

Report of	Meeting	Date
Assistant Chief Executive (Business Transformation) (Introduced by the Executive Member for Resources)	Executive Cabinet	13 th August 2009

REVENUE BUDGET MONITORING 2009/10 REPORT 1 (END OF JUNE 2009)

PURPOSE OF REPORT

1. This paper sets out the current financial position of the Council as compared against the budgets and efficiency savings targets it set itself for 2009/10 for the General Fund.

RECOMMENDATIONS

2. Executive Cabinet are asked to note the contents of the report.

EXECUTIVE SUMMARY OF REPORT

3. The Council expected to make overall target savings of £410,000 in 2009/10 made up of £350,000 from management of the establishment and £60,000 procurement and efficiency savings. This equates to £87,500 establishment savings and £15,000 procurement savings for the first quarter. I am pleased to report that the target for establishment savings has been achieved for quarter 1. Further savings will be made as the year progresses and more vacancies occur, which should ensure the target for the year is achieved. Procurement and efficiency savings have yet to be identified but there are several areas of work which are ongoing which could help to achieve the target later in the year.
4. The projected outturn shows that further savings of £33,000 are required to balance the budget which indicates that expenditure will have to be carefully controlled over the coming months in order to offset the lower than anticipated income levels forecast for 2009/10.
5. There are a number of areas that will be monitored closely as the year progresses, these are:
 - Contributions to Corporate Savings and Efficiency Targets
 - Major income streams, in particular car parking fees and building control fees.
 - Concessionary travel and benefit costs
6. No action is proposed at this stage in the year even though further savings are still required. If later in the year the situation requires it, then further steps may be necessary and I will advise Members should I feel action is appropriate.



REASONS FOR RECOMMENDATIONS

(If the recommendations are accepted)

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

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

8. None.

CORPORATE PRIORITIES

9. This report relates to the following Strategic Objectives:

Put Chorley at the heart of regional economic development in the Central Lancashire sub region.		Develop local solutions to climate change.	
Improving equality of opportunity and life chances.		Develop the character and feel of Chorley as a good place to live.	
Involving people in their communities.		Ensure Chorley is a performing organisation.	✓

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

BACKGROUND

10. The Council's budget for 2009/10 included real cash savings targets of £350,000 from the management of the establishment and a further £60,000 of savings to come from efficiency and procurement related activities.

The budget also included challenging targets for the Council's main income streams despite some major adjustments being made to the 2009/10 budgets to reflect the downturn in the economy.

CURRENT FORECAST POSITION

11. The appendix 1 shows the summary forecast 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 are available for inspection in the Members Room.

12. The directorate cash budgets have been amended for approved slippage from 2008/09 and any transfers from reserves. The significant additions to the budget include:

- £38,830 from reserves for Town Centre Strategy work
- £56,150 from reserves for buildings maintenance works
- £14,000 for slippage relating to reward and recognition
- £12,000 slippage for income generated by the Communications team
- £10,000 for ICT web-site accessibility audit
- £9,000 for LCC audit work
- £7,000 for Homelessness Support consultancy
- £6,000 for ICT Citrix phase 2 rollout

- £6,000 for LSP Town Centre Promotion work
- £5,000 for printing of Chorley Visitor Guide
- £5,000 for CIPFA Benchmarking for the Corporate Services VFM review
- £20,000 slippage for various minor projects across the directorates

13. In the period to the end of June we have identified £90,000 of contributions towards the annual corporate savings target of £350,000 for managing the establishment. The main savings that have been identified are as a result of savings from within the Chief Executives Office, Business Directorate, Policy & Performance, and People Directorate. This is a positive start to the year, and this position will remain under constant review.

With regard to procurement and efficiency savings, the Council's procurement practice has now been extended to include South Ribble as part of the Shared Financial Service. This will improve buying power and increase possibilities for collaboration and joint procurement. In addition, the Team Lancashire Procurement Hub is now established and should provide savings from contracts put in place for all Lancashire councils. It is anticipated that as a result of these initiatives, the efficiency savings target of £60,000 will be achievable in 2009/10.

