

Report of	Meeting	Date
Chief Executive (Introduced by the Executive Member for Resources, Policy & Performance)	Executive Cabinet	16 August 2012

REVENUE BUDGET MONITORING 2012/13 REPORT 1 (END OF JUNE 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 Executive Cabinet are asked to consider the following recommendations.
 - Transfer the sum of £300,000 from General Balances to a specific earmarked Town Centre Reserve.
 - Approve the use of underspends on existing staffing budgets to fund the creation of a permanent Business Advisor post to provide a specific advisory service for existing local businesses who have been trading for over three years.

EXECUTIVE SUMMARY OF REPORT

3. The Council expected to make overall target savings of £200,000 in 2012/13 from management of the establishment. I am please to report that a total of £100,000 has already been achieved, leaving a further £100,000 remaining for the target to be achieved for the year. Further savings will be made as the year progresses and more vacancies occur, which will ensure the target for the year is achieved.
4. The projected outturn currently shows a forecast underspend of around £255,000 against the budget. No action is required at this stage in the year.
5. The Council's Medium Term Financial Strategy proposed that working balances were to be no lower that £2.0m due to the financial risks facing the Council. The current forecast to the end of June shows that the General Fund balance will be around £2.577m. In addition to creating an earmarked reserve for the purpose of Town Centre development and regeneration, this puts the Council in a strong position and should help to mitigate against future risks associated with the Local Business Rates Retention scheme from April 2013.

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:

Strong Family Support		Education and Jobs	
Being Healthy		Pride in Quality Homes and Clean Neighbourhoods	
Safe Respectful Communities		Quality Community Services and Spaces	
Vibrant Local Economy		Thriving Town Centre, Local Attractions and Villages	
A Council that is a consistently Top Performing Organisation and Delivers Excellent Value for Money			✓

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

BACKGROUND

9. The Council's approved revenue budget for 2012/13 included savings proposals of £0.975m required to balance the budget and maintain front line services. A number of these proposals had already been put in place by the start of the new financial year with the remainder to be implemented over the coming months.
10. In addition to the savings outlined above, the Council expected to make overall target savings of £200,000 from management of the establishment.
11. The 2012/13 budget also included additional investment in the town centre to boost the local economy. A sum of £282,700 was approved for investment in the following areas:
- Business Start-Up Scheme
 - Extension of business rate subsidy and shop floor refurbishment grants
 - Provision of council apprenticeships (NEET's)
 - Debt advice funding
 - Revenue costs of town centre land acquisition

Work has already started on a number of these initiatives. Progress to date includes recruitment to the new post of Business Advisor to support self employment, the creation of new start-up businesses and their survival in their first three years of trading, and also the appointment of 10 apprentice posts (NEET's) at the Council. Members will be updated throughout the year on progress for all schemes.

12. The programme of Town Centre development and regeneration will be supported by the creation of a new earmarked reserve as recommended above. This will make funds available to target this priority area from within the Council's existing budgetary resources.

13. In addition the Council recently announced a free swimming initiative for under 16's during the school summer holidays, funded from revenue underspends in 2011/12.

CURRENT FORECAST POSITION

14. Set out in Appendix 1 is the summary provisional outturn position for the Council based upon actual spending in the first three 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 using the following link and are also available as hard copies for inspection in the Members' Room: <http://democracy.chorley.gov.uk/documents/s27968/DirectorateStatementsJune2012.pdf.pdf>
15. In the period to the end of June we have already identified £100,000 of contributions towards the annual corporate savings targets of £200,000 for 2012/13. This is in the main as a result of vacant posts, some of which will remain vacant throughout the year pending the outcome of departmental restructures. The main savings that have been identified are analysed by directorate as £60,000 as a result of savings from within the Chief Executive & Transformation Directorate and £40,000 for People & Places Directorate.
16. The directorate cash budgets have been amended for approved slippage from 2011/12 and any transfers from reserves. The significant additions to the budget include:

Details	£'000
• Slippage from 2011/12	360
• Employment opportunities for young people (NEET's)	110
• Neighbourhood Working reserve	90
• Building Maintenance Fund	60
• Olympic Torch Relay	40
• Allotments	37

17. Savings are currently forecast on staffing costs, predominantly from vacant posts. This provides an excellent opportunity to provide additional investment in helping to deliver on Chorley's economic regeneration strategy action plan. The provision of quality one to one business advice for our existing businesses is fundamental to the Chorley economy for the following reasons:
- Maintaining the existing business and employment base which is more vulnerable in these uncertain economic times.
 - Improving competitiveness and supporting growth of existing businesses.
 - Complements the Council's new business start up scheme.

