

GENERAL FUND REVENUE BUDGET MONITORING REPORT 2019/20

POSITION AS AT 31ST JULY 2019

Summary

The purpose of this report is to provide an update on the General Fund Revenue Budget of the Council as at 31st July 2019. 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 2019.
- 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 2019/20 budget at its meeting on 5th March 2019. Subsequently on 24th June 2019 the Finance and Democracy Committee approved the financial outturn position for 2018/19. The impact of those approvals, including savings and growth options approved at Council and slippage from 2018/19 approved by the Finance and Democracy Committee, are now reflected in the financial ledger of the Council and therefore this report monitors expenditure and income against the updated approved budgets.

2. Budget Rightsizing Exercise

- 2.1 For a number of years the Council has carried 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 will be repeated during the second quarter of 2019/20 and any resulting changes to budgets will be reflected in later updates to the Councils 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 2019 assumes reduced payroll costs as a result of 'turnover savings' (delays in the recruitment to vacant posts) of £300,000 per annum from 2019/20 onwards. The actual level of savings achieved in relation to direct employee costs for the current year to date shows a level of turnover savings in excess of this. This budget will be kept under review during the remainder of the financial year.

ii. Sale of Sand (Sand-winning)

The increase in the annual income budget for 2019/20 to 400k (from £300k in the previous year) may be a challenging target and income to date is below the budgeted amount. Some of this may be due to a slight delay in invoicing whilst details of tonnage amounts are awaited. This budget will be kept under review during the remainder of the financial year and will be adjusted as necessary as part of future updates to the Financial Forecast.

iii. Fleet Costs

There are a number of favourable variances in respect of vehicle costs in the period to date. Some are due to the fact that a number of new vehicles have been acquired in the past 12 months, replacing older and more expensive to maintain vehicles. Additionally fuel costs for the first part of the year have been lower than anticipated. This budget will be kept under review during the remainder of the financial year and adjusted as necessary.

iv. Car Park Income

Despite some recent inclement weather, there has been periods of very good weather especially in April and late May/June which has resulted in higher than budgeted income. This budget will be kept under review during the remainder of the financial year and adjusted as necessary as part of the next update to the Financial Forecast.

v. Miscellaneous Properties income

Additional income has been generated from rent reviews, fees for filming and photography on Council-owned land and from new concessions and other licences. This additional income will be reflected in the next update to the Financial Forecast.

vi. Cemetery and Crematorium income

The reduced income arising from funerals and interments is due to a lower than anticipated volume of activity and is offset to a degree by an increase in income from memorials. This budget will be kept under review during the remainder of the financial year and adjusted as necessary as part of the next update to the Financial Forecast.

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 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 2019/20 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 2019 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 2019/20 - Period 4 to July 31st 2019 (Variances in excess of £5k)
Appendix A

Key	BLUE	Variance currently showing but expected to be on target at year end
	GREEN	Favourable variance against latest budget
	AMBER	Adverse variance against latest budget
	RED	Projected adverse outturn variance

Service Area	Detailed Description	Full Year Budget	Budget as at Period 4	Actual as at Period 4	Commitments 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	9,149,668	3,159,078	3,083,183	55,199	3,138,382	-20,696	FAVOURABLE	-0.7%		Corporate	The budget forecast which was approved by Budget Council in March 2019 assumes reduced payroll costs as a result of 'turnover savings' (delays in the recruitment to vacant posts) of £300,000 per annum from 2019/20 onwards. The actual level of savings achieved in relation to direct employee costs for the current year to date shows a level of turnover savings in excess of this. This budget will be kept under review during the remainder of the financial year.
Elections - Other/Referendum	Elections - Neighbourhood Plan Referenda	26,411	8,808	0	0	0	-8,808	FAVOURABLE	-100.0%		Hazel McNicoll	The Council is currently waiting to see if permission to appeal to the Supreme Court is granted against an earlier Court of Appeal decision which challenged the St Annes Neighbourhood Plan. However it is unlikely that a Neighbourhood Planning referendum will be required in 2019/20 and this funding may ultimately be rescheduled to 2020/21. This budget will be kept under review during the remainder of the year and re-phased as necessary.
Legal Services Team	Legal Fees and Court Costs	10,000	3,336	31,420	1,524	32,944	29,608	ADVERSE	887.5%		Ian Curtis	The majority of these costs have been incurred in meeting counsel's fees to defend the council's position in a claim for reimbursement of a significant amount of business rates monies previously paid to Fylde Council. A further element relates to counsel's fees in the 'Neighbourhood Plan Challenge case', which the Council has won at all stages so far, but which may yet be taken to the Supreme Court. It will be necessary to address this additional financial requirement as part of the next update to the Financial Forecast.
Internal Audit	Miscellaneous Income	0	0	-6,360	0	-6,360	-6,360	FAVOURABLE	100.0%		Dawn Highton	This is additional unbudgetted income arising from the provision of internal audit services to Lancaster City Council. This additional income will be reflected in the next update to the Financial Forecast.
Miscellaneous Properties	Other Rent	-164,457	-54,860	-81,639	0	-81,639	-26,779	FAVOURABLE	-48.8%		Marie Percival	This is additional income arising from rent reviews, fees for filming and photography on Council-owned land and from new concessions and other licences. This additional income will be reflected in the next update to the Financial Forecast.

