

# GOVERNANCE COMMITTEE

## Budget Monitoring Report

August 2014

## Budget Monitoring Report as at August 2014

### 1. REVENUE BUDGET PERFORMANCE

The approved budget for 2014/15 is £13.236 less £0.132m transfer from general reserves. This results in a net budget requirement of £13.104m as per the approved budget set by the Council in February 2014.

The report compares the profiled 2014/15 budget to the end of August 2014 with net expenditure incurred to the same period end. This comparison to the profiled budget shows a small net overspend of £37,000. The main reasons for this variation are summarised below:

Details	Variance to August Under/(Over) spend £000's
<b>Expenditure</b>	
Employee Costs saving	129
<i>Less: taken as efficiency saving</i>	<u>(126)</u> 3
Premises	61
Transport	8
<b>Income</b>	
Planning application fees increase	49
Housing / Council Tax Benefit (net) over-recovery	49
Investment property income	14
Expenses recovered	30
Trade Waste Income	5
Civic Centre rental income shortfall	(25)
Building Control fees	(15)
<b>Other minor net movements</b>	22
<b>Budget Efficiency Programme – Appendix Two</b>	41
<b>Potential Impact of Business Rates Retention Levy Accrual</b>	(279)
<b>Net Budget Variation as at 31st August 2014</b>	<b>(37)</b>

## **2. REVENUE BUDGET VARIATIONS**

There are a number of factors that have impacted on the Council's performance when compared against the original budget set in February 2014. An explanation is set out below which highlights the salient point and reasons for the budget variation to date.

### **Expenditure**

#### **Employee Costs**

There is currently a total net underspend in employee related costs to date of £129,000 of which £126,000 relates to salaries savings due to turnover and reduced hours and £3,000 total net savings on other employee budgets including advertising and training costs. The Council continues with its robust review of vacancies arising during the year as part of our usual business including service reviews. A summary of the savings achieved are as follows:-

<b>Directorate</b>	<b>Variance Under/(over)spend £000</b>	<b>Explanations</b>
Chief Executives	8	<p>Savings have been achieved due to:</p> <ul style="list-style-type: none"> <li>• maternity leave,</li> <li>• vacancies,</li> <li>• reduced working hours,</li> <li>• employee cost savings have been achieved in the property function during the transitional period pending the outcome of a service review,</li> <li>• advertising and training costs.</li> </ul>
Neighbourhoods, Environmental & Asset Management	55	
Development, Enterprise & Communities	26	
Governance & Business Transformation	40	
<b>Total savings on vacant posts and reduced hours</b>	<b>129</b>	<b>Transitional employee cost saving to August (see Appendix Two)</b>

## **Pensions Deficit Recovery Plan**

The methodology applied to calculate what the Council is required to pay into the Pension Fund changed with effect from 1<sup>st</sup> April 2014. The payment made towards the fund's deficit position is now calculated on a fixed cash sum basis rather than as a percentage of the total pay bill of current members. The Council's budget was therefore amended accordingly to reflect the fixed annual sums required for the three years covering the triennial revaluation review (2014/15 to 2016/17). After the Council's budget was approved, however, an opportunity arose to realise a discount on the total sum due. This was achieved by paying the three years' total contribution upfront in April 2014. The total saved over the three years totalled £0.155m with the three years' budget savings being realised in full in future years.

## **Premises**

At this point in time there was an underspend in comparison to the profiled budget of £61,000. The separate elements of this variation are £38,000 on repair and maintenance budgets, £3,000 on business rates, and £20,000 across the utilities budgets. The repair and maintenance budgets includes a provision to cover unplanned and reactive maintenance and therefore this is subject to fluctuation throughout the year. There was also an underspend on these budget heads at the end of the last year. In such cases as these, spend areas are reviewed as part of the annual in year base budget review to establish if the downward trend is permanent and a budgetary efficiency savings can be secured. This process is currently ongoing and will be finalised pre- budget approval in February 2015.

## **Transport Related**

There is currently a total underspend within the transport related range of costs in the sum of £8,000, of which £6,000 is in relation to savings in vehicle and plant hire costs in the period. In addition, savings in staff mileage expenses in the first five months were £9,000 and it is anticipated that there will be a recurring saving against these budgets. Therefore they have been taken as efficiency savings, with a current full year forecast saving of £20,000 which is included in Appendix Two against the base budget review.

## **Other Variations**

There is a total net overspend on various other budgets at the end of August of £22,000 as a result of the total effect of smaller differences in spending patterns against the profiled budgets which represent the spending and income pattern across the year anticipated at the beginning of the year.

