

Report of	Meeting	Date
Director of Transformation (Introduced by the Executive Member for Resources)	Executive Cabinet	12 <sup>th</sup> August 2010

## REVENUE BUDGET MONITORING 2010/11 REPORT 1 (END OF JUNE 2010)

### 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 2010/11 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 £360,000 in 2010/11 made up of £300,000 from management of the establishment, £50,000 from the review of Administrative and Transactional Services, and £10,000 from the review of the Car Leasing scheme. This equates to £75,000 establishment savings for the first quarter and I am pleased to report that this target 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. Savings against the other targets should be realised as the year progresses following completion of the review of administrative and transactional services and the implementation of changes to the car leasing scheme.
4. The projected outturn shows a forecast underspend of around £64,000 against the budget despite the loss of £127,000 Housing and Planning Delivery Grant for 2010/11. This will help to contribute to the remaining savings target of £225,000 from management of the establishment.
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, planning/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 2010/11 included real cash savings targets of £300,000 from the management of the establishment and a further £60,000 of savings to come from the review of administrative and transactional services and the implementation of changes to the car leasing scheme.

The budget also included challenging targets for the Council's main income streams despite some major adjustments being made to the 2010/11 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 2009/10 and any transfers from reserves. The significant additions to the budget include:

<b>Details</b>	<b>£'000</b>
<u>Slippage from 2009/10</u>	
• Information management work commissioned for 09/10 to be completed in 2010/11	17
• Reward & Recognition budget required to fund initiatives in 2010/11	13
• Provision of 49 x 1,100 litre bins for recycling at schools	10
• IDeA Peer Review planned for 09/10 postponed until later in 2010/11	9

- Additional new business start up support work 7
  - Training sessions due for 09/10 delayed to April/May 2010/11 6
  - Development of applications for Council's front facing service to improve access channels for customers 6
  - Provision for cash prizes for Chorley Smile Awards as unlikely to attract third party sponsorship 6
  - Slippage for various minor projects across the directorates 20
- Other Transfers from Reserves
- Buildings Maintenance Fund 94
  - Neighbourhood working 138
  - Beacon Grant 29
  - Telephony system 25

13. In the period to the end of June we have identified £75,000 of contributions towards the annual corporate savings target of £300,000 for managing the establishment. The main savings that have been identified are analysed by directorate as £55,000 as a result of savings from within the Transformation Directorate, £10,000 from Partnerships, Planning & Policy Directorate, and £10,000 from People & Places Directorate. This is a positive start to the year, and this position will remain under constant review.
14. The projected outturn shown in appendix 1 forecasts an underspend against the budget of £64,000. 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:

**Table 1 – Significant Variations from the Cash Budget**

	<b>(Under)/Over Spend £'000</b>
<b>Expenditure</b>	
Savings on staff salaries	(174)
Waste Contract	31
Legal Fees	21
<b>Income</b>	
Housing & Planning Delivery Grant	127
Income generation from external bodies	(55)
Cemetery Income	26
Car Parking Fees income	20
Net Financing Transactions	(52)
Other minor forecasts	(8)
<b>Net Movement – underspend</b>	<b>(64)</b>

15. Clearly the most significant change being reported here is the additional savings relating to salaries. The forecast saving of £174,000 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, some of which have been kept vacant pending the outcome of directorate and departmental restructures due to take effect within the coming months.

The main savings achieved are analysed by directorate as £78,000 from People & Places Directorate, £71,000 from within the Transformation Directorate, £15,000 from Partnerships, Planning & Policy Directorate, and £10,000 from the Chief Executives Office.

16. The main non-staffing issue to have an impact on the forecast outturn is the loss of Housing & Planning Delivery Grant for 2010/11. Earlier this year the new coalition Government announced its policy to implement reductions to local authority grant allocations as a means of contributing to the proposed savings target of £6.2bn across Government in 2010/11. As a result the Department for Communities and Local Government have recently published details of the reductions to individual grants to each authority.

One of the decisions taken was to abolish Housing and Planning Delivery Grant in the current year. This has resulted in a loss of income to the Council of £127,000 for 2010/11. It should be noted that this grant was not ring-fenced to either the Housing or Planning Services departments so will not directly impact on those services but the Council will need to ensure savings are made across the authority to cover the shortfall in income.

17. One area which has helped to offset this impact is the generation of additional income from external bodies. There are currently two pieces of work under way which will boost the Council's income streams for 2010/11. Having been approached by the North West Regional Improvement and Efficiency Partnership to support Copeland Council we will be helping them with their transformation programmes. This will generate £70,000 additional income to the Council. The second piece of work involves the Director of Transformation working with Team Lancashire which will generate a contribution to the Council's costs of around £20,000.

The 2010/11 budget included a target of £10,000 for external income generation so the £90,000 outlined above would generate a surplus of £80,000 for the year. However there may be additional costs involved in the programmes of work so an initial provision of £25,000 has been set aside to meet these requirements, reducing the surplus to £55,000. This position will be reviewed and updated as the year progresses and details of actual costs involved become clear.

18. The 2010/11 budget for the Council's waste contract with Veolia included a provision for an inflationary increase to be added to the annual contract cost. Unfortunately the Retail Price Index has risen sharply over recent months resulting in the increase to the contract cost being greater than the budget provision by around 1%. This will result in a budget shortfall of around £31,000 for the year.
19. Another area for potential overspend this year is on legal fees. Although it is still early in the financial year, costs have already been incurred on, for example, planning related fees and the current forecast is that costs will be around £21,000 over budget for this financial year.
20. One area that was highlighted in monitoring reports towards the end of the previous financial year was the shortfall in cemetery income from interment and burial fees. The current forecast is for a shortfall of around £26,000 in 2010/11 based on income received in the first quarter. There is a possibility that this position could improve as plots

purchased in advance in previous years have now been used so income levels may rise over coming months. This position will be reviewed as the year progresses and members updated accordingly.

21. Another income stream currently forecasting a shortfall against budget is car parking fees. Income received in the first quarter is marginally down on budgeted levels by around 3% and should that trend continue for the remainder of the year it is likely that this will result in a deficit of around £20,000.
22. One area that could impact on the Council's year-end position due to the level of costs involved is the Concessionary Travel scheme. It is too early in the year to accurately predict the outturn costs for the scheme but early indications based on travel information received to 12 June suggest that costs will be maintained within budget.

## USE OF RESERVES

23. The current cash budget has been updated to take account of the transfer of £94,000 from reserves to finance revenue expenditure slippage from 2009/10.
24. The general balance brought forward at 1 April 2010 is £1.663m after the transfer of approved slippage. Included within the 2010/11 budget was the intention to increase the level of working balances by around £220,000. The current forecast to the end of June shows that this should be achievable and that the General Fund balance will be around £1.946m which is in line with the £2m target set out in the Medium Term Financial Strategy.

## IMPLICATIONS OF REPORT

25. 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	

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

GARY HALL  
DIRECTOR OF TRANSFORMATION

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Dave Bond	5488	23/07/10	***