

Governance Committee

Budget Monitoring Report

September 2015



Chorley
Council

Working in **Synergy** on shared services

1. Revenue Budget Performance

The approved revenue budget set by the Council in February 2015 is £13.194m less a £0.185m transfer from general reserves, giving a net budget requirement of £13.009m.

This report compares the profiled 2015/16 budget to the end of September 2015 with net expenditure incurred to the same period end. This comparison shows a net underspend of £375,000. The main variations are summarised below:

Description	Variance to September Under / (Over) spend £'000
Expenditure	
Employee Costs	127
Premises	88
Supplies and services	35
Sub Total Expenditure	250
Income	
Planning application fees deficit	(94)
Building Control fees deficit	(25)
Housing Benefit & Council Tax Support net over-recovery	21
Provision of Refuse Bins at New Properties	24
Trade Waste charges	26
Additional New Homes Bonus grant	34
Court costs recovered re Council Tax & Business Rates	39
Property rentals additional income	54
Interest on investments	98
Sub Total Income	177
Other net minor movements	(17)
Budget Efficiency Programme – Appendix Two	43
Potential Impact of Business Rates Retention Levy Accrual	(78)
Net Budget Variation as at 30th September 2015	375

2. Revenue Budget Variations

There are a number of factors that have impacted on the Council's financial performance when compared against the original budget set in February 2015. An explanation is set out below which highlights the salient points and reasons for the budget variation to date.

EXPENDITURE

Employee Costs

There is a total net underspend in employee related costs of £127,000. The main reasons are vacancies, staff working reduced hours which is partly offset by an overspend on casual employee.

The underspend brought about by vacant posts is £0.142m. This equates to 23 vacant posts throughout the first half of the year. This can be analysed into 6 posts that have been subject to a recruitment process and now filled and 9 posts that remain vacant and 8 posts that have been vacant all year. The Council continues with its robust review of in-year vacancies arising as part of usual business process including service reviews.

With regard to reduced hours this is partly due to arrangements in relation to phased retirement and other agreed reductions in hours. There are also offsetting overspends in non-basic staffing costs, namely casual workers £19,000 which is due to vacant posts being covered on a temporary basis while structures are under review.

Premises

There is an overall underspend of £88,000. The separate elements of this variation are as follows:-

- £33,000 on repair and maintenance budgets,
- £13,000 on business rates,
- £39,000 across the utilities budgets, and
- £3,000 on other premises costs

The repair and maintenance budget includes a provision to cover unplanned and reactive maintenance and therefore this is subject to fluctuation throughout the year. The budget is being reviewed to establish the base budget required going forward and establish if any budgetary efficiency savings can be secured.

The savings in utilities costs are mainly due to improvements to the heating and ventilation systems at the Civic Centre as well as increased energy-saving measures. As this downward trend in utilities costs is permanent, the base budget will be reduced to reflect the ongoing impact of these measures.

The saving in business rates is due to the successful letting of empty investment properties by Property Services which has also resulted in an upturn in the property rental income in the first half of the financial year. An allowance is made for possible voids in the base budget of 7.5% whereby the rate of void properties at the half year is 6.0%.

Supplies and services

There is a total underspend at the half-year of £35,000. This includes £15,000 savings in Shared Services recharged costs due to vacancies in the service and an £18,000 reduction in external audit fees payable. Before the Audit Commission closed on 31st March 2015, it was asked to set the scale fees for audits for 2015/16. In April the Council were notified that the 2015/16 scale fee set by the Commission had reduced compared to 2014/15 and that this had been enabled by the procurement exercises run by the Commission across both the Local government and Health sectors.

There is a further saving of £15,000 against the profiled budget for the Personal Budgeting Service. This new service is being delivered successfully within existing staffing resources with a lower uplift in cost. Therefore the service has achieved initial budget savings with a view to realising similar recurring budget savings in 2016/17 of £25,000.

These savings are partly offset by £8,000 increased bank charges, which is mainly due to the Council's merchant service provider implementing revised charges for VISA debit transactions after the budget had been set and approved.