It is therefore recommended that an additional Business Advisor post is created, funded by the savings generated from a vacant post already in the budget, to provide a specific service for existing businesses that have been trading for more than three years. The estimated part-year cost of the post in 2012/13 is around £20,000 and around £40,000 for a full year.

Whilst the Business Advisor Service will support all existing businesses the focus will be:

- To work in partnership with the emerging Lancashire Business Growth Hub to ensure that referrals are made into the Chorley service, and vice versa.
- To target businesses in the average and high risk sectors (determined with regard to the health of their balance sheet position) with a view to maintaining stability as a first priority, then to seek out untapped potential to sustain performance thereafter.
- Some focus on supporting knowledge based companies to achieve growth and job creation.
- Targeting our retail businesses within the town centre and local service centres.

18. The projected outturn shown in Appendix 1 forecasts an underspend against the budget of £255,000. The significant variances from the Current Cash Budget 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 Cash Budget

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

	£'000	£'000
Expenditure		
Staffing costs	(85)	
External Audit Fees	(34)	
Waste Contract	(15)	
Liberata Property Services Contract	(9)	
Insurances	(13)	
Street Games	(25)	
Members Allowances/Expenses	(14)	
Parking contractor (enforcement, cash collection)	(10)	
Other Expenditure	<u>(40)</u>	
		(245)
Income		
Parking Fees	26	
Change in Parking Tariffs	42	
Cotswold Rental Income net of void allowance	18	
Building Control Income	15	
Rental Income (Investment Portfolio)	14	
Income generation from external bodies (Policy)	(9)	
Legal/Surveyors Fees (sale of land)	(8)	
Net Financing (Interest Receivable)	(74)	
Other Income	<u>(34)</u>	
		(10)
Net Movement		(255)

19. The forecast saving of £85,000 on staff salaries shown in the table above is in addition to the contribution of £100,000 already made to the corporate savings target in quarter 1. The majority of this additional saving is from the Chief Executive & Transformation Directorate from within Customer, ICT and Transactional Services.
20. In April of this year the Audit Commission announced further reductions in their scale of audit fees and charges for 2012/13. By outsourcing the work the Commission has secured significant reductions in the cost of the service of up to 40%. This was in addition to the reductions previously announced that were built into the Council's base estimates for the current year. This has resulted in additional savings of around £34,000 against the 2012/13 budget.
21. The original budgets for 2012/13 included assumptions for the rates of inflation that are applied to the Council's various contracts. Based on the latest information available at the time, the rate of 4% was used in line with the rate for January of this year. Inflation on the Veolia waste contract is calculated using the RPIX rate at March and for the Liberata property services contract the RPIX rate at April is used. As the RPIX rate has since fallen to 3.7% for March and 3.5% for April, this has resulted in savings against the budgets of around £15,000 on the Veolia contract and £9,000 on the Liberata contract.
22. The Council recently went out to tender in partnership with South Ribble Borough Council for renewal of the Council's main insurance premiums. The Council's existing supplier Zurich Municipal won the contract for liability and motor policies, with the remaining policies provided through our new broker Jardine Lloyd Thompson. The budget for 2012/13 included provisional savings on the contracts of around £32,000. However, the final premiums have now been agreed and further discounts have since been applied resulting in a further saving of around £13,000 for 2012/13.
23. The 2012/13 budget included a package of budget growth items for one-off schemes to be delivered. One such scheme was the Street Games project aimed at bringing sporting opportunities to young people in different parts of the borough. A budget of £50,000 was approved to continue funding staffing resources once the original two year funding for the project expires. From this original funding, a balance of around £30,000 was carried forward to 2012/13 which will cover costs for a significant part of the year. The forecast at this stage is that a budget of around £25,000 will remain unspent at the end of the year and could be made available to continue funding the project into 2013/14 if required.
24. A new Members Allowances scheme was approved in April of this year which resulted in a change in both the number of posts and duties for members. This has generated a saving against the Council's budget for 2012/13 and together with forecast savings on other member related costs such as internet charges and the Member Development Programme, a total saving of around £14,000 should be achieved in the current year.
25. Income levels for parking fees (pay and display) for the first quarter are down by around 2% in comparison to 2011/12. This may simply be a consequence of the recent poor weather and the position will be monitored closely over the remainder of the year. The initial forecast is for a shortfall in income of around £26,000. However, this deficit is partly offset by a predicted saving of around £10,000 on the parking contractor budget. The budget covers the cost of parking enforcement, cash collection, processing Penalty Charge Notices (PCN's) and income received from PCN's.
26. Members should also be aware of the proposal to introduce revised car parking tariffs on a trial basis from September 2012 to January 2013. The proposed amendments are designed to encourage shoppers into Chorley by changing customer behaviour. The proposals will equate, however, to a reduction in car parking charges and will therefore lead to a fall in car park income. After reviewing the data available it is estimated that the proposed tariff changes may lead to an annual loss of income of up to £100,000 (£42,000 during the five

