

# GENERAL FUND REVENUE BUDGET MONITORING REPORT 2016/17 –

## POSITION AS AT 31<sup>ST</sup> JULY 2016

### Summary

The purpose of this report is to provide an update on the Council's General Fund (GF) Revenue Budget as at 31<sup>st</sup> July 2016. The report includes a narrative description of the most significant variances from the profiled latest budget and details any actions required to address these. Appendix A to this report shows the value of the most significant variances (those in excess of £5k) for all of the Council services by Committee and provides a brief explanation for each variance.

### 1. Background

- 1.1 The Council operates a system of Revenue Budget Monitoring which revolves around the production of detailed monthly monitoring reports for budget holders. Significant variances from the expected budget position at the point of monitoring, both for expenditure and income, are summarised in monitoring reports which are periodically reported to each Programme Committee for information purposes. This report therefore details the findings and issues emerging from budget monitoring carried out to 31<sup>st</sup> July 2016.
- 1.2 It should be noted that work continues on improving budget profiling across the Council in order that budget profiles more accurately reflect the spending pattern of individual budgets across the financial year. This serves to enhance budget monitoring and focus attention on true variances rather than budget profiling issues. This is a continuous process with budget holders so that the improved profiling continues to refine the budget monitoring system.
- 1.3 Council approved the 2016/17 budget at its meeting on 2<sup>nd</sup> March 2016. Subsequently on 20<sup>th</sup> June 2016 the Finance and Democracy Committee approved the Council's outturn position for 2015/16. The impact of those approvals, including savings and growth options approved at Council and slippage from 2015/16 approved by the Finance and Democracy Committee, are now reflected in the Council's financial ledger and therefore this report monitors expenditure and income against the updated approved budgets.

### 2. Budget Rightsizing Exercise

- 2.1 In 2011/12 The Council's Management Team committed to carrying out an annual budget rightsizing exercise to analyse underspends which have occurred over the last 3 financial years and to adjust current and future year budgets to better reflect the level of resource requirement in the context of current financial constraints. This process has continued to be undertaken annually and will be repeated during the second quarter of 2016/17. Any resulting changes to budgets will be reflected in later updates to the Council's Financial Forecast.

### 3. Budget Areas to Note

There are a number of budget areas to note on this General Fund Budget Monitoring report:

#### i. Employee Costs

The budget forecast which was approved by Budget Council in March 2016 assumed reduced payroll costs as a result of 'turnover savings' (delays in the recruitment to vacant posts) of £200,000 per annum from 2016/17 onwards. Actual savings achieved in relation to direct employee costs to 31<sup>st</sup> July 2016 are already in excess of this target as a result of a large number of un-filled posts during the period, a number of which have now been recruited to. These savings are therefore unlikely to recur to this extent for the remainder of the year. The employee costs budget will be reviewed as part of the right-sizing exercise on service budgets later in the year and a favourable MTFS adjustment may follow.

#### ii. Car Parking Income

The income is in excess of the budget for the period due to increased usage/visitor numbers largely as a result of dry, sunny weather conditions during the early part of the year. Additionally the current approved budget assumes the loss of income from the closure in 2016/17 and 2017/18 of the Stanner Bank and St Pauls Avenue car parks as a result of the coast protection works to be carried out at Fairhaven and Church Scar. The works had been expected to commence in 2016/17 but will now not commence

until 2017/18. The budget will be adjusted to reflect this and any other changes in the next update to the Financial Forecast.

### **iii. Sale of Sand (Sand-winning)**

Income from the sale of sand has been higher than the forecast amount and consequently this income budget will be reviewed as part of the budget right-sizing exercise with the intention of increasing the income budget to reflect the current level of income. The increase may be a consequence of greater levels of activity in the construction industry, and the consequential demand for sand as a building material, possibly reflecting an upturn in the house-building market.

### **iv. Fleet Costs**

Expenditure on fleet costs for the year to date indicates a number of variances against various elements of the budget. Much of the adverse variance in material and repair costs reflect the fact that many vehicles are no longer within the manufacturers' warranty period and consequently repair costs fall on the Council. The favourable variance on fuel costs arises from the lower wholesale diesel prices for the first part of the year and improved driver awareness of economical driving techniques. The fleet budgets will be reviewed as part of the right-sizing exercise on service budgets later in the year and any necessary adjustments will be made.