INCOME

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

Income Budgets	Annual Budget 2015/16	Profiled Budget to September	Actual to September	Variance Over / (Under) budget
	£	£	£	£
Investment Property rentals	(984,040)	(805,413)	(859,300)	53,887
Planning Fees	(475,000)	(237,592)	(143,961)	(93,631)
Trade Waste charges	(416,106)	(416,106)	(442,200)	26,094
Building Control fees	(193,000)	(100,540)	(75,724)	(24,816)
Land Charges	(112,000)	(56,020)	(62,978)	6,958
Interest on Investments	(100,000)	(50,020)	(67,649)	17,629
Taxi Licensing fees	(97,600)	(46,418)	(43,395)	(3,023)
Car Parking charges	(87,890)	(43,964)	(47,614)	3,650

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

Investment Property

Rental income is £54,000 higher than budgeted. The main causes of the variance are five new properties with rents totalling £33,000 and a back-dated rental review for £15,000, with the balance being due to timing differences in the letting of properties compared to the original forecasts.

Planning Fees

In recent years the total value of planning fees has been increasing. The outturn for 2014/15 was £518,000 against an original budget of £400,000. The 2014/15 and 2015/16 budgets were revised upwards to £475,000 to reflect the upward trend. So far this year, however, there have not been any large scale planning applications meaning income is well below target. Income to September is £144,000 which is 30% of the total budget for the year, and is below the profiled budget by £94,000. The budget will continue to be monitored closely.

Trade Waste

Income from Trade Waste is £26,000 higher than budgeted due to an increase in demand for the service.

Building Control

There is a shortfall in Building Control income of £25,000 against the profiled budget to September. Following a review of the service a Senior Building Control Officer has been recently appointed. A marketing action plan has been developed with new marketing materials produced and the team used these at a recent trade event at Berry's to promote the service. In addition, the Team is looking to conduct more direct marketing of architects and builders and exploit social media opportunities. A review of the customer satisfaction survey and reporting mechanism has been undertaken and a new customer survey will be sent out in December. The survey will contribute to improving performance information and improvements in relation to the delivery and quality of the service. Finally, Building Control is one of the first services to be looked at under the "We're Going Digital" programme, which will seek to increase the efficiency and effectiveness of the team in order to increase job capacity.

Land Charges

There has been an increase in demand for property searches in the first 5 months of the year compared to the previous financial year which has resulted in income being £7,000 higher than the profiled budget for the period. Land charges income is demand-led and therefore fluctuates during the year. The income in the last 3 years has out-turned as follows: 2012/13 £122k; 2013/14 £119k; 2014/15 £103k. The budget for 2015/16 is £112k which at current levels should be achieved but this key income budget will continue to be closely monitored for the remainder of the year.

Interest on Investments

Short-term investment income is £18,000 above the profiled budget to September budget due to an increase in cash available to invest compared to the original forecast and also the maximisation of optimum cash placements returns. One of the factors which has had a positive impact on cash flow are additional housing benefit subsidy received in May (£2.0m) in respect of 2014/15. In addition, the Council received £80,000 in relation to the interest owed by Heritable Bank plc following the Icelandic banking crisis in 2008. The majority of the money owed has now been repaid with almost 98% returned to-date. An increased rate of return on investments is expected to increase to the end of the year due to the revised Treasury Management Strategy and the subsequent expansion of the Council's Counterparty List. An update brief on progress is included below for information.

Treasury Management Update

Council on 30 September 2015 approved a revised list of investment counterparties for the remainder of 2015/16. The revised list included increasing the amounts which could be invested in UK-incorporated financial institutions, which should minimise the need to place deposits with the Debt Management Office (DMO) at the current low rate of 0.25%. In addition, non-UK banks of high credit quality, as defined by the Capita Asset Services credit rating methodology, were added to the list. Investments with banks or building societies could include Certificates of Deposit (CDs), as well as call accounts and term deposits. Enhanced money market funds (variable net asset value – VNAV) are included on the revised list.

At the time the counterparty list was revised, much of the Council's cash was invested as term deposits due to mature in 2016, including sums with other local authorities at relatively low interest rates. When this cash is reinvested, the increased range of counterparties available should enable a higher average rate of return to be achieved. Other sums matured during October, and it was possible to reinvest the cash in institutions paying higher rates, in particular Santander UK and Coventry Building Society. For example, £2.0m was invested in the Santander UK 95-day notice account at 0.90%, and the Council is opening a 180-day notice account with that bank which offers a higher return. The impact in the short period since changing the counterparty list has been to increase the average rate earned on term deposits from 0.49% (25/09/15) to 0.56% (6/11/15). Use of the DMO was also minimised by holding a larger balance in the Council's own bank at a higher interest rate (0.40% rather than 0.25%).

