

GENERAL FUND REVENUE BUDGET MONITORING REPORT 2015/16 –

POSITION AS AT 31ST JULY 2015

Summary

The purpose of this report is to provide an update on the Council's General Fund (GF) Revenue Budget as at 31st July 2015. 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 31st July 2015.
- 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 2015/16 budget at its meeting on 3rd March 2015. Subsequently on 22nd June 2015 Cabinet approved the Council's outturn position for 2014/15. The impact of those approvals, including savings and growth options approved at Council and slippage from 2014/15 approved at Cabinet, 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 2015/16. 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 2015 assumed reduced payroll costs as a result of 'turnover savings' (delays in the recruitment to vacant posts) of £75,000 per annum from 2015/16 onwards. Actual savings achieved in relation to direct employee costs to 31st July 2015 are already in excess of this target. These savings may not 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. Sale of Sand (Sand-winning)

Income from the sale of sand has been significantly 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.

iii. 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 favourable variance in material costs is due to the fleet replacement programme and efficiencies generated from revised working practices as part of the modernisation strategy. At present the fleet budgets are predicted to be on target at the end of the year. However, experience shows that expenditure on items such as fuel (which is subject to price volatility) and vehicle hire (which can increase due to vehicle breakdowns) can be difficult to predict and the current position could change. The fleet budgets will be reviewed as part of the right-sizing exercise on service budgets later in the year.

iv. Crematorium Income

Income from cremations has been significantly higher than the budgeted level. However this is offset by a reduction in the level of income received as a result of the introduction of the 'CAMEO' scheme from January 2013. The CAMEO scheme results in a payment through a central pool to those authorities (including Fylde) who have undertaken modernisation works at their facilities to reduce emissions in line with government directives. This is funded by payments into the central pool from those authorities which have not carried out the modernisation works. However since its inception receipts into the pool have been less than was forecast resulting in a reduction in the level of receipts to those eligible authorities (including Fylde). As the scheme becomes embedded the collection of payments into the pool may improve and appropriate enforcement action may be introduced, but that is not certain at this stage. Consequently as part of the budget right-sizing exercise the anticipated of income from the CAMEO Scheme both for 2015/16 and for future years will be reviewed as will the future level of income generated by the crematorium.

v. Planning Application Fee Income

Planning application fee income is dependent on the number and nature of applications received. A number of significant applications have been received towards the end of the last financial year and during the early part of this year which have created the current favourable variance. The budget will be reviewed as part of the right-sizing exercise on service budgets later in the year and may lead to a favourable MTFS adjustment.

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.

5. 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 Councils 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 2015/16 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 2015 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 2015/16 - Period 4 to July 31st 2015 (Variances in excess of £5k)

