

Report of	Meeting	Date
Chief Executive (Introduced by the Executive Member for Resources, Policy and Performance)	Executive Cabinet	21 February 2013

REVENUE BUDGET MONITORING 2012/13 REPORT 3 (END OF DECEMBER 2012)

PURPOSE OF REPORT

1. This report sets out the current financial position of the Council as compared against the budgets and efficiency savings targets it set itself for the financial year 2012/13.

RECOMMENDATION(S)

2. That the contents of the report be noted.

EXECUTIVE SUMMARY OF REPORT

3. The Council expected to make overall target savings of £200,000 in 2012/13 from management of the establishment. Excellent progress has been made in this area and the full savings target for 2012/13 has been achieved.
4. The projected revenue outturn currently shows a forecast underspend of around £564,000 against the budget. Use of some of this underspend to repay debt incurred to finance capital investment, or to reduce borrowing to finance the capital programme, could be considered in order to generate revenue budget savings in future years.
5. The Council's Medium Term Financial Strategy proposed that working balances were to be no lower than £2.0m due to the financial risks facing the Council. The current forecast to the end of December shows that the General Fund balance would be around £2.586m unless Council agreed to use some of the saving to reduce debt or to minimise additional borrowing.

Confidential report Please bold as appropriate	Yes	No
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Key Decision? Please bold as appropriate	Yes	No
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REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

6. To ensure the Council's budgetary targets are achieved.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

7. None.

CORPORATE PRIORITIES

8. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	
Clean, safe and healthy communities		An ambitious council that does more to meet the needs of residents and the local area	√

Ensuring cash targets are met maintains the Council's financial standing.

BACKGROUND

9. The Council's approved revenue budget for 2012/13 included target savings of £200,000 from management of the staffing establishment. The September budget monitoring report announced that the full savings target for 2012/13 had been achieved.
10. The June budget monitoring report recommended the use of General Balances to create a specific earmarked reserve for use in 2012/13. A sum of £300,000 was approved for investment in the Town Centre. Work has already started in a number of areas including:
- Car Park improvements
 - Market Street reopening
 - Town centre land acquisition
11. Also approved in the June report was the use of underspends on existing staffing budgets to fund the creation of an additional Business Advisor post. This will provide a service for existing businesses that have been trading for more than three years.

CURRENT FORECAST POSITION

12. Set out in Appendix 1 is the summary provisional outturn position for the Council based upon actual spending in the first nine months of the financial year, adjusted for future spending based upon assumptions regarding vacancies and service delivery. No individual service directorate figures are attached. These can be viewed [here](#) and are also available as hard copies for inspection in the Members' Room.
13. In the period to the end of September we had already identified the full £200,000 of contributions towards the annual corporate savings targets for 2012/13. This was in the main as a result of vacant posts, some of which remained vacant throughout the year pending the outcome of departmental restructures.
14. In my report to the Executive Cabinet of 22 November I advised on the projected outturn for 2012/13 which outlined a forecast underspend of £312,000 based on information to the end of September. The forecast has since been updated and the projected outturn shown in Appendix 1 forecasts an underspend against the budget of £564,000. The significant movements since the last report are shown in the table below. Further details are contained in the service unit analysis available in the members' room.

ANALYSIS OF MOVEMENTS

Table 1 – Significant Variations from the last monitoring report

Note: Further savings/underspends are shown as ().

	£'000	£'000
Expenditure		
Staffing costs	(61)	
ERVS/Redundancy	27	
United Utilities - Surface Water & Highway drainage	(28)	
Debt Advice Funding	(30)	
Local Strategic Partnership	(56)	
IDVA contribution	(12)	
Electoral Registration	(9)	
Leasing/Hire of Vehicles and Plant	20	
Other Expenditure	<u>(5)</u>	
		(154)
Income		
Bengal St Depot - Rental Income	29	
Parking Fees	16	
Change in Parking Tariffs Proposal	18	
Planning Fees	(15)	
Local Land Charge Searches	(11)	
Localisation of Council Tax Support Grant	(14)	
New Burdens Grants	(16)	
Net Financing Transactions	(96)	
Other Income	<u>(9)</u>	
		(98)
Net Movement		(252)

15. An additional saving of £61,000 on staff salaries has been achieved in the period to the end of December from across the Council's directorates. As the Council's annual corporate savings target for 2012/13 has already been achieved, these additional savings can be used to fund the one-off severance and redundancy costs of £27,000 incurred as a result of departmental restructures.
16. In the September monitoring report I outlined the issues raised with United Utilities Water Plc where it appeared that charges for surface water and highway drainage were being duplicated or made on the wrong tariff. United Utilities initiated a review which is now complete resulting in both one-off refunds for overpaid accounts and amendments to charges as a result of now charging on a site area basis rather than a rateable value basis. The result is a saving of around £79,000 against the budget in 2012/13, an increase of £28,000 to the figure reported in September.

Members should be aware however that United Utilities have indicated that the new charging mechanism should have applied to other council properties, such as parks and cemeteries, and is proposing to charge for these new sites in future years. Negotiations are still on-going but the potential impact for the Council is an increase in charges of between £40,000 and £80,000 per annum to be phased in over 7 years with effect from 2014/15.

