

23 November 2016

**Budget Management
Summary**

At 30 September 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 also of £13.551m. In October, a supplementary estimate was approved in relation to the additional costs of the Licensing Service Improvement Review, HR actions and Scrutiny Review. The revenue budget was uplifted by £0.094m funded from a transfer from general reserves, however, as this reporting period in prior to this event the financial position at the half year stage excludes this budget adjustment.

This report compares the profiled 2016/17 budget to the end of September 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 September of £0.048m however, 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 at the same level. The main variations are summarised below:

Details	Variance to 30 September Under / (Over) spend		Forecast Outturn Variances Under / (Over) spend
	£000	£000	£000
Expenditure			
Employee Costs saving	186		
<i>Less: taken as an efficiency</i>	<u>(168)</u>	18	5
Premises		73	12
Transport		13	5
Supplies and services		(1)	(4)
Licensing additional costs		(34)	*(94)
Capital charges – MRP saving		26	26
Sub Total		95	(50)
Income			
Building Control fees deficit		(19)	(43)
Housing Benefit & Council Tax Support net over-recovery		23	60
Car Parking, permit and PCN income		5	(22)
Council Tax support admin grant		21	21
Court costs recovered		(20)	(42)
Interest on investments		23	30
Land Charges income		(5)	(12)
Government grant funding		11	11
Planning application fees		82	126
Property rentals		38	38
Public Realm funding shortfall		(65)	(65)
Other additional income		18	0
Sub Total		112	102
Budget Efficiency Programme – Appendix Two		(255)	0
Business Rates Retention		0	27
Net Budget Variation – under/(over)spend		(48)	79

*Supplementary estimate approved October 2016

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 £164,000 net underspend in employee related costs to the end of September £146,000 has contributed to meeting these targets. (See Budget Efficiency Programme - Appendix Two). The remaining variance relates to a budget saving in Members Allowances (being £5,000) and also differences in spending patterns on other employee costs against the profiled budget to September of £13,000 which aren't currently expected to result in out-turn variations.

The following are the current vacant posts:-

- Democratic Services Manager
- Contaminated Land Officer
- Drainage Technician
- Quantity Surveyor
- Caretaker/Handyperson
- P/T Cleaner
- Assistant Enforcement & Monitoring Officer
- Gateway Officer
- P/T Gateway Officer
- ICT Support Analyst
- P/T Depot Cleaner/Yard Person
- Neighbourhood Operative
- Seasonal Neighbourhood officers (2)

Premises

There is an overall underspend of £73,000 against profiled budgets to September. The separate elements of this variation are £25,000 on repair and maintenance budgets, £16,000 on business rates, £20,000 across the utilities budgets (electricity/gas/water), and £12,000 on other premises budgets. With regard to the repair and maintenance budgets, the variance is due to a difference in spending patterns against the profiled budget to September. An out-turn variance isn't currently anticipated but the budget is for both planned and reactive work and therefore spend does fluctuate during the year. Gas and electricity budgets at the Council's main buildings (Civic Centre, Moss Side Depot and Market Hall) were reduced at the last budget cycle to reflect new contract prices. No significant variation is anticipated at the end of the year however it is subject to some seasonal variations.

There is a forecast full year 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 full year 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 £13,000 against the profiled budget. Savings to September include staff mileage expenses - £11,000 and Hire costs - £2,000. An out-turn variance of £5,000 reduction in staff mileage claim costs is currently forecast and these budgets will continue to be closely monitored throughout the year.

Licensing and HR Costs

An uplift of £94,167 in the current year's budget has been approved by Cabinet to fund the forecast additional staffing, legal and other support costs incurred in 2016/17.

