

Report of	Nick Gray, Strategic Director
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To	EXECUTIVE
Date	30 th July 2013
Executive Member	Councillor Simon Ling
Ward (s) affected	All
Subject	2013/14 Month 3 Budget Monitoring Report
RECOMMENDATIONS	
That the Council's year end revenue outturn projection for Month 3 be noted – an underspend of £243,000 against the budgeted cost of services of £9,788,000.	

1. **Executive Summary**

1.1 This report sets out the Council's forecast outturn position as at the 30th June 2013. The total cost of the Council's services is projected to be £9,545,000, an underspend of £243,000.

1.2 The Appendices to this report show:

Appendix A: an analysis of the Council's budget position by Business Unit;

Appendix B: an analysis of the Council's key service related income streams

Appendix C: an update on the progress of the Capital Programme

1.3 The report highlights significant issues arising from the outturn projections, with the detailed position set out in Appendices A to C.

2. **Changes in budget 2013/14**

2.1 The Council approved a budget for 2013/14 of £9,685,000 at its meeting of 19 February 2013. An addition to this budget of £103,000 for carry forwards was agreed as part of the 2012/13 Outturn reported to Executive on 25th June 2013. The updated budget therefore stands at £9,788,000.

3. **Service Expenditure**

3.1 This is the first budget monitoring round for 2013/14, at the end of month 3. Budget Managers have projected their likely outturn position based on a combination of the details of spend to date, their knowledge and judgment of what is likely to happen over the next 9 months and information from previous years. A summary of the significant variances (over £20,000) projected against the year's budget is set out in the table below. An explanation of these variances is contained in the subsequent paragraphs. (Projected underspends in the table are shown in brackets.)

<u>Service Area</u>	<u>Variance Against Budget £'000</u>
Car Parking	48
Democratic Services	(56)
ICT	(46)
Customer Services Unit & Communications	(25)
Finance & Corporate Services	(23)
Planning Support	(22)
Parks	(20)
Other variations (less than £20,000)	<u>(99)</u>
	<u>(243)</u>

- 3.2 **Car Parking - £48,000 overspend.** The projected overspend is due to a shortfall in season ticket income as a result of the NHS moving out of Cedar Court, Leatherhead. The initiatives launched within the Car Parking Strategy are on or better than expectation.
- 3.3 **Democratic Services - £56,000 underspend.** Democratic Services is predicting an overall underspend in the region of 5% of budget primarily due to small savings across all the service areas and some uncertainties regarding the introduction of Individual Electoral Registration over the next two years.
- 3.4 **ICT - £46,000 underspend:** due mainly to a vacant post, that it is anticipated will be filled in the Autumn.
- 3.5 **Customer Services Unit & Communications - £25,000 underspend.** The forecast shows the budget to be underspending by approximately 4% due to staffing changes and not all staff being in the pension scheme.
- 3.6 **Finance & Corporate Services - £23,000 underspend:** A partnership with Surrey County Council on insurance, at reduced cost, is being trialled for the remainder of the financial year following the retirement of the Insurance Officer. A shorter trial is ongoing with Reigate & Banstead to share Procurement resources which is again reducing the costs to MVDC. There is also currently a staffing vacancy in the Finance Team.
- 3.7 **Planning Support - £22,000 underspend,** due to income levels being higher than budgeted.
- 3.8 **Parks - £20,000 underspend.** The forecast underspend is largely down to income that was not anticipated for the use of the Council's parks (£7,000) and a one off grant from SCC (£5,000). There are other minor savings across the budget, around staffing and some projects forecast to come in at lower cost
- 4. Budget hot spots in 2013/14**
- 4.1 There are a number of areas of potential budget volatility in 2013/14 that will be closely monitored during the year. Listed below are those areas where there is a risk of expenditure variation against budget during 2013/14.

