

## **Governance Committee September 25th 2013**

### **Medium Term Financial Strategy (MTFS) The latest position as at July 2013 (2013-14)**

## Budget Monitoring Report as at July 2013

### MEDIUM TERM FINANCIAL STRATEGY (MTFS) UPDATE

Since the MTFS was approved in February 2013 there have been further announcements made with regard to our future years' core funding levels. How these will translate into specific funding reductions for each Council has yet to be published (this is expected to be made public at the earliest in December 2013), therefore, speculative assumptions on the detailed outcome of the 2014/15 budget settlement for each Council remains exceedingly difficult at this stage. It is expected, however, that this cut will be predominantly assigned to 2015/16. Another issue to be considered is that the profile of the 10% total cut of the DCLG's budget may well be allocated into non equal proportions across the different sectors within it, District Councils being just one of those sectors. The best estimate at present based on information on the DCLG website is that the overall cut to the Council's funding will be in the region of 15% in 2015/16 equating to £0.681m. Initial calculations estimate that this will increase the budget deficit from £2.497m in 2015/16 to £3.214m. It should be noted, however, that his estimate does not include the full picture of all other changes in progress. To summarise we are aware that our budget deficit position in 2015/16 is likely to increase.

For years 2016/17 and 2017/18 the Chancellor repeated the Government's intention to continue with its austerity package up to 2017/18, this would suggest that similar funding decreases could apply in future years.

We constantly monitor our budget position across the whole year to continually take steps to address this position on a recurring and sustainable basis. In the years to date this continual challenge and change process has realised further budget savings that have been secured to reduce our budget deficit position in the sum of £0.278m per annum.

	2014/15	2015/16	2016/17
<b>Budget Deficit</b>	£1.799m	£2.497m	£2.691m
<b>Estimated additional funding cut 2014/15</b>	£0.036m	£0.036m	£0.036m
<b>Estimated funding cut 2015/16</b>		£0.681m	£0.681m
<b>Estimated Updated Budget Deficit</b>	£1.835m	£3.214m	£3.408m
<b>Budget Efficiencies Identified to date</b>	(£0.278m)	(£0.278m)	(£0.278m)
<b>Updated Budget deficit position</b>	<b>£1.557m</b>	<b>£2.936m</b>	<b>£3.130m</b>

## REVENUE BUDGET PERFORMANCE

The approved budget for 2013/14 is £13.512m less £0.607m transfer from general reserves resulting in a net budget requirement of £12.905m. The report compares the profiled 2013/14 budget with the net expenditure as at 31 July 2013. This comparison to the profiled budget shows a current net underspend of £0.294m. At this stage in the year it cannot be assumed that this will be the final position at year end as some budget heads are demand led and therefore may spend disproportionately more later in the year, for example vehicle repair and maintenance may increase in the winter months.

Permanent budget efficiency savings have also been identified to bridge the budget gap position on a sustainable basis and therefore the total variation to the original budget position taking these two factors into account is £0.426m. The main reasons for this variation are summarised below:

Details	Variance to July (Under)/over spend £000's
<b>Expenditure</b>	
Employee Costs saving	(92)
Premises	(28)
Supplies and Services	(20)
Transport	(68)
<b>Income</b>	
New Homes Bonus additional grant	(17)
Expenses recovered	(30)
Building Control fees	12
Planning application fees increase	(7)
Prosecutions and fines	(8)
Housing / Council Tax Benefit (net) Over-recovery	(22)
<b>Forecast Progress against Efficiency Targets - shortfall</b>	17
Other net movements	(31)
<b>Variation to Budget as at 31 July 2013 - (underspend)</b>	<b>(294)</b>
New Income Streams secured (part year variation)	(17)
Recurring savings identified in base budget review (part year variation)	(115)
<b>Total variation</b>	<b>(426)</b>

## **REVENUE BUDGET VARIATIONS - INTRODUCTION**

There are a number of factors that have impacted on the budget performance and resulted in the current forecast revenue budget variation position bearing in mind that the comparison of actual expenditure is against a profiled budget which may in itself be a contributing factor to be considered. For example, some budget heads are demand led and therefore costs incurred and income received are not linear in nature throughout the year. Although patterns throughout the year are considered when setting the budget profile it is possible that further factors impact on the assumed in year trends.

## **REVENUE BUDGET VARIATIONS - EXPENDITURE**

### **Employee Costs**

There is currently a total net underspend in overall employee related costs to date of £92,000. This figure includes an underspend of £75,000 as a result of staff vacancies, £2,000 saving in members allowances (due to vacancies prior to election) and £15,000 underspend in advertising and training costs. However there are plans to commit expenditure against the corporate training budget during the course of the year to deliver a coaching programme and further training for supervisors and team leaders. These costs will be reflected in future monitoring reports.

### **Premises**

At the end of July there is an underspend in comparison to the profiled budget in the sum of £28,000. This is mainly due to: underspends on Repairs & Maintenance £9,000; Utility costs of £10,000 across all council sites; NNDR on investment properties £6,000.

