

Governance Committee 28th January 2015

Medium Term Financial Strategy (MTFS)

Budget Monitoring Report 2014/15 – as at December 2014



Budget Monitoring Report as at December 2014

REVENUE BUDGET PERFORMANCE

The approved budget for 2014/15 is £12.826m less £0.132m transfer from general reserves giving a net budget requirement of £12.694m. This report compares the original 2014/15 budget with the latest projected outturn for 2014/15 which shows a forecast net underspend of £0.084m. The final outturn position will include an adjustment to the General Reserve in respect of the payment of three years' contributions to the pension deficit upfront in April 2014 which has saved £0.155m, with the three years' budget savings being realised in full in 2016/17.

The main reasons for this variation are summarised below:

PROJECTED OUTTURN 2014/15 - SUMMARY OF KEY VARIANCES TO ORIGINAL ESTIMATE

Details	Under/(over) spend £000's
Expenditure	
Employee one-off pension costs	(24)
Capital financing costs re-phased	52
Premises repair & maintenance costs	100
Income	
Council Tax costs recovered	20
Planning application fees increase	75
Property rental income reduction (including Civic Centre)	(47)
Housing Benefit (net) over-recovery	160
Building Control fee income reduction	(50)
Cost Sharing income reprofiled	72
Other net movements	5
Potential Impact of Business Rates Retention Levy Accrual	(279)
Total variation (underspending)	84
Plus Pension lump sum payment funded from general reserves	(1,159)
Forecast increase in contribution from General Reserves	(1,075)

Effect on Reserves:-	
Transfer from General Reserves – Original Forecast	132
Transfer to General Reserve – Projected Outturn	1,207
Forecast movement	1,075

REVENUE BUDGET VARIATIONS - EXPENDITURE

Employee Costs

There is a one-off cost to the Council of £24,000 in 2014/15 in relation to the retirement of two employees. There is a forecast underspend in salaries costs of which £0.259m are recurring savings against the 2014/15 efficiency targets and the remainder are one-off savings due to maternity leave, vacancies and reduced working hours. This in-year variance includes employee cost savings achieved in the property function during the transitional period pending the outcome of a service review. These transitional budget savings have contributed to the 2014/15 efficiency target, shown in Appendix 2.

In addition, a review of the base budget has identified annual savings of £4,000, which includes reductions in casual staff costs and overtime budgets. The achievement of these savings will contribute to reducing the Council's budget gap and have been adjusted in the budget forecasts for 2015/16 and future years. This saving is shown against the base budget review efficiency target shown in Appendix 2.

Pensions Deficit Recovery Plan

The methodology applied to calculate what the Council is required to pay into the Pension Fund changed with effect from 1st 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 by 2016/17.

The budget impact of paying the three years' contributions to the pension deficit upfront in 2014/15 is an increase in the planned contribution from the Council's general reserves in 2014/15, which is offset by reduced contributions from general reserves in 2015/16 and 2016/17.

Premises

There is a forecast underspend in overall premises costs of £100,000 which is due to forecasted reductions in repairs and maintenance budgets following a review of maintenance requirements for the remainder of the year.

Supplies and Services

A review of the base budget has identified annual savings of £34,000 which include savings in office supplies, postage and printing costs. The achievement of these savings will contribute to reducing the Council's budget gap and have been adjusted in the budget forecasts for 2015/16 and future years. This saving is shown against the base budget review efficiency target shown in Appendix 2.

Transport Related

Budget savings of £10,000 have been identified of which £8,000 is anticipated to be recurring and therefore have been adjusted in the budget forecasts for 2015/16 and future years. These savings in transport-related costs mainly relate to staff mileage costs.

REVENUE BUDGET VARIATIONS – 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 2014/15 £	Projected Outturn 2014/15 £	Forecast Budget Variance 2014/15 £
Investment Property Income	(978,783)	(991,363)	12,580
Bulk Containers/Trade Waste	(393,000)	(400,000)	7,000
Planning Fee Income	(400,000)	(475,000)	75,000
Investment Interest	(100,000)	(100,000)	0
Building Control Income	(193,000)	(143,000)	(50,000)
Land Charges	(112,000)	(112,000)	0
Taxi Licensing Income	(90,000)	(92,800)	2,800
Car Parking Income	(83,000)	(87,890)	4,890

Investment property income has reduced overall by £47,000 which includes £60,000 due to currently being unsuccessful in securing new tenants to occupy the vacant space at the Civic Centre, and a forecast increase of just under £13,000 in relation to investment property rentals. Each property has been reviewed to assess its letting prospects and a better outturn figure is anticipated and this is reflected in the budget outturn forecasts. The accommodation in the Civic Centre is being actively marketed.