Appendix A

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	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	8,065,028	2,784,921	2,653,779	-131,142	FAV	-4.7%	Corporate	The budget forecast which was approved by Budget Council in March 2015 assumed reduced payroll costs as a result of 'turnover savings' (delays in the recruitment to vacant posts) of £75,000 per annum across all Council services from 2015/16 onwards. Actual savings achieved in relation to direct employee costs to 31st July are already in excess of this target. The employee costs budget for 2015/16 will be reviewed and updated as part of the budget right-sizing exercise.
Utility costs and Business Rates	Electricity	119,386	30,495	9,223	-21,272	FAV	-69.8%	Andrew Dickson	These budgets relate to utility and business rate costs across the Council's property estate. Reductions in the level of most of these budgets, especially the electricity and gas budgets, are anticipated as a consequence of a number of factors including; the beneficial effect of recent Town Hall roof and window replacement works in reducing heat loss from the building; a reduction in the overall number of properties within the Council's property estate; and the fall in energy prices linked particularly to falls in the price of oil to the energy generating sector. These budgets will each be reviewed as part of the right-sizing exercise.
	Gas	78,972	15,547	9,668	-5,879	FAV	-37.8%		
	Business Rates	217,589	217,589	220,669	3,080	ADV	1.4%		
	Water Charges - Metered	73,081	18,670	7,174	-11,496	FAV	-61.6%		
	Sewerage & Environmental Services	36,301	36,301	25,297	-11,004	FAV	-30.3%		
TOURISM & LEISURE COMMITTEE									
St. Annes-Leisure (Strategic)	Games Site Fees	-50,000	-33,000	-24,914	8,086	ADV	24.5%	Darren Bell	Income is lower than the budgeted amount due to the relatively poor weather during the period (15 un-playable days at games sites during June due to strong winds & rain). The budget will be kept under review for the remainder of the year.
Lytham-Leisure (Strategic)	Games Site Fees	-59,000	-40,120	-18,292	21,828	ADV	54.4%	Mark Wilde	Income is lower than the budgeted amount due to a combination of the relatively poor weather during the period and difficulties in acquiring replacement boats at Fairhaven Lake as scheduled. The budget will be kept under review for the remainder of the year.
Coast and Countryside	Sale of Sand (sandwinning)	-125,000	-37,155	-50,313	-13,158	FAV	-35.4%	Gary Sams	The sale of sand has continued on an improving trend. This budget will be reviewed as part of the right-sizing exercise.

Appendix A (cont'd)

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	Budget Holder	Budget Holder Comments
		£	£	£	£		%		
OPERATIONAL MANAGEMENT COMMITTEE									
Trade Waste Service	Bulk Bin Collection Charges	-156,940	-150,662	-137,367	13,295	ADV	8.8%	Kathy Winstanley	The loss of a number of bulk bin customers of Lytham has resulted in a reduction in income during the period. The budget will be reviewed as part of the right-sizing exercise.
Fleet Charges	FMS Materials Cost	144,125	48,153	28,585	-19,568	FAV	-40.6%	Kathy Winstanley	The favourable budget variance across a range of vehicles is as a result of the number of new vehicles in use, the removal of the need to go on landfill sites, new tyre contract and improved driving practices. Many of the new vehicles are now out of warranty and this under-spend will reduce over the life of the vehicles. Adjustments to the FMS budgets will be considered as part of the budget right sizing exercise.
	Fuel	334,566	111,621	97,922	-13,699	FAV	-12.3%		
	Tyres Renewal	38,171	12,861	5,942	-6,919	FAV	-53.8%		
Car Parks	Car Parking Fees	-483,812	-187,809	-216,442	-28,633	FAV	-15.2%	Andrew Dickson	The income is in excess of the budget for the period due to increased usage/visitor numbers despite periods of inclement weather. The budget will be reviewed as part of the right-sizing exercise.
ENVIRONMENT HEALTH & HOUSING COMMITTEE									
Cemetery & Crematorium	Cremations	-851,000	-252,860	-287,710	-34,850	FAV	-13.8%	Darren Bell	Income from cremations has continued to increase. The budget will again be reviewed as part of the budget right-sizing exercise to reflect the current and predicted future levels of income. Also to be reviewed will be the anticipated income levels resulting from the introduction of the 'CAMEO' scheme which has not fulfilled earlier expectations. Paragraph iv of the Revenue Monitoring Report provides further details in this regard.
	CAMEO Scheme Income	-20,000	-6,672	21,000	27,672	ADV	414.7%		
DEVELOPMENT MANAGEMENT COMMITTEE									
Development Management	Planning Application Fees	-475,000	-305,330	-544,625	-239,295	FAV	-78.4%	Mark Evans	Several major planning applications have been received during the period that were accompanied by significant application fees. Application fee income forecasts will be reviewed as part of the right-sizing exercise.
Planning Appeals	Planning Appeal Hearing Costs	237,849	23,785	1,600	-22,185	FAV	-93.3%	Mark Evans	No planning inquiries or appeal hearings have taken place during this period that have incurred costs. Managers within the service are aware that a number of appeals are pending that will most likely incur costs later this financial year.