### **v. Planning Enforcement Costs**

The Council has incurred some costs in relation to the Direct Enforcement Action at the unauthorised Traveller Site at Fairfield Road, Hardhorn. The outcome of the appeal relating to the 6 occupied pitches has recently been determined and the Council is considering the decision. This budget will be kept under review during the remainder of the financial year.

### **vi. Council Tax and Housing Benefits**

There are currently a number of significant variances on the various control accounts in respect of Council Tax and Housing Benefits, particularly Rent Allowance expenditure. However, as the majority of these are directly reimbursed from central government grant a large variance at year end is not currently anticipated and the variances have therefore been excluded from the variance analysis report. The position will be kept under review throughout the remainder of the year and a MTFS adjustment may follow.

## **4. Conclusions**

External pressures outside the Council's control are impacting on all local authorities. Instructions remain in place that officers should not commit to any unnecessary expenditure and should seek to maximise efficiencies. This approach has a downward impact on costs incurred by the Council and may result in an under-spend against budget this year.

Regular budget monitoring reports are an integral part of the Council's financial monitoring framework. These will be available on the Council's website.

Finance staff work continuously with budget holders across the Council, and are heavily reliant upon budget-holders to be able to understand and quantify the potential impact of in-year hotspot variances within their areas of responsibility.

We are still at the early part of 2016/17 and it is therefore not possible to draw any firm conclusions on the in-year financial position. The financial risks facing the Council, as set out in the MTFS to Council in March 2016 still remain. Instructions issued by Management Team that budget holders are to remain prudent in order to build up additional balances are still in place.

**REVENUE MONITORING 2016/17 - Period 4 to July 31st 2016 (Variances in excess of £5k)**
**Appendix A**

Key	BLUE	Variance currently showing but expected to be on target at year end
	GREEN	Possible Favourable Outturn Variance
	AMBER	Possible Adverse Outturn Variance
	RED	Projected Adverse Outturn Variance

Service Area	Detailed Description	Full Year Budget	Budget as at Period 4	Actual & Commitments as at Period 4	Variance as at Period 4	FAV / ADV	Variance	Alert	Budget Holder	Budget Holder Comments
		£	£	£	£		%			
FINANCE & DEMOCRACY COMMITTEE / CORPORATE CROSS CUTTING BUDGETS										
All Council services	Employee costs including basic pay, pension, NI, and overtime, plus agency costs	8,379,723	2,801,428	2,704,815	-96,613	FAVOURABLE	-3.4%	GREEN	Corporate	The budget forecast which was approved by Budget Council in March 2016 assumed reduced payroll costs as a result of ‘turnover savings’ (delays in the recruitment to vacant posts) of £200,000 per annum from 2016/17 onwards. The actual level of savings achieved in relation to direct employee costs for the current year to date is in excess of this target as a result of delays in recruitment to a number of key posts which either have been recently filled or which will be filled in the coming months. A favourable variance to his extent is not anticipated to be repeated in later periods. This budget will be kept under review during the remainder of the financial year.
Legal Services Team	Legal Fees and Court Costs	7,500	2,496	15,267	12,771	ADVERSE	511.7%	AMBER	Ian Curtis	The overspend has resulted from the payment of counsel’s fees for representing the Council in an inquest relating to a fatality at a privately-owned local swimming pool. As the Council is the health and safety enforcement authority, it was appropriate and necessary for the Council to be represented at the inquest. The circumstances of the fatality will now form the basis of a prosecution by the Council. The budget will be kept under review for the remainder of the year.
Legal Services Team	Income from Legal Fees	-7,500	-2,500	-8,391	-5,891	FAVOURABLE	-235.6%	GREEN		The additional income largely comprises the reimbursement of costs from the diversion of a public footpath at Mill Farm. This work is carried out by the council as planning authority where a footpath is to be diverted to enable a development to take place, but the costs are reimbursed by the developer. A favourable outturn variance is anticipated.
DEVELOPMENT MANAGEMENT COMMITTEE										
Planning Appeals	Planning Appeal Hearing Costs	152,060	33,204	20,845	-12,359	FAVOURABLE	-37.2%	BLUE	Mark Evans	A number of planning appeals are expected to be contested later in the year which will result in further costs being incurred. This budget will be kept under review during the remainder of the financial year.
Planning Enforcement	Enforcement Costs	100,000	33,360	6,161	-27,199	FAVOURABLE	-81.5%	BLUE	Mark Evans	The Council has incurred some costs in relation to the Direct Enforcement Action at the unauthorised Traveller Site at Fairfield Road, Hardhorn. The outcome of the appeal relating to the 6 occupied pitches has recently been determined and the Council is considering the decision. This budget will be kept under review during the remainder of the financial year.