Both Trade Waste and Planning fee income are expected to exceed the original budget forecasts. Planning fee income is an income stream that has experienced some fluctuations and there is currently an upward trend, with a forecast increase of £75,000 against the original budget. The actual outturn position will depend on the type and number of applications received in the final quarter of the financial year.

There was a shortfall in Building Control fee income of £15,000 reported for the first five months of 2014/15; the forecast shortfall for the full year is £50,000. As previously reported, the current economic climate presents a challenging environment for the Building Control function and consequently there has continued to be a decline in Building Control income. The team has been restructured during the year and continues to share a manager with Preston Council.

There have been fluctuations in land charges income during the year but the current forecast is in line with the level anticipated in the original forecast. The actual outturn position will depend on the number of property search requests being received from house buyers.

Short-term investment income is also expected to be broadly in line with the budget forecasts to the end of the financial year.

There is a forecast net saving of £160,000 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 are expected to exceed the original forecast by £20,000. This income relates to court summons for non-payment of Council Tax.

Through the Lancashire Waste Partnership, districts receive cost sharing payments from Lancashire County Council (LCC). These payments are based on a rate per property for which the districts are required to provide collection of an agreed range of recycled materials. The original cost sharing agreement expired in March 2014 and LCC provided a revised Cost Sharing Agreement which was approved by Cabinet in February 2014. Under the new agreement, the LCC payments have been reprofiled which has resulted in an increase in income in 2014/15, offset with reduced income levels in future years. This change has been reflected in the budget forecasts for 2015/16 and future years.

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 outturn position is set out in Appendix 2. The Appendix shows that the forecast full year savings achieved in respect of the efficiency programme (expressed as a full year figure) are £409,000 and therefore the target has been met in 2014/15. Of the savings achieved in 2014/15, £292,000 are recurring efficiency savings in 2015/16 and future years.

BASE BUDGET REVIEW

Additional income and recurring reductions in costs have been identified and these items have formed part of the 2015/16 budget setting process in 2014/15 which will set the Council's proposed budget and MTFs for approval in February 2015. The budget efficiencies identified to date are set out below for information. This process is embedded into the in-year budget management process and will continue to identify efficiencies contributing to reducing the forecasted budget gap.

Budget	Forecast Saving 2014/15 £000	Details
Employees	(4)	Reduced overtime and casual staff costs
Premises	(1)	Reduction in room hire costs
Supplies and Services	(34)	Savings in office supplies, postage and printing costs
Transport	(10)	Reduction in staff mileage and travel costs
Income	(13)	Increase in Public Health, Licensing and Legal fees and charges
Total forecast net budget saving	(62)	

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.

The Council are required by central government to prepare a business rate forecast for the following year as this is done through the completion of the NNDR1 return. The deadline for the 2015/16 NNDR1 return is 31 January 2015. As well as being a forecast for Business Rates retained income for the following year, it also requires an assessment of the Collection Fund surplus or deficit position for the current year. Once the form is completed this will provide a more up-to-date forecast of business rates income and any levy payment due. For the purposes of this report, the information in Appendix Three is as previously reported and prior to budget setting being finalised. Therefore

unavoidably this is not the most current position, but it will be updated when the work has been completed on NNDR1 this month.

CAPITAL PROGRAMME

Details of the Council's capital expenditure by project are contained in Appendix 4. The projected spend is compared to the full year's budget accompanied with a summary explanatory note. The total forecasted out-turn is a total spend of £1.877m compared to the budget of £2.954m. Of the £1.077m underspent, £0.816m has been re-phased into 2015/16 and £0.261m is the forecast in-year saving.

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
COMPLETED PROJECTS:						
Senior Management Review	(160)	(165)	5	(160)	(166)	6
Neighbourhoods Management and technical officer support review	(100)	(80)	(20)	(100)	(162)	62
Legal and Democratic	(50)	(30)	(20)	(50)	(30)	(20)
Housing and Planning (50)						
Plus 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	(41)	41	50	71	(21)
SUB TOTAL - COMPLETED PROJECTS	(310)	(316)	6	(260)	(287)	27
PROJECTS TO BE COMPLETED 2014/15:						
Administrative Support	(50)	(13)	(37)	(50)	(22)	(28)
ICT	(30)	0	(30)	(30)	0	(30)
Base Budget Review	(80)	(62)	(18)	(80)	(54)	(26)
SUB TOTAL - UNCOMPLETED PROJECTS	(160)	(75)	(85)	(160)	(76)	(84)
OFFSETTING ADDITIONAL COSTS:						
Temporary resource to deliver programme (2014/15 & 2015/16)	50	49	1	50	50	0
Supplement to lower graded posts – subject to consideration	10	21	(11)	10	21	(11)
Net Savings	(410)	(321)	(89)	(360)	(292)	(68)
Plus transitional employee budget savings	0	(88)	88	0	0	0
Total	(410)	(409)	(1)	(360)	(292)	(68)