is performing well against its original budget. There are, however, a number of noteworthy issues:-

- This performance is based on a number of assumptions made with regard to the expected spending patterns and levels of income to the end of the year.
- A large proportion of the budget underspend reported above has been generated by non-recurring items and therefore the impact on the MTFS and the Council's forecasted budget shortfall in future years is significantly reduced.
- Although the efficiency targets listed above are fully allocated, performance against the reduced budget position must continue to be scrutinised to ensure that the relevant business and operations changes have been effective in their aim of reducing costs and, where applicable, in maintaining service provision.

In summary, performance against budget is good but should be treated with some caution. The current position is being closely monitored with particular regard to budgets that are subject to fluctuation and therefore present a higher risk with updates being reported during the course of the year.