14. The projected outturn shown in appendix 1 shows that further savings of £33,000 are required which is mainly due to the fact that income levels for the first quarter have been lower than anticipated. 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:

Table 1 – Significant Variations from the Cash Budget

	£'000
Expenditure	
Savings on staff salaries	(123)
Fuel costs	14
Income	
Building Control income	71
Car Parking Fees income	52
Rental income – misc properties	14
Street Names & Numbering income	10
Markets income during improvement works	10
Additional LABGI grant received	(23)
Benefits Subsidy & Overpayments recovered	18
Use of Building Control Reserve	(25)
Other minor forecasts	15
Net Movement	33

15. Clearly the most significant change being reported here is the additional savings relating to salaries. The forecast saving of £123,000 shown above is in addition to the

contribution already made to the corporate savings target in quarter 1. These further savings are in the main as a result of vacant posts, many of which have been kept vacant pending the outcome of directorate and departmental restructures or VFM reviews due to take effect within the coming months.

The main savings achieved are analysed by directorate as £87,000 from Business Directorate, £13,000 from People Directorate, and £23,000 from other directorates.

16. Following the recent VFM review of the Business Directorate, salary savings were built into the 2009/10 budget as a result of the subsequent departmental restructures. The time required to implement these changes has meant that posts have been vacant in the first few months of the year resulting in additional savings. The downside of this is that work has not been generated in certain areas and this, combined with the slowdown in the housing market has meant that the initial forecast for Building Control income is anticipated to be £71,000 below budgeted levels for 2009/10. This position is likely to improve once the economy and housing market start to recover but at this stage it is too early to predict whether this will happen in the current financial year.
17. To offset this forecast shortfall in income on Building Control fees it is proposed that the sum of £25,000 be transferred from the Building Control reserve account in 2009/10. The reserve was created to smooth out the "peaks and troughs" on the trading account over a period of years and as such is legitimate to fund any deficit on the account in the short term. It is possible that the deficit could be greater than the proposed transfer of £25,000 from the reserve and members will be updated accordingly throughout the year if this proves to be the case. I have also made an allowance for potential reductions in market rental income given the current economic conditions, this is purely precautionary at this stage and does not represent trading conditions on the market were we are continuing to receive more enquiries about stalls and pitches.
18. One of the Council's main income streams comes from Car Parking fees. The 2009/10 budget included both an increase in tariffs of around 7% and a reduction in volume based on predicted levels for 2008/09. Although it is too early in the financial year to accurately predict the final outturn position, early indications suggest that the budgeted level of income may not be achieved in 2009/10.

The forecast at this stage is for a shortfall in income of around £52,000 for the year. This could be due to customer resistance to the increase in tariffs but further analysis is required before a definite conclusion can be drawn. The position will be closely monitored over coming months and members updated accordingly.

One related issue that members should be aware of is the ongoing discussions with Lancashire County Council regarding the use and application of marginal off-street parking income on the Parkwise account. It is the Council's view that the recording of this income has not been treated correctly in the account and that a sum in the region of £45,000 may be payable to Chorley Council for the year 2008/09 once this issue is resolved. It is also possible that any correction in treatment could be backdated for previous years in which case the amount owing to the council could be as much as £330,000 in total. We are currently awaiting a response from the County's legal department and members will be notified of the outcome at the earliest opportunity.

19. Another area that will need to be monitored closely is the budget for recovery of housing benefit overpayments. Based on the outturn position for 2008/09 I feel it is prudent at this stage to advise members of a potential shortfall of around £18,000 at the end of the first quarter. Again the position will be updated as trends become apparent later in the year.
20. Another income stream to be affected by the economy is that of rental income from the Council's property portfolio. With one or two properties becoming vacant over the last

year, income levels are predicted to fall and the current forecast shows a predicted deficit of around £14,000 in 2009/10. If later in the year demand increases and properties are let, this figure will reduce and forecasts will be updated accordingly.