17. In setting the estimates for 2012/13 the Council identified a budget provision of £50,000 to help support third sector advice organisations who provide advice and support to residents in need of help with managing finances and debt. The council has worked closely with local advice organisations over the past year to identify potential gaps in service provision and ensure that support is available to residents who are affected by the welfare reforms. Part of this budget will be used to commission work to provide targeted support to those who will be affected by the reforms. This work will not require the full budget as partner organisations are redirecting their advice to provide the necessary support, and as a result a saving of at least £30,000 is forecast this year.
18. The Local Strategic Partnership (LSP) has reviewed the way in which it works and commissions projects over the last twelve months. Working in partnership to tackle issues in the borough continues, for example, in providing a response to the welfare reforms and supporting the voluntary, community and faith sector. However, the partnership is now targeting resources more and so the full budget of £71,000 for 2012/13 is not required and a saving of around £56,000 is now forecast.
19. The 2012/13 budget included a growth item of £14,000 to cover the contribution to the IDVA scheme which provides specialist help to victims of domestic violence. Lancashire County Council has recently confirmed that the contribution for this financial year will only be in the region of £1,600, generating a saving of around £12,000. However, the contribution is expected to increase for 2013/14 and future years.
20. Also included in the estimates for 2012/13 was an additional budget provision for the potential impact of Individual Electoral Registration (IER). The introduction of IER was expected to increase printing and postage costs but implementation of the scheme has been delayed resulting in a saving for 2012/13 of around £9,000.
21. The previous monitoring report included a forecast underspend of around £20,000 on the leasing and hire of vehicles used by the Streetscene Delivery Teams based on commitments outlined in the Council's fleet replacement programme. Whilst the best way of financing and procuring the vehicles is currently being reviewed the Council has been using short-term hire to replace leased vehicles that have been returned, giving the Council time to make an informed decision about the type of replacement. This has led to an increased budget requirement in the short term and may require the £20,000 to be spent in the current year. It is assumed that any new vehicles acquired will not have a financial impact until 2013/14.
22. The 2012/13 budget included the assumption that there would be a tenant at Bengal Street Depot for part of the year and this would generate rental income of around £35,000 for the Council. Previous forecasts assumed a small loss of income but it is now unlikely that the depot will be occupied during the current financial year resulting in a further loss of income.
23. Previous reports have highlighted a reduction in this year's income levels for parking fees (pay and display) in comparison to 2011/12, resulting in a forecast deficit of around £26,000. This trend has continued in recent months, with income levels around 3% lower than the previous year, resulting in a revised forecast for a shortfall in income of around £42,000 against the budget for 2012/13.
24. The Council also introduced revised car parking tariffs on a trial basis with effect from October 2012, resulting in an estimated loss of income of around £21,000 based on assumptions made prior to the trial starting. Data for the first three months is now available, with the first two months (October & November) showing a consistent fall in income of around 15% compared to the same period last year. Income levels improved in December, although this may be attributed to the additional parking incentives introduced for Christmas

shoppers. The revised forecast for a loss of income of around £39,000 assumes that income will remain at reduced levels for the remaining trial period.

25. The September monitoring report detailed the latest forecast for Planning Fee income to be around £550,000 for the year compared to the 2012/13 budget of £600,000. Income levels have improved over the third quarter to December resulting in a revised estimate of around £565,000 for the year, an improvement of around £15,000 from the previous forecast.
26. Another area where income levels have improved over recent months is Land Charge Searches. Income levels for the first nine months of the year are higher compared with the budget and also the 2011/12 income for the same period. Assuming current income levels are maintained, the latest forecast is for a surplus over budget of around £11,000 in the current year.
27. The previous monitoring report highlighted the receipt of a Special Government Grant from the DCLG to finance the implementation costs for localisation of council tax support. The Council has received a grant in the sum of £84,000 used to fund the necessary software upgrades and consultation costs required to implement the scheme. The majority of external costs have now been incurred, leaving a balance of the grant still available of around £14,000 which can now be used to contribute to existing staffing costs.
28. The Council has also received three minor grants in 2012/13 under the Governments New Burdens funding allocation, to assist with the set-up costs for new initiatives. A total of £16,120 has been awarded, made up of £8,547 Community Right to Challenge Grant, £4,873 Community Right to Bid Grant, and £2,700 for the Business Rates Deferral Scheme.
29. Another area that has been difficult to forecast is the additional interest receivable in respect of the Landsbanki deposit and the level of recovery on the debt. The Council had previously assumed a recovery rate of 97%, but based on the latest information available, this has now been revised to 100% recovery on investment. The Winding Up Board financial statement at the end of September 2012 shows further receipts to 2018 which exceed the total amount for priority claims, therefore backing up the 100% recovery assumption. The net effect of this is to reduce the impairment charge in the Council's accounts and increase interest receivable. This, plus additional interest earned on other investments during the third quarter, has resulted in an increase in the forecast for net income of around £96,000 for the Council in 2012/13.

GENERAL FUND RESOURCES AND BALANCES

30. With regard to working balances, and as per Appendix 1, we started the year with a balance of £2.264m. The current forecast to the end of December shows that the General Fund balance will be around £2.586m. The approved MTFs proposes that working balances are to be no lower than £2.0m given the budgetary challenges facing the Council.

DEBT REPAYMENT

31. As an alternative to increasing working balances as a result of the forecast underspend, Executive Council could consider recommending to Council that revenue resources should be set aside voluntarily in order to repay debt incurred in earlier years to finance capital investment. Alternatively borrowing to finance the current capital programme could be reduced by using revenue resources instead. A combination of these options would generate revenue budget savings in future years, by reducing the annual Minimum Revenue Provision, and interest on any borrowing repaid. This proposal is discussed further in the report on this agenda - General Fund Revenue and Capital Budget and Council Tax 2013/14.

IMPLICATIONS OF REPORT

32. This report has implications in the following areas and the relevant Directors' comments are included:

Finance	✓	Customer Services	
Human Resources		Equality and Diversity	
Legal	✓	Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

COMMENTS OF THE STATUTORY FINANCE OFFICER

33. The financial implications are detailed in the body of the report.

COMMENTS OF THE MONITORING OFFICER

34. The Monitoring Officer has no comments.

GARY HALL
CHIEF EXECUTIVE

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Dave Bond	5488	25/01/13	