

GENERAL FUND REVENUE BUDGET MONITORING REPORT 2019/20

POSITION AS AT 30TH NOVEMBER 2019

Summary

The purpose of this report is to provide an update on the Council's General Fund Revenue Budget as at 30th November 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 30th November 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 Council's 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 Council's financial ledger.

2. Budget Rightsizing Exercise

- 2.1 Since 2011 an annual budget rightsizing exercise has been undertaken 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 was undertaken during the autumn of 2019 and the resulting changes to budgets were reflected in the revised Financial Forecast that was presented to the Council in December 2019. These amendments have also now been reflected in the Council's financial ledger. Therefore this report monitors expenditure and income against the updated approved budgets.

3. Budget Areas to Note

As would be expected, because monitoring is being undertaken as a comparison to recently revised budgets, there are only a small number of variances from that revised position to note. The main variances are described below:

i. Employee Costs

The budget forecast which was approved by Council in March 2019 assumes Employee Cost Savings (including vacancy savings arising from 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 savings in excess of this. This budget will be kept under review during the remainder of the financial year.

ii. Crematorium Income

The number of cremations held this year has been below that forecast and the level of income received has reduced accordingly. The income budget for cremations has been raised year-on-year as previous income forecasts have been exceeded, but there is a concern that the level may now be set too high. A review of future income forecasts will be undertaken to consider the appropriate levels of future income expectations. This budget will be kept under review during the remainder of the year and the service may yet recover the position if activity increases in the following months.

iii. Computer Services

An underspend is currently recorded against these budgets, however this period does not account for the renewal and ongoing services of our server operating system infrastructure licensing, Office 365, or desktop operating system licensing which are due calendar year end. Similarly, development works around the enhancement of user journeys on the website- from payment through to back office system and service fulfilment- which have completion delivery conditions upon them are also not accounted for in this period. With that in mind we do anticipate these variances to reduce significantly in the next period. Network improvement projects incorporating new technologies in the face of changing security compliance considerations are also planned for early 2020 which will require investment in the purchase of computer equipment. Due to the timing of these projects a proportion of the budgets may need to be rephased into 2020/21 as part of the next update to the Financial Forecast.

iv. Fleet and Plant Expenditure

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 18 months, replacing older and more expensive to maintain vehicles. Additionally fuel costs for the first part of the year have been lower than anticipated. These budgets will be kept under review during the remainder of the financial year and adjusted as necessary as part of the next budget right-sizing exercise.

4. Conclusions

- 4.1 The updated financial forecast, as presented to the Finance and Democracy Committee in November 2019, shows projected surpluses for 2019/20 and 2020/21 followed by a period of uncertainty as the national framework for the financing of local government will be subject to review. In light of the uncertainties surrounding future national funding arrangements the Council needs to continue with the approach to delivering savings and efficiencies and maximising income which have helped deliver balanced budgets and contribute to reserves over recent years. Through continued focus on the importance of financial stability the Council has delivered a significant savings programme since 2007 and has continued to reduce senior management costs and other overheads. Ongoing modernisation work and business improvement will continue to make Council services more efficient, save money and maintain frontline services to customers.
- 4.2 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.
- 4.3 Regular budget monitoring reports such as this one are an integral part of the Council's financial monitoring framework. These are made available on the Council's website.

REVENUE MONITORING 2019/20 - Period 8 to November 30th November 2019 (Variances in excess of £5K)

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 8	Actual & Commitments as at Period 8	Variance as at Period 8	FAVOURABLE / ADVERSE	Alert	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	9,197,862	6,245,617	6,202,559	-43,058	FAV	GREEN	The budget forecast which was approved by Council in March 2019 assumes Employee Cost Savings (including vacancy savings arising from 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 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	17,611	0	-17,611	FAV	GREEN	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.

OPERATIONAL MANAGEMENT COMMITTEE

Vehicles & Plant	FMS Materials Cost	145,670	97,211	71,362	-25,849	FAV	GREEN	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 18 months, replacing older and more expensive to maintain vehicles. Additionally fuel costs for the first part of the year have been lower than anticipated. These budgets will be kept under review during the remainder of the financial year and adjusted as necessary as part of the next budget right-sizing exercise.
	Repairs by Commercial Garages	23,400	15,698	10,493	-5,205	FAV	GREEN	
	Fuel Costs	313,406	208,984	186,728	-22,256	FAV	GREEN	
	Tyres - Renewal	34,636	23,186	13,642	-9,544	FAV	GREEN	
Car Parks	Cash Collection - Pay and Display	11,000	7,336	18,052	10,716	ADV	AMBER	The cost of collecting cash from the pay and display machines, along with card-processing charges, have increased in recent years and it will be necessary to review this budget as part of the next budget right-sizing exercise.

