

Governance Committee September 2016

Budget Monitoring Report

At 31 July 2016

1. Revenue Budget Performance

The approved revenue budget set by the Council in February 2016 is £13.551m with no budgeted transfer to or from general reserves, giving a net budget requirement of £13.551m.

This report compares the profiled 2015/16 budget to the end of July 2016 with net expenditure incurred to the same period end and highlights progress to-date on achieving efficiency targets. This comparison shows a net overspend to July of £0.199m, however, currently this overspend is currently expected to be recovered by the end of the year on the assumption that budget savings will continue with regard to vacant posts. The main variations are summarised below:

Details	Variance to 31 July Under / (Over) spend £'000	Forecast Outturn Variances identified £'000
Expenditure		
Employee Costs saving	127	
<i>Less: taken as an efficiency</i>	(119) 8	0
Premises	41	12
Transport	26	0
Supplies and services	(36)	(9)
Land Charges litigation	0	23
Capital charges – MRP saving	26	26
	65	
Income		
Building Control fees deficit	(14)	0
Housing Benefit & Council Tax Support net over-recovery	11	0
Council Tax support admin grant	21	21
Interest on investments	18	40
Land Charges income	0	(12)
New Homes Bonus grant	5	5
Planning application fees	51	0
Property rentals	30	25
Public Realm funding shortfall	(65)	(65)
	57	
Other minor movements	5	0
Budget Efficiency Programme – Appendix Two	(326)	0
Business Rates Retention	0	0
Net Budget Variation – under/(over)spend	(199)	66

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 2016. An explanation is set out below which highlights the salient points and reasons for the budget variation to date.

Expenditure

Employee Costs

The medium-term financial strategy included efficiency targets in relation to a Review of Vacant posts, Staff Vacancy Turnover savings and efficiencies achieved through Business Transformation. Of the £127,000 net underspend in employee related costs to the end of July, £119,000 has contributed to meeting these targets. (See Budget Efficiency Programme - Appendix Two).

Premises

There is an overall underspend of £41,000. The separate elements of this variation are £10,000 on repair and maintenance budgets, £8,000 on business rates, and £15,000 across the utilities budgets (electricity/gas/water).

There is a forecast out-turn variance of a £7,000 saving in relation to the business rates for the Civic Centre following a successful application for business rates relief in relation to the vacant areas of the building. A further £5,000 saving in fuel oil costs against budget has also been identified which is mainly due to the Worden Arts Centre no longer being used commercially.

Transport related

There was an overall underspend of £26,000 against the profiled budget. Savings to July include staff mileage expenses - £9,000, Diesel - £8,000 Hire costs - £5,000 and other transport costs - £4,000. There are no out-turn variances currently forecast but these budgets will continue to be closely monitored throughout the year.

Supplies and services

There is an overall net overspend of £36,000 on supplies and services, as set out below:

	Variation against profiled budget to 31st July £000	Forecast Outturn Variance £000	Comments
Overspends to July			
Vehicle repair costs	(17)	0	<i>Difference in spending patterns against the profiled budget to July.</i>
Licensing Costs	(11)	(0)	<i>A report is being drafted that seeks to approve an uplift in the budget to cover additional costs incurred in 2016/17</i>
Bank charges - Merchant charges	(4)	(12)	<i>Due to change of base for calculating charge from transaction numbers to transaction value for debit card transactions plus new rate for non-secure transactions, combined with/increase in transaction values compared to previous years.</i>
Planning Applications advertising costs	(9)	(12)	<i>Relates to Public Notices for planning applications in the LEP. Each advert costs about 3 times more than two/three years ago. Currently being investigated however on current basis will overspend.</i>
Analyse local fees	(4)	(4)	<i>Finders fees which will generate additional business rates income (no budget)</i>
Markets – bulk containers	(5)	(5)	
Underspends to July			
Shared Financial Services	3	18	<i>Vacancies in service</i>
Public Relations	6	6	<i>Reduction in number of additions of Forward newspaper</i>
Leisure Contract fee	2	11	<i>Impact of changes in inflation on calculated fee for 2016/17</i>
Other	3	0	
TOTAL	(36)	2	