- Property Initiatives – intensive work is currently being undertaken on initiatives relating to North Leatherhead Bypass and Pippbrook. Although these may ultimately involve substantial capital sums – both spend and receipts – the early stage feasibility costs, communications, consultancy and specialist advice are chargeable to revenue. At the end of 2012/13, a reserve of £200,000 was set up to cover the preliminary costs of these and other property-related initiatives.
- Partnerships: Dorking Sports Centre – a re-tendering exercise on the running of Dorking Sports Centre has been undertaken and is reported on elsewhere on this agenda. The Executive decision on the outcome of this exercise and the impact on the budgeted running costs will be reflected in the next round of budget monitoring.
- Housing: Emergency Accommodation – the Executive received a report on 25 June 2013 setting out a proposal to spend up to £1.4m on housing to provide stable accommodation for homeless families rather than incur bed & breakfast costs. The proposal was approved and ultimately will impact on both capital and revenue budgets. Capital expenditure will be incurred on purchasing and refurbishing suitable housing. Savings will arise on the revenue budget that previously covered bed & breakfast expenses. The impact this year will depend on how quickly suitable accommodation can be identified and purchased.
- Savings and increased income in 2013/14 budget – a package of £0.7m of measures to reduce expenditure or increase income across a range of services was agreed by the Council at its budget setting meeting on 19 February 2013. In setting the budgets for each service for 2013/14, the reductions or increased income have been taken into account. Budget Managers, in some cases, are monitoring against net budget totals that have substantially reduced and income targets that have substantially increased – e.g. Car Parking (£158,000), Dorking Sports Centre (£50,000), Dorking Halls (£62,000), Street Cleaning (£50,000) and SMT (£100,000).
- Benefits: Welfare Reform – various measures are being implemented on a staggered basis during 2013 which will reduce the benefits received by some families, increase the pressure on the Council's limited discretionary funds and could ultimately impact on levels of homelessness.
- Pension changes – new regulations will change the way that employees opt in or out of pension scheme membership. The assumption from January will be that employees will join the pension scheme unless they explicitly opt out. Currently the reverse applies. The impact is not expected to be substantial, though experience in other Councils, where the change has already taken place, has been surprising.

5. Funding

Retained Business Rates

- 5.1 There has been a major change to the Council's funding arrangements in 2013/14. The Government has set an amount of business rates to be retained by the Council. Any change in the yield will have a direct impact on the Council's funding. The Council will retain a proportion of increases and be liable for a proportion of decreases.
- 5.2 The Government has introduced ceilings and safety nets to limit the volatility of the new scheme. The budget for Mole Valley was set prudently for 2013/14 by the Council, at the

level of the Government's safety net. This was done in recognition of the potential impact of the current economic climate on businesses as well as the high number of appeals against rateable value outstanding.

- 5.3 During the first three months of the year MVDC's business rate yield has reduced due to appeals determined, but it remains above the baseline funding level calculated by Government and above the level of the Government's safety net. Some margin remains and the position will continue to be monitored over the remaining three quarters tracking increased income from new properties against further adverse appeal verdicts. Any surplus collected at year end will be credited to the Council's General Fund.

Interest on Investments

- 5.4 The budget for investment income was set in anticipation of higher returns during 2013/14 than in previous years following the diversion of some capital into potentially more lucrative funds. This is in line with the changes in the approved Investment Strategy for the year. Some changes have been made during the first quarter but it is too early to predict their impact on the year's interest target.

6. Capital Programme

- 6.1 The overall position on capital major and minor works is set out at Appendix C. The budget includes approved carry forward of £385,000 for minor works from 2012/13 to 2013/14.
- 6.2 The reported position is a projected overspend of £32,000 against the £22m programme.

7. Corporate Implications

7.1 Legal Implications

There are no legal implications contained within this report.

7.2 Financial and Risk Implications

This is fundamentally a finance report and as such those implications are contained within the report itself.

7.3 Equalities Implications

There are no equalities implications as a direct consequence of this report.

7.4 Employment Issues

There are no employment implications in this report.

7.5 Sustainability Issues

There are no sustainability implications in this report.

7.6 Consultation

There are no consultation issues in this report.