month trial period). Once implemented, income levels will be closely monitored throughout the trial period and Members advised accordingly.

27. The 2012/13 rental income budget for Cotswold House includes an assumption regarding the level of empty flats (voids) during the year. The current level of voids stands at 24.7% compared to the budget allowance of 20%. The early part of the financial year has seen large scale room refurbishment at Cotswold and an increased void level has resulted. This has reduced the level of rental income anticipated for the year by around £18,000.
28. Another area where the Council may under achieve against its income budgets is in relation to Building Control Fees. Building Control income levels have fallen across the county for the first quarter of the year, though Chorley, through active promotion of the excellent service provided, have been able to restrict the loss of income to some extent. Despite this, the initial forecast is for a shortfall of around £15,000 for the year.
29. The 2012/13 revenue budget includes rental income due from properties which come under the Council's Investment Portfolio, including various commercial units at Chorley North Industrial Estate. A tenant of three of the units has recently given notice to terminate their leases and this gives a financial implication of a potential loss of rent of approximately £21,000 per annum. However, in the past we have had several enquiries for these units as they tend to be very popular particularly with the good motorway connections and it is hoped that new tenants can be found in the near future. The current forecast is for a shortfall in income of around £14,000 assuming that the units will be re-occupied by the start of the new calendar year.
30. Additional income has also been generated from work undertaken by the Council's Policy team on behalf of Wigan Council and Team Lancashire, and in increase in cash receipts from disposal of various small parcels of Council owned land. This has generated additional net revenue after costs of around £9,000 and £8,000 respectively.
31. The level of cash balances available for investment has been higher than anticipated throughout the first quarter of 2012/13. This has generated additional interest earned on investments and has resulted in an increase in the forecast for net income of around £74,000 for the Council.

GENERAL FUND RESOURCES AND BALANCES

32. The current cash budget has been updated to take account of the transfer of approved slippage of £359,920 from 2011/12 and for other transfers from reserves to finance revenue expenditure in 2012/13.
33. 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 June shows that the General Fund balance will be around £2.577m. This position provides an ideal opportunity to provide additional investment in the town centre and it is recommended that a sum of £300,000 is transferred to an earmarked reserve for this purpose. This would reduce the forecast level of balances to £2.277m. The approved MTFS proposes that working balances are to be no lower than £2.0m given the budgetary challenges facing the Council. In addition to creating an earmarked reserve for Town Centre development and regeneration, this higher level of General Reserve enables the Council to mitigate some risk caused by the, as yet unknown, financial implications of the forthcoming implementation of the Local Business Rates Retention scheme from April 2013.

34. IMPLICATIONS OF REPORT

35. 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

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

COMMENTS OF THE MONITORING OFFICER

37. The Monitoring Officer has no comments.

GARY HALL
CHIEF EXECUTIVE

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
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