## Income

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

<b>Income Budgets</b>	<b>Original Budget 2014/15</b>	<b>Profiled Budget to August 2014/15</b>	<b>Actual to August 2014/15</b>	<b>Current Budget Variance Over/(Under) Achieved 2014/15</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Investment Property Income	(978,783)	(779,272)	(793,133)	13,861
Planning Fee Income	(400,000)	(166,760)	(216,244)	49,484
Trade Waste Charges	(393,000)	(393,000)	(398,478)	5,478
Building Control Income	(193,000)	(80,462)	(65,207)	(15,255)
Investment Interest	(100,000)	(41,690)	(42,684)	994
Land Charges	(112,000)	(46,690)	(47,442)	752
Taxi Licensing Income	(90,000)	(37,518)	(34,335)	(3,184)
Car Parking Income	(83,000)	(34,602)	(36,837)	2,235

These income targets are highlighted as they are affected by changes that can be outwith the Council's control, for example the national economic climate. Due to their scale any material variations against budget have the ability to significantly impact on our overall revenue budget position.

There has been an increase in Investment Property income of £14,000 caused mainly as a result of an improvement in the letting of vacant units in the period. This net increase represents additional rental income from an industrial unit at Brookfield Close and two units at Boxer Place, partly offset by a reduction in income from unoccupied units on the Forward Industrial Estate and Heaton Street.

In addition to the Investment Property Income budget above, it is highlighted that the revenue budget forecasts include rental income for the Civic Centre of £60,000 in 2014/15, increasing to £125,000 from 2015/16 onwards. This income forecast was based on an assumption that all the vacant office space at the Civic Centre would be let during 2014/15. The vacant space has been marketed using two commercial agents and as a result a potential lessee has been identified for part of the letting area available. The shortfall in income received in the first five months of the year is £25,000.

Planning fee income is an income stream that experienced some change over recent years and an upward trend. In 2012/13 the final out-turn reached £600,000, against an original forecast of £300,000, due to an unprecedented higher number of major applications in that year. The 2013/14 and 2014/15 budgets were revised up to £400,000, with £374,000 income received by the end 2013/14. Income in the first five months of 2014/15 is 54% of the total budget for the year and has exceeded the profiled budget forecast by £49,000. This is mainly due to the receipt of 7 major applications in the period, totalling £146,000. Therefore it is anticipated that the income at the end of the year will exceed the forecast but it is too early in the year to accurately predict the projected position to the end of the year and it will continue to be closely monitored. A further major planning application fee was received in September, bringing the total income to over £0.250m at the half year, however, what may be received in the second half of the year remains unknown.

There was a shortfall in Building Control income of £15,000 in the first five months of 2014/15. 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.

Both Land charges income and short-term investment income are broadly in line with the budget forecasts to the end of the August accounting period.

There was a net saving of £49,000 a result of successful recovery of Housing Benefit overpayments from both existing and previous claimants due to proactive, positive activity within the function.

Expenses recovered in the first five months exceeded the expected income by £30,000 which mainly relates to court summons for non-payment of Council Tax.

### **Efficiency savings /additional income against targets**

The revenue budget approved for 2014/15 includes an efficiency saving target of £410,000 which has been allocated to specific services and projects. Progress to-date in meeting these targets and the projected out-turn position is set out in Appendix Two. The Appendix shows the progress made against the total target of £410,000. In 2014/15 it is anticipated that this target will be exceeded by £0.041m. The 2014/15 forecast includes general vacancy and other salary cost underspends to-date.

### **Business Rates Retention**

2013/14 was the first year of the Business Rates Retention scheme which means that a larger proportion of the total Council 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 is contained in Appendix Three and shows that the current trend is favourable. The vagaries of the current technical framework, however, mean that this will result in a short term budget shortfall as the additional levy payment due to Central Government (as a result of exceeding original forecasts) is paid prior to the financial benefit being realised by the Council in 2015/16.

### **3. OVERALL COMMENTARY**

It is pleasing to report that the financial position as at 31st August 2014 shows that the Council is performing well and in line with its profiled budget. It is important to note, however, that this is based on a number of assumptions made with regard to expected spending patterns and levels of income received. Therefore, it is too early in the year to accurately predict the projected position to the end of the year. In addition, although the efficiency targets listed in Appendix Two are overall indicating a good position, there are some projects that have not yet been completed.