Income

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

Income Budgets	Annual Budget 2016/17 £	Profiled Budget to July £	Actual to July £	Variance Over / (Under) £
Building Control	(193,000)	(64,384)	(49,950)	(14,434)
Car Parking	(120,000)	(30,024)	(31,595)	1,571
Interest on Investments	(165,000)	(55,040)	(72,203)	17,163
Investment Property	(1,039,906)	(845,899)	(876,134)	30,235
Land Charges	(112,000)	(37,360)	(35,712)	(1,648)
Planning Fees	(350,000)	(116,760)	(168,150)	51,390
Taxi Licensing	(78,800)	(31,800)	(29,730)	(2,070)
Trade Waste	(448,834)	(448,834)	(448,377)	(457)

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. Due to their scale any material variations against budget have the ability to impact significantly on our overall revenue budget position.

Building Control

There is a shortfall in Building Control income of £14,000. There is one vacancy for a Building Control Technician within a team of three and interviews have just taken place. Once fully staffed, income levels should increase.

Interest on Investments

Short-term investment income is £17,000 above budget. The increase in interest is a combination of increased balances and better rates obtained following changes to the Treasury Strategy, as follows:-

	Average Balance Apr-July	Average Rate Apr-July	No of days	Interest Earned
2015/16	£27,431,388	0.470968%	122/365	£43,182
2016/17	£30,742,376	0.702674%	122/365	£72,203

Investment Property

Rental income is £30,000 higher than budgeted at the end of July. This is mainly attributable to the following:-

- the rental of Worden park kiosk went out to tender which resulted in an increase in rental income of £13,500 (full year increase £25,000);
- a new letting in June at Brierley Road, Walton Summit of £5,200 (full year increase £12,500); plus,
- other rent reviews with the balance being due to timing differences in the letting of properties compared to the original forecasts.

Land Charges

Local authorities maintain registers that contain a wide range of property information. These registers can be inspected by the public without charge, but local authorities offer a search service and these search services are frequently used as part of a conveyancing service when people buy or sell property. Many of the local authorities' customers are therefore solicitors or professional conveyancers.

The trend for land charges income received in 2016/17 is down compared with income levels in the same period in previous years and therefore there is a slight shortfall against the budget forecast to July. If the current trend continues there is likely to be a shortfall in income circa. £11k by the end of the year against the £112,000 budget. Factors which impact on land charges income are: a slow-down in property sales and more purchasers undertaking their own searches (rather than via solicitors/conveyancers).

Another factor which may impact on income levels in the future is the proposed changes in the VAT treatment of property searches income. In the past these charges have been regarded as outside the scope of VAT on the presumption that only the local authorities could provide the service but HMRC have reviewed this treatment and concluded that it is a business supply and therefore local authorities should commence accounting for standard rate VAT on these charges. HMRC have advised that they will not be seeking to recover VAT in relation to past supplies. The commencement date is currently uncertain and HMRC are due to provide an update following consultation with the Law Society.

Planning Fees

The increase in income against the profiled budget is mainly due to significant applications received in the first four months of the year including: £21,000 received from Roadferry Ltd and £30,000 received from Redrow Homes. This is a volatile budget and therefore no projected out-turn variance has been forecast at this early stage of the year.

Trade Waste

Income from Trade Waste has achieved the full year forecast at the end of July.

Housing Benefit & Local Council Tax Support

Recovery of overpayments is £37,000 greater than budgeted as a result of proactive, positive activity within the function. Other benefits income is £26,000 lower than budgeted, which gives an overall variance of £11,000 at the end of July.