REVENUE MONITORING 2019/20 - Period 4 to July 31st 2019 (Variances in excess of £5k)
Appendix A (cont'd)

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<u>TOURISM & LEISURE COMMITTEE</u>												
Parks Development	Other Miscellaneous Grants	0	0	-12,379	0	-12,379	-12,379	FAVOURABLE	100.0%		Tim Dixon	In March 2019 the Council were notified of a 'Local Authorities Parks Improvement Funding Grant' from the Government of £12,379 to support work on parks where there is urgent need of refurbishment. A report will be presented to the Tourism and Leisure Committee later in the year to detail proposals for how the grant will be used.
Coast and Countryside	Sale of Sand (sandwinning)	-400,000	-133,440	-119,158	0	-119,158	14,282	ADVERSE	10.7%		Marie Percival	Although some of this shortfall may be due to a slight delay in invoicing, the increase in the annual income budget for 2019/20 to 400k (from £300k in the previous year) may be a challenging target. This budget will be kept under review during the remainder of the financial year and will be adjusted as necessary as part of future updates to the Financial Forecast.
<u>OPERATIONAL MANAGEMENT COMMITTEE</u>												
Fleet	FMS Material Cost	147,670	48,661	22,557	6,986	29,543	-19,118	FAVOURABLE	-39.3%		Kathy Winstanley / Steve Fulton	There are a number of favourable variances in respect of vehicle costs. Some are due to the fact that a number of vehicles have been acquired in the past 12 months, replacing older and more expensive to maintain vehicles. Additionally fuel costs for the first part of the year have been lower than anticipated. This budget will be kept under review during the remainder of the financial year and adjusted as necessary as part of the next update to the Financial Forecast.
	Fuel Costs	313,406	104,536	94,882	0	94,882	-9,654	FAVOURABLE	-9.2%			
Fylde Waste Schemes	Other Sales	-45,000	-15,008	-32,485	0	-32,485	-17,477	FAVOURABLE	-116.5%		Kathy Winstanley	This is additional unbudgetted income arising from the increased sale of chargeable wheeled bins in respect of newly built properties. This additional income will be reflected in the next update to the Financial Forecast.
Car Parks	Car Parking Fees	-575,000	-252,179	-257,735	0	-257,735	-5,556	FAVOURABLE	-2.2%		Andrew Loynd	Despite some recent inclement weather, there has been periods of very good weather especially in April and late May/June which has resulted in higher than budgeted income. This budget will be kept under review during the remainder of the financial year and adjusted as necessary as part of the next update to the Financial Forecast.

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ENVIRONMENT, HEALTH & HOUSING COMMITTEE

Cemetery and Crematorium	Interments	-200,000	-66,720	-60,408	0	-60,408	6,313	ADVERSE	9.5%		Alan Royston	The reduced income arising from funerals and interments is due to a lower than anticipated volume of activity and is offset to a degree by an increase in income from memorials. This budget will be kept under review during the remainder of the financial year and adjusted as necessary as part of the next update to the Financial Forecast.
	Cremations	-1,140,000	-380,304	-350,126	0	-350,126	30,178	ADVERSE	7.9%			
	Memorial Income	-40,000	-13,344	-19,859	0	-19,859	-6,515	FAVOURABLE	-48.8%			
Homelessness	Bed and Breakfast accommodation costs	30,000	10,008	17,535	0	17,535	7,527	ADVERSE	75.2%		Kirstine Riding	Although this adverse variance is partially offset by income of £7,000 from Housing Benefits, the service has seen a marked increase in presentations of single households in priority need following the introduction of the Homeless Reduction Act. This budget will be kept under review during the remainder of the financial year and adjusted as necessary as part of the next update to the Financial Forecast.
Housing Standards	Disabled Facilities Grant Fees	-150,000	-50,040	-71,819	0	-71,819	-21,779	FAVOURABLE	-43.5%		Kirstine Riding	The increase in the level of Disabled Facilities Grant funding from central government in recent years has the effect of also increasing the level of fees receivable by Fylde Council for the management of grant-funded works as more grants are able to be awarded. Additionally the grant management fee level has been increased to 15% in line with that levied by other councils. This budget will be reviewed as part of the right-sizing exercise and adjusted as necessary.

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DEVELOPMENT MANAGEMENT COMMITTEE

Development Management	Consultants Fees	30,000	10,008	3,570	1,355	4,925	-5,083	FAVOURABLE	-50.8%		Mark Evans	Consultants are appointed as and when necessary to provide specialist advice on complex planning applications and projects. Accordingly expenditure is dependant upon the nature of planning applications submitted during the year. The budget will continue to be monitored during the remainder of 2019/20 and adjusted as necessary.
Planning Appeals	Planning Appeal Hearing Costs	50,000	16,680	660	5,000	5,660	-11,020	FAVOURABLE	-66.1%			Costs associated with planning appeals vary depending upon the number of planning appeals that are made against the Council's decisions. Following the adoption of the Local Plan in October 2018 there has been a marked decrease in the number of major planning appeals submitted to the planning inspectorate. The budget will continue to be monitored and may be adjusted as part of future updates to the Financial Forecast.
Development Management Team	Consultants Fees	40,000	13,344	0	0	0	-13,344	FAVOURABLE	-100.0%			The need to appoint specialist consultants to assist in the determination of planning applications depends on the nature of applications submitted to the Council and as such is difficult to forecast accurately. To date that need has been lower than anticipated. The budget will continue to be monitored during the remainder of 2019/20 and adjusted as necessary.
Planning Policy	Local Development Framework Costs	18,000	6,004	0	0	0	-6,004	FAVOURABLE	-100.0%			The review of the Local Plan has commenced, but no costs outside normal staffing costs have yet been incurred. There will be a need to seek specialist advice later in the year as the review continues. The budget will continue to be monitored during the remainder of 2019/20 and adjusted as necessary.