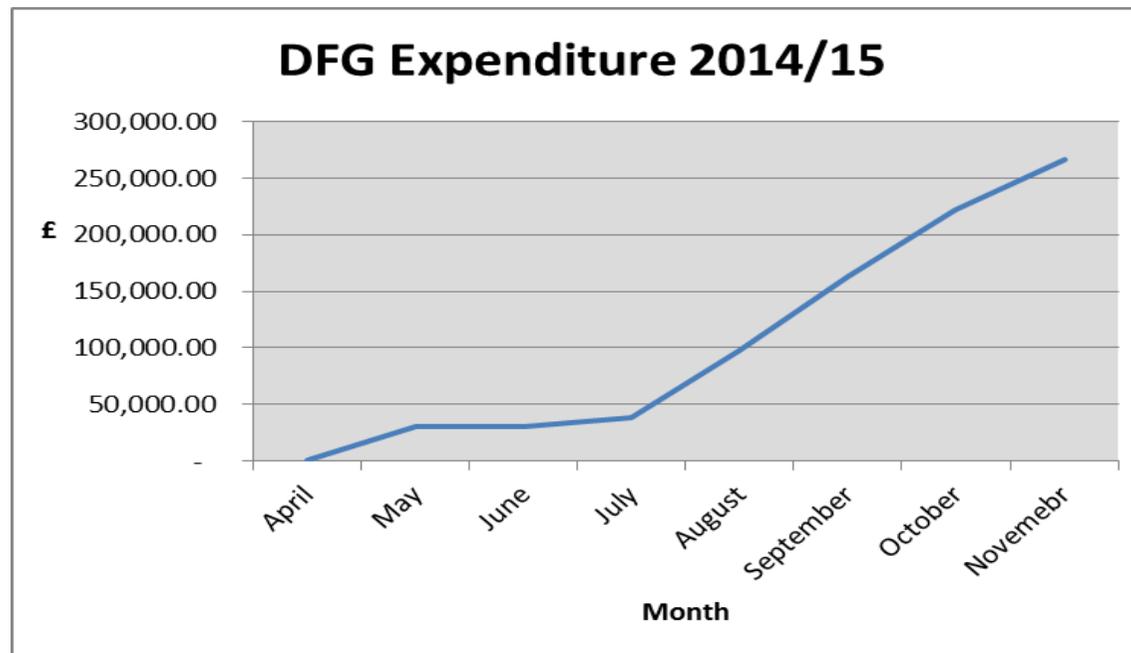
With regard to savings achieved to date this should be considered in the context of the continued budget gap contained within the Council's Medium Term Financial Strategy to 2017/18 and the uncertainty of future levels of funding. A cut in funding is forecast in 2015/16 and this has been incorporated within the Council's Medium Term Financial Strategy. In summary, performance against budget as at 31<sup>st</sup> August 2014 is good but should be treated with some caution at this stage of the year. 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.

#### **4. CAPITAL PROGRAMME**

Details of the Council's capital spending, by project is contained in Appendix Four. The projected spend is compared to the full year budget accompanied by a briefing note, where applicable, to provide an update on any current issues. The expenditure at the end of August totalled £0.641 million being 21.7% of the total budget for the year of £2.954 million. As at the date of this report's dispatch total committed expenditure totalled £1.159 million which equates to a spend of 39.2% of total budget. The main areas of spend to date have been on the following:-

- Open spaces
- Vehicle and Plant Replacement
- Disabled Facilities Grants (DFGs)

Following a comprehensive process improvement review DFG expenditure has increased during the year as per the chart below. It is currently expected that the full capital budget of £0.556m will be spent in 2014/15.



**BUDGET EFFICIENCY TARGETS 2014/15**

Budget Efficiency Targets	Full Year Target £000	2014/15 Part Year Effect		Future Years' Full Year Effect		
		Full Year Forecast £000	Over/(Under) Achieved £000	Full Year Target £000	Full Year Forecast £000	Over/(Under) Achieved £000
<b>COMPLETED PROJECTS:</b>						
Senior Management Review	(160)	(165)	5	(160)	(166)	6
Neighbourhoods Management and technical officer support review	(100)	(70)	(30)	(100)	(169)	69
Legal and Democratic	(50)	(30)	(20)	(50)	(30)	(20)
Housing and Planning (50)						
<i>Plus</i> Contingency to address skills capacity following senior management review 100						
Building Control vacancy freeze pending completion of service review (2014/15 only) (50)						
Sub-total	0	(38)	38	50	74	(24)
<b>SUB TOTAL - COMPLETED PROJECTS</b>	<b>(310)</b>	<b>(303)</b>	<b>(7)</b>	<b>(260)</b>	<b>(291)</b>	<b>31</b>
<b>PROJECTS TO BE COMPLETED 2014/15:</b>						
Administrative Support	(50)	0	(50)	(50)	0	(50)
ICT	(30)	0	(30)	(30)	0	(30)
Base Budget Review	(80)	(35)	(45)	(80)	(35)	(45)
<b>SUB TOTAL - UNCOMPLETED PROJECTS</b>	<b>(160)</b>	<b>(35)</b>	<b>(125)</b>	<b>(160)</b>	<b>(35)</b>	<b>(125)</b>
<b>OFFSETTING ADDITIONAL COSTS:</b>						
Temporary resource to deliver programme (2014/15 & 2015/16)	50	0	50	50	50	0
Supplement to lower graded posts – subject to consideration	10	13	(3)	10	13	(3)
<b>Net Savings</b>	<b>(410)</b>	<b>(325)</b>	<b>(85)</b>	<b>(360)</b>	<b>(263)</b>	<b>(97)</b>
<i>Plus</i> transitional employee budget savings	0	(126)	126	0	0	0
<b>Total</b>	<b>(410)</b>	<b>(451)</b>	<b>41</b>	<b>(360)</b>	<b>(263)</b>	<b>(97)</b>