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OPERATIONAL MANAGEMENT COMMITTEE (Cont'd)

Fylde Waste Schemes	Other Sales	-50,000	-33,340	-67,382	-34,042	FAV	GREEN	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.
Computer Services	Purchase of Computer Equipment, Program Licence Charges, Development Costs, Miscellaneous.	448,372	298,979	113,311	-185,668	FAV	GREEN	An underspend is currently recorded against these budgets, however this period does not account for the renewal and ongoing services of our server operating system infrastructure licensing, Office 365, or desktop operating system licensing which are due calendar year end. Similarly, development works around the enhancement of user journeys on the website- from payment through to back office system and service fulfilment- which have completion delivery conditions upon them are also not accounted for in this period. With that in mind we do anticipate these variances to reduce significantly in the next period. Network improvement projects incorporating new technologies in the face of changing security compliance considerations are also planned for early 2020 which will require investment in the purchase of computer equipment. Due to the timing of these projects a proportion of the budgets may need to be rephased into 2020/21 as part of the next update to the Financial Forecast.

TOURISM AND LEISURE COMMITTEE

Parks Development - Lytham & St Annes	Parks Furniture	16,100	10,736	22,390	11,654	ADV	AMBER	The year to date has seen additional expenditure for the purchase of memorial benches. It is anticipated that this additional cost will be offset by increased income for commemorative benches during the remainder of the year. This budget will be kept under review during the remainder of the financial year and may require adjustment as part of the next update to the Financial Forecast.
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ENVIRONMENT, HEALTH & HOUSING COMMITTEE

Cemetery & Crematorium	Cremations	-1,140,000	-760,152	-702,365	57,787	ADV	AMBER	The number of cremations held this year has been below that forecast and the level of income received has reduced accordingly. The income budget for cremations has been raised year-on-year as previous income forecasts have been exceeded, but there is a concern that the level may now be set too high. A review of future income forecasts will be undertaken to consider the appropriate levels of future income expectations. This budget will be kept under review during the remainder of the year and the service may yet recover the position if activity increases in the following months.
Taxi Licensing	Hackney Carriage Driver Licences	-16,094	-10,732	-20,749	-10,017	FAV	GREEN	A change in legislation 3 years ago introduced annual and 3 yearly licences. This year is the first renewal for the 3 yearly licence leading to an increase in income in the current year. The number of new application has also increased. As this is anticipated to be a recurring increase in income the budgets will be amended as appropriate as part of the next update to the financial forecast. Additionally, the number of applications for new and replacement vehicles has increased, leading to additional income from the issue of new licences.
	Private Hire Vehicle Licences	-25,296	-16,868	-26,811	-9,943	FAV	GREEN	

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PLANNING COMMITTEE

Development Management	Consultants Fees	25,000	16,668	5,910	-10,758	FAV	GREEN	The council employs external consultants in order to provide specialist advice on particular planning matters as and when necessary. Expenditure against this budget is very much dependant upon the nature of applications received. A number of applications currently before the Council for consideration will require specialist advice. This budget will continue to be carefully monitored and adjusted as necessary as part of the next update to the Financial Forecast.
Planning Appeals	Planning Appeal Hearing Costs	50,000	33,340	660	-32,680	FAV	GREEN	Since the local plan was adopted, the number of planning appeals considered following public inquiry, which is the most costly method to the council, has reduced. As the local plan is now 12 months old and cannot be regarded as 'recently adopted' for the purposes of applying national planning policy, it may be that developers will once again seek to challenge the decisions of the council. This budget will continue to be carefully monitored and adjusted as necessary as part of the next update to the Financial Forecast.
Planning Enforcement	Enforcement Costs	25,000	16,668	0	-16,668	FAV	BLUE	Legal action in regard to a number of sites is currently underway and it is likely that there will be a call on this budget during the remainder of the current financial year. This budget will continue to be carefully monitored and adjusted as necessary as part of the next update to the Financial Forecast.
Planning Policy	Local Development Framework Costs	15,000	10,004	0	-10,004	FAV	BLUE	The local plan is currently under review and costs will be incurred in the latter part of the financial year as this process continues. This budget will continue to be carefully monitored and adjusted as necessary as part of the next update to the Financial Forecast.