

Report of	Meeting	Date
Assistant Chief Executive (Business Transformation) (Introduced by the Executive Member for Resources)	Executive Cabinet	12 November 2009

REVENUE BUDGET MONITORING 2009/10 REPORT 2 (END OF SEPTEMBER 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 which equates to £205,000 for the first two quarters. I am pleased to report that excellent progress has been made in this area with savings of £242,000 already achieved. 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 around £42,000 are required to balance the budget which indicates that non-employee related 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 six 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. In my report to the Executive Cabinet of 13 August, I advised on the projected outturn for 2009/10, which outlined a forecast deficit of £33,000 based on monitoring information at the end of June. This forecast has now been updated to include income and expenditure to the end of September and the revised outturn position is detailed in Appendix 1. The forecast shows a marginal increase in deficit from the position reported in June with a forecast overspend of around £42,000 against budget. Members should note however that the Council has incurred non recurrent expenditure of £56,000 for award of costs and HMRC fees without which the budget would be on track to be balanced.

The significant movements since my last report 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 last monitoring report

	£'000
Expenditure	
Savings on staff salaries	(93)
Award of costs – Planning Applications	28
HMRC fees (PAYE & NI)	28
Asset Maintenance (drainage works)	10
Income	
Planning/Building Control Fees	(82)
Car Parking Fees income	33
Cotswold House - Voids	20
Revs & Bens Shared Services – implementation delay	25
Benefits Payments	20
Other minor forecasts	20
Net Movement	9

13. Clearly one of the most significant changes being reported here is the additional savings relating to salaries. The forecast saving of £93,000 shown above is in addition to the contribution already made to the corporate savings target in quarter 2. 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 £42,000 from People Directorate, £23,000 from Neighbourhoods Directorate, £19,000 from Finance and £9,000 from other directorates.

14. The other significant change to report is the forecast outturn position for Planning and Building Control Fees. In the first monitoring report for 2009/10 I indicated that the initial forecast for Building Control income was anticipated to be around £71,000 below budgeted levels. To offset this impact one Building Control Officer post has been kept vacant to generate a saving on salaries though this will not be sufficient to cover the shortfall in income. Although the downward trend has continued for Building Control income over the last three months increasing the forecast deficit even further, there has been a significant increase in the levels of Planning Application Fees received which has reversed the overall position.

Although it is not anticipated that the income from Planning Fees will be maintained at such recent high levels for the remainder of the financial year, it is still reasonable to assume at this stage that there will be a significant surplus of income over budgeted levels for 2009/10. As a result, the combined forecast for both Planning and Building Control Fees now shows a net surplus of income of £11,000 over budget.

15. One issue that is likely to impact on the revenue outturn position is the award of costs in respect of Planning Application appeals. The Council has recently received an appeal from Wainhomes regarding a site at 605 Preston Road where the Planning Committee refused

the application. The likely cost of the appeal and legal costs is estimated to be around £18,000 at this stage. The Council has also recently lost an appeal in respect of Crows Nest Cottage with estimated costs of around £10,000. Members should be aware that these costs are only estimated at this stage and any change will be reported in future monitoring reports once these issues have been fully resolved.

16. A further issue that has affected the forecast outturn position is the additional fees payable to H.M. Revenues & Customs in respect of tax and National Insurance. The issue has come to light following a review of tax and N.I. that the Council has paid in respect of salaries and allowances for a period dating back six years. As a result the Council is liable for additional charges of around £28,000 payable in the current year.
17. Another of the Council's main income streams comes from Car Parking fees. The initial forecast made in June was for a shortfall in income of around £52,000 for the year. Unfortunately, income levels for the second quarter have continued to be below the levels anticipated in the budget and whilst levels are expected to rise in the run-up to Christmas I feel it is prudent at this stage to increase the forecast deficit to £85,000 for the year.

The forecast shortfall in income could be due to customer resistance to the increase in tariffs for 2009/10 or a change in consumer spending patterns but further analysis is required before a definite conclusion can be drawn. A detailed review on this issue is currently underway and a report will be presented to Members in due course. The levels of income will be closely monitored over coming months and members updated accordingly.