Efficiency savings /additional income against targets

The approved revenue budget for 2016/17 includes an efficiency saving target of £516,000 plus an additional £100,000 target in relation to staff vacancy turnover. £119,000 in staff turnover savings were realised to the end of July. Progress against the individual efficiency targets and the recurring savings achieved is set out in Appendix Two.

The employee related budget efficiency targets within the Business Transformation projects will not be achieved in this year, however, they are being offset by general budget savings accruing on staff vacancies. That said, however, it is important to note that this is not a recurring budget efficiency savings and therefore these targets will need to be added to total budget deficit for 2017/18 to achieve a balanced budget. It is important that the Medium term Financial Strategy includes a detailed and robust plan to address the increased budget deficit over the next three years.

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 current trend is favourable, with net growth to date in the region of £40,000 against the base forecast. Prior to the Council entering the Lancashire Pooling Agreement any growth against the government baseline would have resulted in an additional levy payment and therefore an in-year budget overspend. The pooling agreement for 2016/17 currently means that additional income generated by tax base growth is retained locally following a 10% contribution to Lancashire County Council.

3. Overall Commentary

The financial position as at 31st July 2016 shows that the projected out-turn is not favourable at this point in the year but it is anticipated that this will continue to be offset by staff vacancy savings during the year. The impact on the budget deficit for 2017/18 is significant, however, and will form a critical part of the 2017/18 budget setting process in addition to the changes to New Homes Bonus and Business Rates Retention which are two significant core funding streams posing increased financial risk over the medium term..

4. City Deal

The City Deal financial model is currently under review at Executive Level to take account of changes to income generation assumptions made within the original finance model. An internal financial review is planned to update the Council's revenue and capital budgets accordingly as part of the 2017/18 budget setting process. This will include the commitments made, and profiling of payments into City Deal and the receipt from City Deal including additional income received via New Homes Bonus, Community Infrastructure Levy and Business Rates.

5. Capital Programme

Details of the Council's capital spending, by project is contained in Appendix Three. The original budget for 2016/17 was £5,420,616 which increased to £6,921,661 as a result of:

- 1) slippage of schemes from 2015/16 (£681,668);
- 2) additional scheme approvals (£610,000 – this relates to the purchase of the industrial units at Momentum Business Park approved by Council on 30th March 2016).
- 3) Additional funding received for Disabled Facilities Grants - £209,377).

The projected spend is compared to the full year budget accompanied by a briefing note, where applicable, to provide an update on any current and forecasted performance and scheme delivery to the end of the year.

The expenditure (actual plus committed) at the end of July totalled £0.668m which is 9.7% of the total budget for the year of £6.922m. The current projected out-turn for 2016/17 is £4.007m which is 58% of the current revised budget. This variance is due to re-phasing of expenditure into future years, less the impact of projected increases in expenditure.

Budget Efficiency Programme 2016/17

Budget Efficiency Targets	Budget Efficiency Savings Targets (FY) 2016/17	Achieved to July (expressed as Full Year) 2016/17	Target Exceeded/ (Shortfall) 2016/17	Recurring Budget Efficiency Savings 2017/18	Projected Recurring Savings Achieved 2017/18	Target Exceeded/ (Shortfall) 2017/18
	£000	£000	£000	£000	£000	£000
Business Transformation:						
Environmental Health	(100)	-	(100)	(100)	-	(100)
Neighbourhoods	(50)	-	(50)	(50)	-	(50)
Print and Post Review	(30)	(21)	(9)	(30)	(21)	(9)
Revenues and Benefits Self-Serve	-	-	-	(70)	(70)	-
Shared Assurance Services Restructure	(20)	(20)	-	(20)	(20)	-
Review of Vacant Posts	(216)	(50)	(166)	(216)	(50)	(166)
Base Budget Review	(100)	(80)	(20)	(100)	(100)	-
Sub-Total	(516)	(171)	(345)	(586)	(261)	(325)
Staff Turnover Savings (part-year - to July)	(100)	(119)	19	(100)	Annual Target	-
Total – Full year	(616)	(290)	(326)			