21. The 2009/10 budget included the introduction of a new charge to contractors for the street naming/numbering service. This was anticipated at the time to generate around £15,000 extra income for the Council. With the current state of the housing market this is unlikely to be achieved in 2009/10 and a revised total of around £5,000 is now expected.
22. One issue which could potentially have a detrimental effect on the Council's outturn position is in respect of local taxation committal and warrant costs. An amendment to legislation covering Magistrates Court fees has recently been introduced which takes effect from 13 July 2009. The effect of the changes is that upfront committal costs have increased from £25 to £240 and court warrant costs have increased from £25 to £75. However, the maximum amounts we can recover have not yet been increased to reflect these changes.

The net effect of this change could be as much as £70,000 in a full year. At this stage we are still waiting to hear whether this increase in costs can be recovered and the Council is working hard to reduce the number of committals to reduce the impact on costs.

23. The greatest potential impact on the Council's year-end position is likely to come from Concessionary Travel. The Concessionary Travel scheme for 2009/10 has been published with a reimbursement rate for operators of 50% plus 2.5% additional costs. (The 2008/09 scheme allowed 63% plus 2.5% additional costs). Bus operators have not accepted the new rates and have indicated they will appeal against both the reimbursement rate and the additional costs. The final outcome will probably be determined via a judicial review later in the year.

The outturn cost of the 2009/10 scheme will be determined by the eventual reimbursement rate and additional cost rates determined either by agreed negotiation with operators or by the DfT appeal process, together with any changes in levels of usage and fare changes. We have not yet received any usage data for 2009/10 and only when some actual data is received will we be able to forecast with any confidence the likely outturn costs for the year. Members will be updated accordingly as and when this information is received.

USE OF RESERVES

24. The current cash budget has been updated to take account of the transfer of £94,000 from reserves to finance revenue expenditure slippage from 2008/09.
25. The general balance brought forward at 1 April 2009 is £1.601m after the transfer of approved slippage.

IMPLICATIONS OF REPORT

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

Finance	✓	Customer Services	
Human Resources		Equality and Diversity	
Legal		No significant implications in this area	

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

GARY HALL
ASSISTANT CHIEF EXECUTIVE (BUSINESS TRANSFORMATION AND IMPROVEMENT)