**REVENUE MONITORING 2016/17 - Period 4 to July 31st 2016 (Variances in excess of £5k)**
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<b>ENVIRONMENT HEALTH &amp; HOUSING COMMITTEE</b>										
Licensing Act 2003	Premises Licences 2003 Act	-75,000	-13,500	-29,579	-16,079	FAVOURABLE	-119.1%	BLUE	Chris Hambly	The licensing team have received an unusual amount of new licence applications in the first quarter resulting in the increased income (including licences relating to the Lytham Proms event and at AFC Fylde). This was an exceptional situation and is unlikely to be repeated during the remainder of the year.
<b>OPERATIONAL MANAGEMENT COMMITTEE</b>										
Car Parking Fees	Car Parking Fees	-524,130	-207,877	-240,962	-33,085	FAVOURABLE	-15.9%	GREEN	Andrew Dickson / Darren Bell	The income is in excess of the budget for the period due to increased usage/visitor numbers largely as a result of dry, sunny weather conditions during the period. Additionally the current approved budget assumes the closure in 2016/17 and 2017/18 of the Stanner Bank and St Pauls Avenue car parks as a result of the coast protection works to be carried out at Fairhaven and Church Scar. The works had been expected to commence in 2016/17 but will now not commence until 2017/18. The budget will be adjusted to reflect this and any other changes in the next update to the Financial Forecast.
Computer Services	Purchase of Computer Equipment	114,932	38,336	9,546	-28,790	FAVOURABLE	-75.1%	BLUE	Paul O'Donoghue	A number of IT projects have not progressed as planned due to staffing changes and vacancies within the IT team. Following a restructure the IT team now has sufficient resources to deliver the proposed developments and it is anticipated that the planned expenditure will occur later in the financial year to result in an outturn position broadly in line with the budget.
Fylde Waste Schemes	Replacement Waste Containers	40,000	10,000	36,484	26,484	ADVERSE	264.8%	AMBER	Kathy Winstanley	There has been a need to replenish stocks of blue, brown and green bins due to increased requests from new build properties, such that the annual budget has almost all been expended in the first quarter of the year. The budget will be kept under review but it is anticipated that an increase will be required later in the year. This expenditure is offset by additional income from the charges levied for new bins as and when they are provided.
Trade Waste Service	Bulk Bin Lease Charges	-50,000	-48,750	-54,413	-5,663	FAVOURABLE	-11.6%	GREEN		The income is in excess of the budget for the period due to increased customer demand. The budget will be reviewed as part of the right-sizing exercise.
Fleet Services	FMS Material Costs	140,875	47,037	54,273	7,236	ADVERSE	15.4%	AMBER		These budgets should be considered together. Both of the budgets are currently overspent due to high material/repair and welding costs as the fleet ages. These budgets will be reviewed as part of the right-sizing exercise and adjusted as necessary.
	Repairs by Commercial Garages	23,150	7,834	14,028	6,194	ADVERSE	79.1%	AMBER		
	Fuel Costs	313,266	104,493	87,236	-17,257	FAVOURABLE	-16.5%	GREEN		This favourable variance arises from the lower wholesale diesel prices for the first part of the year and improved driver awareness of economical driving techniques. The budget will be reviewed as part of the right-sizing exercise and adjusted as necessary.

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<b>TOURISM &amp; LEISURE COMMITTEE</b>										
St.Annes Leisure (Strategic)	Game Site Fees	-50,000	-33,000	-22,494	10,506	ADVERSE	31.8%	BLUE	Mark Wilde	Income has been affected by weather conditions that have been unfavourable to games activities (and boating at Fairhaven Lake in particular) largely due to strong winds. An improvement in weather conditions for the remainder of the tourist season may restore income levels by the year-end such that income targets may be achieved.
Lytham Leisure (Strategic)		-59,000	-40,120	-33,616	6,504	ADVERSE	16.2%	BLUE		
Coast and Countryside	Sale of Sand (sandwinning)	-150,000	-37,485	-62,188	-24,703	FAVOURABLE	-65.9%	GREEN	Andrew Dickson / Darren Bell	The sale of sand has continued on an improving trend which is likely to be related to the increase in activity amongst construction companies following a period of relative inactivity. This budget will be reviewed as part of the right-sizing exercise and adjusted as necessary.