18. One issue that needs to be monitored closely in coming months is the level of empty units (voids) at Cotswold House. A provision equating to 10% has been included in the 2009/10 budget for the loss of rent from void units. Based on lettings information to the end of September, the level of voids is currently above the 10% provision and it is prudent at this stage to allow for an additional £20,000 for loss of income. The Strategic Housing section are currently looking into ways of reducing the level of voids and mitigating the impact on the revenue budget.
19. The Council's base budget for 2009/10 included various savings options from the development of the shared services theme. One such area was Revenues and Benefits with a target saving of £25,000 built into the budget for 2009/10. Although this area is still on the agenda for shared services, it is unlikely that savings will be generated within the current year. It should be noted however that this shortfall will be offset to a great extent by salary savings achieved within Revenues and Benefits.
20. One budget that could have an impact on our year-end position is the budget for housing benefit payments. As we have seen in recent years it is impossible to accurately predict the level of expenditure due to the size and nature of the budget in that it is very much demand driven. With the economy now recognised as being in recession it is likely that demand will increase over coming months creating an additional burden on the revenue budget. In this light I feel it is prudent at this stage to report a forecast increase in net costs of around £20,000.
21. The greatest potential impact on the Council's year-end position is likely to come from Concessionary Travel. As indicated in my last monitoring report, bus operators have yet to agree the new reimbursement rates for 2009/10 with the final outcome likely to 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, agreed by negotiation with operators or by the DfT appeal process, together with any changes in levels of usage and fare changes. Unfortunately 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.

IMPLICATIONS OF REPORT

22. 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	

23. 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	22/10/09	

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	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 Outcome	Variance	Variance
	£	£	£	£	£	£	£	£	£	£	%
General Fund Revenue Budget Monitoring 2009/10											
Chief Executive's Office	609,590			14,000	623,590	(53,000)		570,590	557,880	(12,710)	-2.2%
Corporate Governance	1,643,120		(9,750)	(65,000)	1,568,370	(17,000)		1,551,370	1,553,370	2,000	0.1%
Business	926,500		(30,810)	66,440	962,130	(50,000)		912,130	938,130	26,000	2.9%
Business Transformation & Improvement (Finance)	918,590		(46,770)	81,020	952,840	(18,000)		934,840	953,100	18,260	2.0%
Shared Financial Services	905,650				905,650	(8,000)		897,650	893,650	(4,000)	-0.4%
Human Resources	423,450		28,000		451,450	(4,000)		447,450	459,450	12,000	2.7%
Information & Communication Technology Services	825,300		20,170	5,780	851,250	(6,000)		845,250	880,250	35,000	4.1%
People	2,299,480		(18,380)	(33,230)	2,247,870	(87,000)		2,160,870	2,118,870	(42,000)	-1.9%
Policy & Performance	769,060			32,940	802,000	(43,000)		759,000	756,430	(2,570)	-0.3%
Neighbourhoods	4,800,410		57,540	141,000	4,998,950	(36,000)		4,962,950	4,987,950	25,000	0.5%
Budgets Excluded from Finance Unit Monitoring:											
Benefit Payments	(870)				(870)			(870)	38,060	38,930	-4474.7%
Concessionary Fares	1,160,420				1,160,420			1,160,420	1,160,420	-	-
Pensions Account	225,480				225,480			225,480	221,860	(3,620)	-1.6%
Corporate Savings Targets											
Management of Establishment & Efficiency Savings	-			(410,050)	(410,050)	242,000		(168,050)	(168,050)	-	-
Salary Related Savings (Pay Award)	-			(80,000)	(80,000)	80,000		-	-	-	-
Total Service Expenditure	15,506,180			(247,100)	15,259,080			15,259,080	15,351,370.00	92,290	0.6%
Non Service Expenditure											
Contingency Fund											
Contingency - Management of Establishment/Efficiency	(410,050)			410,050	-			-	-	-	-
Contingency - Salary Related Savings (Pay Award)	(80,000)			80,000	-			-	-	-	-
Revenue Contribution to Capital					1,129,420			1,129,420	1,129,420	-	-
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			969,000	1,534,390			1,534,390	1,534,390.00	-	-
Total Expenditure	16,071,570			721,900	16,793,470			16,793,470	16,885,760.00	92,290	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)	(174,520)	(24,520)	16.3%
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				(277,900)	(277,900)			(277,900)	(303,250)	(25,350)	9.1%
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)			(721,900)	(16,793,470)			(16,793,470)	(16,843,340)	(49,870)	0.3%
Net Expenditure									42,420	42,420	
General Balances Summary Position											
				Budget	Forecast						
General Fund Balance at 1 April 2009				£	£						
Budgeted use of General Balances (Concessionary Travel)				1,000,000	1,600,690						
Budgeted use of General Balances					(234,320)						
Forecast (Over)/Under Spend				-	(42,420)						
Forecast General Fund Balance at 31 March 2010				1,000,000	1,050,480						