

Governance Committee November 27th 2013

Medium Term Financial Strategy (MTFS)

Budget Monitoring Report 2013/14 – position at September 2013



Budget Monitoring Report as at September 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 end of December 2013 at the earliest), therefore, speculative assumptions on the detailed outcome of the 2014/15 budget settlement for each Council is not possible 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 for example, outcome of 2013/14 Retention of Business Rates and the triennial review of the Pensions Fund. 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. As this process is applied all year this continual challenge and change approach has realised further budget efficiency savings that have been secured to reduce our budget deficit position in the sum of £0.323m per annum. Please note that the updated Budget Deficit position below is indicative only and will be updated further as the budget setting process progresses.

	2014/15	2015/16	2016/17
Budget Deficit	£1.799m	£2.497m	£2.691m
Estimated additional funding cut 2014/15	£0.036m	£0.036m	£0.036m
Estimated funding cut 2015/16		£0.681m	£0.681m
Estimated Updated Budget Deficit	£1.835m	£3.214m	£3.408m
Recurring budget efficiencies Identified to date in 2013/14	(£0.323m)	(£0.323m)	(£0.323m)
Updated budget deficit position	£1.512m	£2.891m	£3.085m

1. 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 30 September 2013. This comparison to the profiled budget shows a current net underspend of £0.452m. 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, although the budget has been profiled throughout the year on past trends 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 £0.646m. The main reasons for this variation are summarised below:

Details	Variance to September (Under)/over spend £000's
Expenditure	
Employee Costs saving	(127)
Premises	(55)
Supplies and Services	(68)
Transport	(34)
Income	
New Homes Bonus additional grant	(17)
Expenses recovered	(85)
Building Control fees	28
Planning application fees increase	(15)
Sale of vehicles	(17)
Waste Management Cost Sharing income	(27)
Prosecutions and fines	(11)
Housing / Council Tax Benefit (net) Over-recovery	(72)
Investment interest	(10)
Forecast Progress against Efficiency Targets - shortfall	47
Other net movements	11
Variation to Budget as at 30 September 2013 - (underspend)	(452)
Recurring savings identified in base budget review (part year variation)	(194)
Total variation	(646)

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 £127,000 which is as a result of staff vacancies.

Premises

At the end of September there is an underspend in comparison to the profiled budget in the sum of £55,000. This is mainly due to underspends on Repairs & Maintenance costs £37,000 and Utility costs of £13,000 across all council sites. A review of utility costs is currently being undertaken to establish if this can be classed as permanent reduction in costs or if the billing from suppliers has fallen behind schedule.

Supplies and Services

There is an underspend at the end of September of £68,000. This is mainly due to underspends of £18,000 in printing, stationery, books and office supplies; £10,000 in IT supplies and services; reduced bank charges £6,000 and £19,000 in external fees. The base budget review exercise is still underway and may convert this underspend into permanent recurring savings to increase that identified below in the base budget review.

Transport Related

There is currently a total underspend in transport related costs of £34,000 which includes underspends against the profiled budget of £8,000 in fuel costs, and £29,000 in staff mileage expenses which is included in the base budget review. Early indications are that the new vehicle fleet is costing less than originally expected and the current forecast is for an annual saving in vehicle repair and maintenance costs of £20,000 and this has been included in the permanent budget efficiencies identified below.

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 September 2013/14 £	Actual to September 2013/14 £	Current Budget Variance 2013/14 £
Investment Property Income	(979,600)	(754,011)	(769,200)	(15,189)
Bulk Containers	(393,000)	(387,000)	(384,482)	2,518
Planning Fee Income	(400,000)	(200,000)	(213,776)	(13,776)
Building Control Income	(196,000)	(99,540)	(71,484)	28,056
Investment Interest	(200,000)	(122,040)	(132,067)	(10,027)
Land Charges	(110,000)	(55,000)	(59,740)	(4,740)
Taxi Licensing Income	(85,000)	(42,500)	(48,345)	(5,845)
Car Parking Income	(83,000)	(41,500)	(41,292)	208

There was an increase in Investment property income to September from extra units let such as at Bison Place (Avacab) and Worden Park (Shaw Trust). The recurring benefit of these new income streams is c£30,000 per annum. This is offset by the reduction of income in respect of renting office space within the Civic Centre; action is being taken to secure new tenants to mitigate the risk of this possible budget pressure.

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 six months, income is £13,776 more than the profiled budget with only one major application received with a value of £54,000.

As reported previously, the current economic climate presents a challenging environment for Building Control function and consequently there has continued to be a decline in Building Control income in the first half of the year; fee income reduced by 16% compared to the fee income in the same period of last year due to a reduction in the number of planned fees submitted. The team is currently sharing a manager with Preston Council and work is underway looking at a permanent solution.