The Council has now opened a 180-day notice account with Santander UK, which pays 1.15% (variable). The first investment was placed on 17/11/15, so the benefit is not yet reflected in the average rate quoted above.

Contact has been made with a number of EU banks registered to accept deposits in the UK, either directly or via brokers, so that they are available as an option. A small number of these banks offer interest rates similar to those of Santander UK, and are of the requisite credit quality. The strategy has set a maximum of £3.0m per bank or group, and £6.0m in total in non-UK banks.

Housing Benefit & Local Council Tax Support

Recovery of overpayments is £28,000 greater than budgeted as a result of proactive, positive activity within the function. Other benefits income is £7,000 lower than budgeted, which gives an overall variance of £21,000.

Efficiency savings /additional income against targets

The approved revenue budget for 2015/16 includes an efficiency saving target of £590,000 of which £390,000 relates to the savings secured from the Waste and Recycling Collection service procurement plus a £200,000 general efficiency target. The £200,000 has now been allocated to specific services and projects following a review of budgets by the Core Managers' team. Progress against these targets and the projected outturn position is set out in Appendix Two. At this stage in the year, it is anticipated that the total target will be exceeded by £0.043m in 2015/16.

Business Rates Retention

Regular monitoring is being undertaken as increases or reductions in the tax base will impact on current and future years funding. The tax base can experience negative shift due to decision made by the Valuation Office Agency in the formal appeals process outwith Council processes and direct control. The performance against our forecasts to the half year shows that the current trend is favourable. That said, due to the complexities of the system we now expect this will result in an additional levy payment to Central Government (as a result of exceeding original forecasts) being paid in 2015/16 prior to the financial benefit being realised by the Council in 2016/17. Please note that this "overspend" position in respect of BRR is only temporary in the current year and South Ribble Council will receive their share of the improved BRR income performance in 2016/17.

3. Overall Commentary

It is pleasing to report that the financial position as at 30th September 2015 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 to predict accurately the projected year-end position.

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. The new Comprehensive Spending Review (CSR) is due to be published in November 2015 announcing how a further circa. £20bn will be reduced within the overall public spending total. A cut in funding is forecast in 2016/17 and this has been incorporated within the Council's Medium Term Financial Strategy however it is currently believed that the local government overall funding pot will reduce by a total of 40% over the course of the next CSR period.

In summary, performance against budget as at 30th September 2015 is good but should be treated with some caution at this stage of the year due to variations in demand led services. The current position is being closely monitored with particular regard to volatile budgets that are subject to fluctuation and therefore present a higher risk

4. Capital Programme

Details of the Council's capital spending, by project is contained in Appendix 3. 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 and commitments at the end of September totalled £2.222m which is 49% of the total budget for the year of £4.528m.

The main items of capital expenditure are:

- ICT programme £0.120m
- Management of Assets £0.246m
- Parks & Open Spaces £0.464m
- Vehicle & Plant replacements £1.085m
- Disabled Facilities Grants £0.234m

Budget Efficiency Targets 2015/16

Budget Efficiency Targets	2015/16 Part Year Effect			Future Years' Full Year Effect		
	Full Year Target £000	Full Year Forecast £000	Over / (Under) Achieved £000	Full Year Target 2016/17 £000	Full Year Forecast 2016/17 £000	Over / (Under) Achieved £000
<i>Completed Projects</i>						
Waste Contract savings	490	490	0	600	600	0
2015/16 Budget savings target – Core Managers	200	200	0	200	200	0
	690	690	0	800	800	0
<i>Projects To Be Completed</i>						
2016/17 Budget savings target				400	400*	0
		0	0	400	400	0
<i>Offsetting Additional Costs</i>						
Waste Contract Management/contingency fund	(100)	(57)	43	(100)	(100)	0
Net Saving	590	633	43	(100)	(100)	0

* To be determined as part of the 2016/17 budget process