### **Supplies and Services**

There is an underspend at the end of July of £20,000 which relates to printing, stationery and office/IT supplies. These budgets will continue to be reviewed through the year to identify any potential recurring savings as part of the continuous base budget review.

### **Transport Related**

There is currently a total underspend in transport related costs of £68,000 which includes a savings of £34,000 on vehicle repairs & maintenance largely on the waste contract. Early indications are that the new fleet is costing less than the forecast although as only four months have passed this has scope to change during the rest of the year; £6,000 in fuel costs, £8,000 in hire/lease costs and £20,000 in staff mileage expenses which will form part of the continual base budget challenge and change review.

## REVENUE BUDGET VARIATIONS - INCOME

The table below provides a summary of the Council's main income streams:-

Income Budgets	Original Budget 2013/14 £	Budget to July 2013/14 £	Actual to July 2013/14 £	Current Budget Variance 2013/14 £
Investment Property Income	(979,600)	(727,662)	(736,227)	(8,565)
Bulk Containers	(381,000)	(381,000)	(381,246)	(246)
Planning Fee Income	(400,000)	(133,440)	(140,510)	(7,070)
Building Control Income	(193,000)	(64,384)	(52,429)	11,955
Investment Interest	(200,000)	(83,360)	(89,771)	(6,411)
Land Charges	(110,000)	(36,696)	(40,147)	(3,451)
Taxi Licensing Income	(85,000)	(28,352)	(30,390)	(2,038)
Car Parking Income	(83,000)	(27,688)	(29,241)	(1,553)

There was an increase in Investment property income to July from extra units let such as at Bison Place (Avacab) and Worden Park (Shaw Trust). The recurring benefit of these new income streams is £50,000 per annum. (£17,000 to July). However, a potential significant budget pressure in 2013/14 is the loss of rental income for the Civic Centre due to LCC vacating the building later in the year. Based on the space being vacated from September, the loss of income in 2013/14 could be c£75,000. This equates to £128,000 in a full year and may reduce the underspend of £0.308m as the year progresses. That said, however, action is being taken to secure new tenants to mitigate the risk of this incurring this negative budget variation overspend.

Planning fee income increased significantly in the last financial year with the final outturn reaching £600,000 against an original forecast of £300,000, due to an unprecedented number of major applications in the year. In the first quarter of 2012/13 the income received was £201,000 which included one major application for £60,000 and four applications of c£20,000 plus many smaller amounts received. A cautious approach was taken to setting the income budget for the current year as continuation of this level of income could not be assumed. This year, in the first four months, income is £7,000 more than the profiled budget with only one major application received with a value of £54,000.

There was a shortfall in Building Control income to July. This level of income is a reduction of 5.7% compared to the fee income in the same period of last year. As reported previously, the current economic climate presents a challenging environment for Building Control function. As with other budget heads this current budget performance should be considered with some degree of caution when making assumptions to the year- end position.

It can also be seen that land charges income also experienced a slight increase in comparison to the level anticipated. This has been brought about by a greater number of property searches requests being received from house buyers.

Other increases in income include short-term investment income which exceeded the profiled original budget by £6,000. This is attributable to the Council having higher cash balances than originally estimated when the budget was set and also a recalculation at year end of the interest accrued in respect of the Icelandic investments which has an impact on the current year. Corporate enforcement income (dog control, fly posting etc.) also exceeded the profiled budget: £7,482 was received to July, which is 75% of the full year budget of £10,000.

The Housing Benefit costs show a net over recovery of £22,000 at the end of July. This has been caused by improved information links with other agencies, increasing the speed of information received which reduces the levels of overpayments generated and also aids the recovery of existing overpayments. The 2012/13 budget outturn report identified additional income as a result of a reduction in supported housing subsidy loss during the year of £101,000. This change has a recurring benefit in 2013/14: the benefit subsidy income changes the status of landlords who provide supported living services and has produced an additional £65,000 income to date. This figure is included in the £115,000 of recurring savings in the variation table above.

It is to be noted that although the Housing Benefits recovery is currently generating a notable variation to the profiled budget this is a spend area which is demand led and therefore able to significantly change during the financial year. This budget will continue to be monitored and reported on to forecast the impact this may have upon the future estimate projections.

Expenses recovered in relation to the collection of Council tax and business rates to July exceeded the expected income for the period by £30,000. This is due to an increase in the volume of recovery action and the issue of court summons for non-payment of Council Tax in the period, compared to previous years.

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.

### **EFFICIENCY SAVINGS/ADDITIONAL INCOME AGAINST TARGETS**

The revenue budget approved for 2013/14 includes an efficiency saving target of £515,000 which has been allocated to specific services and projects. Progress to-date in meeting these targets and the projected outturn position is set out in Appendix 2. The Appendix shows that as at 31<sup>st</sup> July 2013, the savings achieved in respect of the efficiency programme (expressed as a full year figure) are £398,000, which is a shortfall of c£117,000.