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 £10,000. This is attributable to the Council having higher cash balances than originally estimated when the budget was set.

There has also been an increase in income levels within some of the smaller income budgets, for example, Corporate Enforcement income (e.g. dog control, fly posting) exceeded the profiled budget by £6,000 and PCN fines exceeded the profiled budget by £5,000.

The Housing Benefit costs show a net over recovery of £72,000 at the end of September. Following the development of the Revenues+ service a new model has been introduced to better target overpayment recovery. Since this was introduced as a pilot exercise in the last financial year, where the £50,000 target for additional income was significantly exceeded (c£75,000), the new model is continuing. One way this improvement has been delivered is through 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.

Additional income has resulted from a reduction in supported housing subsidy loss, which is an area which has previously been subject to a Scrutiny Committee review. The benefit subsidy income changes the status of landlords who provide supported living services and has produced an additional £79,000 income to date. This figure is included in the £194,000 of recurring savings in base budget review efficiency savings table below.

It is to be noted that although Housing Benefits recovery is currently generating a 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 September exceeded the expected income for the period by £68,000. 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 when compared to the previous year. At this point in the year, the full year forecast is that this income will exceed the budget by approximately £60,000. In addition, other expenses recovered from third parties exceeded the profiled budget by £17,000.

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 30th September 2013 the savings achieved in respect of the efficiency programme (expressed as a full year figure) are £385,000, which is a shortfall of c£130,000.

The position at the end of September when compared to the profiled budget is a shortfall of £47,000, which comprises shortfalls in Catering services (£37,000) and Forward Planning (£10,000). The decision has been taken by Cabinet to implement changes to the catering service to bring the savings target back on track. 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 and these items will form part of the 2014/15 budget setting process in 2013/14 resulting in the approval of the Council's budget in the MTFS. The budget efficiencies identified to date are set out below for information. The process will continue over the coming months to be finalised in February 2014. Please note that the Base Budget Review forms only part of the budget review and setting process and the construction of the Medium Term Financial Strategy (MTFS). It focusses predominantly on the running expenses budget heads of the Council's overall budget, however, the review of vacant posts is currently underway and therefore budget savings presently listed as in year savings above will be transferred into the list below and subsequently a contribution on a permanent basis to closing the budget gap in 2014/15 onwards.

Budget	Efficiency to September 2013 £000	Forecast Full Year Saving 2013/14 £000	Details
Employees	3	3	Saving in overtime costs
Premises	1	1	Reduction in room hire budget
Supplies and Services	73	107	Reductions in contract costs for ICT, payroll and security services plus savings in office supplies and printing costs
Transport	26	28	Reduced vehicle repair & maintenance costs and grounds maintenance equipment hire costs
Benefits subsidy	79	155	Increase in subsidy grant income
Additional income	12	29	Increase in income from property rentals
Total forecast budget saving	194	323	

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 15th October 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 an increase in net yield with South Ribble's share expected to be in the region of £0.118m, however due to the regulations of this new regime any increase in funds will not be received by the Council until 2014/15 albeit that the additional distribution payment to Central Government (the 'levy') 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 28% spent with 50% of the year gone with one scheme overspent. The works not started in the first six months include: Electrical Upgrading, Roofing & Fire Suppression Works at the Civic Centre (total budget £0.436m), which is due to start in December; and Roofing and Cladding works at Moss Side depot (budget £0.167m), which started in September and are due to be completed in the third quarter.

Directorate	Service	Savings Target (Full Year) £000	Savings achieved to September (expressed as full year) £000	Notes
Regeneration and Healthy Communities	Catering Services	110	0	It is important to note that the catering function has been reviewed and the savings target achieved for 2014/15. As this report is setting out the position as at 30/09/13 the information is not in step with the present position as of the date of the committee meeting. The most recent position will be reported as at the third quarter which will include the decisions and actions taken post 30/09/13.
	Health & Safety Contract	34	34	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	110	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	176	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). 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). Increased income from LCC for carrying out additional works as part of the Locality Agreement. (£10,000). Changes to service delivery negotiated with our waste collection partner (Enterprise – now Amey) which has resulted in lower contract payments whilst still maintaining front line delivery. (£6,000). 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).
Directorate	Service	Savings Target (Full	Savings achieved	Notes

		Year) £000	to September (expressed as full year) £000	
Planning and Housing	Property Services	20	20	Discussions are on-going 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 is due to vacant posts which have only been partially backfilled.
	Forward Planning	20	0	An internal review of the Planning service is in progress and due to report later in the year. The shortfall against budget to September is £10,000.
Shared Services	Shared Financial Services	30	30	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	15	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.
Total		515	385	
Savings still to be achieved at 30th September 2013			130	

Part year position as at 30/09/13	£k
Catering Review	37
Forward Planning	10
Total	47