Supplies and Services

There is an overall minimal net overspend of £1,000 on supplies and services which is made up of various budget over and underspends against the profiled budget to September, as set out below:

SUPPLIES & SERVICES BUDGETS	Variation against profiled budget to 30th Sept £000	Forecast Outturn Variance £000	Comments
Overspends to September			
External vehicle repair costs	(28)	0	<i>Special repair work required to some vehicles in first part of year contributed to overspend at half year against the profiled budget. No significant out-turn variance anticipated but detailed budget review being undertaken to assess potential impact in a full year.</i>
Bank charges - Merchant charges	(6)	(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)	(25)	<i>Relates to Public Notices for planning applications in the LEP. The price of adverts has increased significantly.</i>
Planning legal costs – judicial review	(10)	(20)	<i>Overspend is due to costs repaid to claimant and Council's legal costs in relation to judicial review case. £10,000 is the contingency budget allocated per annum as challenges are not known in advance of budget setting. Additional external legal costs are anticipated in the last quarter due to a Public Inquiry to be held in January.</i>
Business rates - external finder's fee	(8)	0	<i>Finders fees which will generate recurring additional business rates income in excess of cost (no budget)</i>

SUPPLIES & SERVICES BUDGETS	Variation against profiled budget to 30th Sept £000	Forecast Outturn Variance £000	Comments
Underspends to September			
Shared Financial Services	7	13	<i>Staff Vacancies in service</i>
Public Relations	6	6	<i>Reduction in number of editions of Forward newspaper</i>
Leisure Contract fee	11	11	<i>Impact of changes to pensions costs and inflation on contract fee calculated for 2016/17</i>
Land Charges litigation	23	23	<i>The budget was based on the potential maximum costs in relation to the legal costs of the property searches litigation as advised in March 2015. Following the final settlement of the claim, the final costs recharged to local authorities were lower than originally forecast.</i>
ICT supplies and services	12	0	<i>Difference in spending patterns on ICT supplies and services compared to profiled budget to September. No outturn variance anticipated.</i>
Other	1	0	
TOTAL	(1)	(4)	

INCOME

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

Income Budgets	Annual Budget 2016/17 £	Profiled Budget to September £	Actual to September £	Variance Over / (Under) £
Building Control	(193,000)	(96,538)	(77,320)	(19,218)
Car Parking	(90,000)	(45,018)	(49,007)	3,989
Interest on Investments	(165,000)	(82,530)	(105,131)	22,601
Investment Property	(1,039,906)	(879,017)	(917,247)	38,230
Land Charges	(112,000)	(56,020)	(51,157)	(4,863)
Planning Fees	(350,000)	(175,070)	(257,314)	82,244
Taxi Licensing	(78,800)	(43,552)	(42,047)	(1,505)
Trade Waste	(448,834)	(448,834)	(450,083)	1,249

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 fees

There is a shortfall in Building Control income of £19,000 at the half year with a projected outturn of £150,000, a forecast reduction of £43,000. The Building Control Technician post being vacant in this period has impacted on the team's ability to generate fee income. The shortfall in income is partly offset by staff budget savings as a result of this vacancy.

Interest on Investments

Short-term investment income is £23,000 above budget at the half-year. 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-Sept	Average Rate Apr-Sept	No of days	Interest Earned
2015/16	£29,405,304	0.483084%	183/365	£71,221
2016/17	£31,701,090	0.682954%	183/365	£108,549

Investment Property income

Rental income is £38,000 higher than budgeted at the end of September. 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 £25,000;
- a new letting in June at Brierley Road, Walton Summit of £5,250; plus,
- other rent reviews with the balance being due to timing differences in the letting of properties compared to the original forecasts.

Land Charges income

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 September. If the current trend continues there is likely to be a shortfall in income circa. £12k 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).

Planning Fees

The significant increase in income against the profiled budget is mainly due to several major applications received in the first half of the year including: £21,000 received from Roadferry Ltd, £30,000 from Redrow Homes and £35,000 from Countrywide Properties . At this point in the financial year, an increase in fee income of £126,000 is forecast for the full year, however this is based on

assumptions in relation to when upcoming major applications will be received and is therefore not certain and subject to variation.

Public Realm funding

Over the last few years, there has been a progressive reduction in the funding from Lancashire County Council in respect of Public Realm Functions undertaken on behalf of the County Council. The impact of this in 2016/17 is £65,000.