The position at the end of July when compared to the profiled budget is a shortfall of c£17,000, which comprises shortfalls in Catering and Forward Planning. The decision has been recently taken by Cabinet to implement changes to the catering service, recognising that the Council cannot afford to continue to subsidise the service at the same level in the future. The Forward Planning service is subject to further review before the target savings can be realised.

## **BASE BUDGET REVIEW**

Additional income and recurring reductions in costs have been identified in the following areas, these items will form part of the budget setting process in 2013/14 which will approve the Council's budget in the MTFs;

<b>Budget</b>	<b>Efficiency to July 2013</b>	<b>Forecast Full Year Saving 2013/14</b>
	<b>£000</b>	<b>£000</b>
Premises	0	1
Supplies and Services	50	72
Benefits subsidy	65	155
Additional income	17	50
<b>Total forecast budget saving</b>	<b>132</b>	<b>278</b>

## **NNDR/ Business Rates Retention**

2013/14 is the first year of the Business Rates Retention scheme which means that a core funding stream is now subject to variable factors year on year. Regular monitoring is being undertaken as increases or reductions in the tax base will impact on current and future years funding. An assessment of the performance against our forecast for the year (NNDR1) shows that the current trend is favourable.

The monitoring statement in Appendix 3 sets out the forecast for the year (NNDR1) and the current position (at 14th August 2013). The statement is for information to show the movement in the year and the variable elements which make up the net yield which is then subject to a fixed requirement for distribution between central government, LCC, the LFA and South Ribble. This will continue to be updated and reported through the year. The position at present shows that there is a small increase in net yield of £0.060m with South Ribble's share being £0.024m and therefore it is overall consistent with our original estimates. Please note that due to the regulations of this new regime any increase in funds will not be received by the Council until 2014/15 although the additional distribution payment to Central Government needs to be accounted for in the current year 2013/14.

## **CAPITAL PROGRAMME**

Details of the Council's capital spending, by project is contained in Appendix 4. The projected spend is compared to the full year budget accompanied by an explanatory note, where applicable, to provide an update on any current issues. Currently the programme is 18% spent with 33% of the year gone with one scheme overspent.

Efficiency savings proposals 2013/14

Directorate	Service	Savings Target (Full Year) £000	Savings achieved to July £000	Notes
Regeneration and Healthy Communities	Catering Services	110	<b>11</b>	Following the transformational review of the Catering service, high level options for the future of the service were considered by Cabinet on 4 <sup>th</sup> September. The decision was made that due to the cost of maintaining the service in its current form alternative options would be looked at in more detail. A savings target has been allocated to the service of £110k. Vacancy savings to July are (£28k) offset by a shortfall in income of (£17k)
	Health & Safety Contract	34	<b>34</b>	External contract has expired and savings have been realised through delivering the service in-house on a partnership basis.
Chief Executive	Chief Finance Officer	110	<b>110</b>	Deletion of vacant post for a further two year period as the role is currently being covered by the Chief Executive as a combined role.
Neighbourhoods	Neighbourhoods Services	176	<b>176</b>	<p>Savings achieved following a critical review and rationalisation of the vehicle fleet including the purchase of new refuse collection vehicles with cheaper operating costs. (£45,000).</p> <p>The capital investment of £100,000 per annum in essential parks and open spaces work has removed the need to increase the revenue budget for repair and maintenance from current levels. (£30,000).</p> <p>Increased income from LCC for carrying out additional works as part of the Locality Agreement. (£10k).</p> <p>Changes to service delivery negotiated with our waste collection partner (Enterprise – now Amey) which have resulted in lower contract payments whilst still maintaining front line delivery. (£6,000).</p> <p>Restructuring of the Neighbourhood Officer support arrangements coupled with more joined up and efficient working with Community Safety has enabled the deletion of 3.5 vacant FTEs from the staffing establishment whilst maintaining frontline service delivery. (£85,000).</p>
Directorate	Service	Savings Target	Savings achieved	Notes



		<b>(Full Year) £000</b>	<b>to July £000</b>	
Planning and Housing	Property Services	20	<b>22</b>	Discussions are ongoing with a neighbouring authority with a view to the service being delivered through a partnership contract which would realise recurring budget savings for the Council. The Savings achieved to-date are due to vacant posts which have only been partially backfilled.
	Forward Planning	20	<b>0</b>	An internal review of the Planning service is in progress and due to report later in the year.
Shared Services	Shared Financial Services	30	<b>30</b>	Improvements to systems and processes with Shared Financial Services facilitated a budget efficiency saving. This was achieved by deleting a Management Accountancy post without any subsequent cuts to service provision.
	Shared Assurance Services	15	<b>15</b>	The departure of 2 senior officers provided an opportunity to streamline management overheads in the Internal Audit Team. The level of supervision in the Team could be reviewed in the light of a move to core levels of audit coverage post CPA/CAA. The restructure had no impact on Internal Audit Plans and the number of productive auditor days available.
<b>Total</b>		<b>515</b>	<b>398</b>	
<b>Savings still to be achieved at 31<sup>st</sup> July 2013</b>			<b>117</b>	