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Dave Bond	5488	27/07/09	***

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	Appendix 1 (11)
General Fund Revenue Budget Monitoring 2009/10	Original Cash Budget	Impact of Council Restructure	Agreed Changes (Directorates)	Agreed Changes (Other)	Amended Cash Budget	Contribution to Corp. Savings (Staffing)	Contribution to Corp. Savings (Other)	Current Cash Budget	Forecast Outturn	Variance	Variance
	£	£	£	£	£	£	£	£	£	£	%
Chief Executive's Office	609,590			14,000	623,590	(29,000)		594,590	592,590	(2,000)	-0.3%
Corporate Governance	1,643,120		(9,750)	(72,000)	1,561,370	(11,000)		1,550,370	1,542,370	(8,000)	-0.5%
Business	926,500			66,440	992,940	(35,000)		957,940	958,940	1,000	0.1%
Business Transformation & Improvement (Finance)	918,590		(48,170)	81,020	951,440	(9,000)		942,440	928,440	(14,000)	-1.5%
Shared Financial Services	905,650			-	905,650	(8,000)		897,650	898,650	1,000	0.1%
Human Resources	423,450		28,000		451,450	(2,000)		449,450	450,450	1,000	0.2%
Information & Communication Technology Services	825,300		20,170	3,860	849,330	(3,000)		846,330	866,330	20,000	2.4%
People	2,299,480			(33,230)	2,266,250	(36,000)		2,230,250	2,227,250	(3,000)	-0.1%
Policy & Performance	769,060			32,940	802,000	(19,000)		783,000	781,000	(2,000)	-0.3%
Neighbourhoods	4,800,410		9,750	(10,000)	4,800,160	(18,000)		4,782,160	4,851,160	69,000	1.4%
Budgets Excluded from Finance Unit Monitoring:											
Benefit Payments	(870)				(870)			(870)	17,670	18,540	-2131.0%
Concessionary Fares	1,160,420				1,160,420			1,160,420	1,160,420	-	-
Pensions Account	225,480				225,480			225,480	225,480	-	-
Corporate Savings Targets											
Management of Establishment	-			(350,050)	(350,050)	90,000		(260,050)	(260,050)	-	-
Efficiency/Other Savings	-			(60,000)	(60,000)			(60,000)	(60,000)	-	-
Salary Related Savings (Pay Award)	-			(80,000)	(80,000)	80,000		-	-	-	-
Total Service Expenditure	15,506,180	-	-	(407,020)	15,099,160	-	-	15,099,160	15,180,700.00	81,540	0.5%
Non Service Expenditure											
Contingency Fund	-				-			-	-	-	-
Contingency - Management of Establishment	(350,050)			350,050	-			-	-	-	-
Contingency - Procurement Savings	(35,000)			35,000	-			-	-	-	-
Contingency - Gershon Savings	(25,000)			25,000	-			-	-	-	-
Contingency - Salary Related Savings	(80,000)			80,000	-			-	-	-	-
Revenue Contribution to Capital	-			1,139,340	1,139,340			1,139,340	1,139,340	-	-
Net Financing Transactions	461,100				461,100			461,100	461,100	-	-
VAT Shelter Income	-			(650,470)	(650,470)			(650,470)	(650,470)	-	-
Parish Precepts	594,340				594,340			594,340	594,340	-	-
Total Non Service Expenditure/Income	565,390	-	-	978,920	1,544,310	-	-	1,544,310	1,544,310.00	-	-
Total Expenditure	16,071,570	-	-	571,900	16,643,470	-	-	16,643,470	16,725,010.00	81,540	0.5%
Financed By											
Council Tax	(6,899,760)				(6,899,760)			(6,899,760)	(6,899,760)	-	-
Aggregate External Finance	(8,357,690)				(8,357,690)			(8,357,690)	(8,357,690)	-	-
LAA Reward Grant (PRG)	(150,000)				(150,000)			(150,000)	(150,000)	-	-
Area Based Grant	(22,500)				(22,500)			(22,500)	(22,500)	-	-
LABGI Grant	(150,000)				(150,000)			(150,000)	(173,540)	(23,540)	15.7%
Collection Fund Surplus	16,170				16,170			16,170	16,170	-	-
Use of Earmarked Reserves - capital financing	-			(444,000)	(444,000)			(444,000)	(444,000)	-	-
Use of Earmarked Reserves - revenue expenditure	-			(127,900)	(127,900)			(127,900)	(153,250)	(25,350)	19.8%
Use of General Balances (Concessionary Travel)	(234,320)				(234,320)			(234,320)	(234,320)	-	-
Contribution to or use of General Balances	(273,470)				(273,470)			(273,470)	(273,470)	-	-
Total Financing	(16,071,570)	-	-	(571,900)	(16,643,470)	-	-	(16,643,470)	(16,692,360)	(48,890)	0.3%
Net Expenditure	-	-	-	-	-	-	-	-	32,650	32,650	
General Balances Summary Position				Budget	Forecast						
				£	£						
General Fund Balance at 1 April 2009				1,000,000	1,600,690						
Budgeted use of General Balances (Concessionary Travel)					(234,320)						
Budgeted use of General Balances					(273,470)						
Forecast (Over)/Under Spend				-	(32,650)						
Forecast General Fund Balance at 31 March 2010				1,000,000	1,060,250						