Housing Benefit & Local Council Tax Support

At the end of September the income from the recovery of overpayments is £43,000 greater than budgeted. Some of the larger amounts which have been recovered are due to capital which wasn't declared therefore the claimants weren't entitled to benefit. It is difficult to forecast the full impact of this to the end of the year, but the current forecast increase is £60,000 and the budget will continue to be closely monitored for the remainder of the year.

Other benefits income is £20,000 lower than budgeted, which gives an overall variance of £23,000 at the end of September.

EFFICIENCY SAVINGS/ADDITIONAL INCOME – TARGETS 2016/17

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. £168,000 in staff turnover savings were realised to the end of September. 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 (BT) projects will not be achieved in this year, however, they are being offset by general budget savings accruing on staff vacancies. That said, it is important to note that this is not a recurring budget efficiency saving and therefore these targets will need to be added to the total budget deficit for 2017/18 to achieve a balanced budget. The BT projects will be delivered in 2017/18. It is important that the Medium Term Financial Strategy includes a detailed, robust and high priority plan to address the increased budget deficit over the next three years.

BUSINESS RATES RETENTION - BRR

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 marginally favourable, with the Council's share of net growth to date in the region of £27,000 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. 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. It will also be an exercise to assist in the future work programme and resource plan to deliver the commitments made as part of this overall major Council project. The Council's Finance and Planning Officers attended a meeting with LCC recently to discuss solutions to the CIL+ funding review.

4. Overall Commentary and Future Commitments

The financial position as at 30th September 2016 shows that the projected out-turn is expected to be in line with the budget, however, this is based on the assumption that vacant posts will continue to accrue budget savings to the end of the year. The projected underspend is available to be vired to meet the estimated additional one-off support costs of the governance action plan which is expected to be a critical part of the Council's Annual Governance Statement expected to be approved in the next few weeks. This in turn will facilitate the signing off of the Council's 2015/16 Statement of Accounts at an additional Governance Committee planned to be held in December 2016.

It should be noted that the budget plan has been deviated from significantly in that the Budget Efficiency Programme for 2016/17 will not be delivered in this year. This is an area identified for improvement as the budget deficit position continues to the end of the new MTFS period being 2017/18 to 2019/20.

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 £6,860,807 as a result of the following:-

- 1) slippage of schemes from 2015/16 (£681,568);
- 2) additional scheme approvals (£619,246 of which £610,100 relates to the purchase of the industrial units at Momentum Business Park approved by Council on 30th March 2016 and £9,146 relates to Walmer Bridge Improvements Scheme approved by Cabinet 7 September 2016).
- 3) additional funding received for Disabled Facilities Grants – (£209,377).
- 4) City Deal masterplanning budgets reclassified as revenue (reduction £70,000).

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 September totalled £1.529m which is 22.3% of the total budget for the year of £6.861m. The current projected out-turn for 2016/17 is £3.590m which is 52% 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.

The Capital Programme for 2016/17 was agreed and signed off by Budget Holders and discussion during this year have revealed that projects were profiled on bases other than capacity and resource availability. It is imperative that the 2017/18 budget setting process includes a Capital Programme profile that is deliverable as continual re-profiling continues to be appraised by the Governance Committee on a quarterly basis.

Budget Efficiency Programme 2016/17

Budget Efficiency Targets	Budget Efficiency Savings Targets (FY) 2016/17	Achieved to September (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)	(55)	25	(30)	}(100)	-
Revenues and Benefits Self-Serve	-	-	-	(70)		-
Shared Assurance Services Restructure	(20)	(20)	-	(20)	(20)	-
Review of Vacant Posts	** (216)	(16)	(200)	** (216)	(16)	(200)
Base Budget Review	(100)	(102)	2	(100)	(100)	-
Sub-Total	(516)	(193)	(323)	(586)	(236)	(350)
Staff Turnover Savings	(100)	*** (168)	68	(100) annual target	(100)	-
Total – Full year	(616)	(361)	(255)	(686)	(336)	(350)

* to be delivered in 2017/18

** will not be delivered in 2016/17 or 2017/18

*** part-year to September 2016