

Report of	Meeting	Date
Director of Transformation (Introduced by the Executive Member for Transformation)	Executive Cabinet	23 June 2011

PROVISIONAL REVENUE OUTTURN 2010/11

PURPOSE OF REPORT

1. This report sets out the provisional revenue outturn figures for the Council as compared against the budgets and efficiency savings targets it set itself for the financial year 2010/11.
2. The accounts are provisional at this stage and are also subject to final checking and scrutiny by the Council's external auditor. Should there be any significant changes to the outturn as a result of this process I shall submit a further report to Executive Cabinet. Further details of the Council's overall financial position will be presented to the Audit Committee at the end of June when they are considering the Council's statement of accounts.

RECOMMENDATION(S)

3. That Executive Cabinet are asked to consider the following recommendations.
 - Approval of slippage requests outlined in Appendix 2 of the report to finance expenditure on specific items or projects in 2011/12.
 - Approval of slippage of Section 106 funding for Play and Recreation schemes.
 - Transfer available funds to a specific reserve to fund one-off costs associated with achieving the objectives of the Medium Term Financial Strategy.

EXECUTIVE SUMMARY OF REPORT

4. In December I reported on the financial position of the Council as compared against the budgets and efficiency savings targets for 2010/11. At that time I reported that the full savings target of £360,000 had already been achieved. Further savings have been achieved during the remainder of the year and these have helped to offset one-off costs associated with the recent directorate restructures.
5. The provisional outturn shows the Council's initial net expenditure at the end of the year to be £505,000 below budget. However, this figure includes budgeted underspends to the value of £169,000 on committed items where slippage requests have been received to carry forward resources to 2011/12. After taking slippage into account, the outturn shows an underspend of £336,000 against the budget reflecting a further reduction of £244,000 from the position reported in December.
6. The Council's Medium Term Financial Strategy proposed that working balances were to be no lower than £2.0m due to the financial risks facing the Council. I am pleased to report that the level of balances proposed at 31 March 2011 will exceed the minimum of £2.0m by £0.077m. This puts the Council in a positive position for the start of the next financial period.

REASONS FOR RECOMMENDATION(S)

(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:

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

10. The Council expected to make overall target savings of £360,000 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.
11. In my report to Executive Cabinet of 17 February (position at end of December 2010) I reported that the full target savings of £360,000 had been achieved and advised on the projected outturn for 2010/11 which showed a forecast underspend at the time of around £92,000.

GENERAL FUND PROVISIONAL OUTTURN

12. Set out in Appendix 1 is the provisional summary outturn position for the Council for 2010/11. No individual service directorate figures are attached. These are available for inspection in the Members' Room.
13. The net expenditure at the end of the financial year shows a provisional underspend of £336,000 against the Council's budgets (after taking requests for slippage into account). This reflects a further net reduction in expenditure of £244,000 from the position reported in December.
14. An analysis of the main variances over and above those previously reported in monitoring is shown below. Further details are contained in the service unit analysis available in the Members' Room.

ANALYSIS OF MOVEMENTS

Table 1 – Significant Movements since the December Monitoring report

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

	£'000	£'000
Expenditure		
Staffing Costs	(73)	
Severance/Redundancy payments	60	
Utilities (Gas/Electricity/Water)	(18)	
Skips/Refuse Collection	(31)	
Contractors (Streetscene & Neighbourhoods)	(40)	
Grounds Maintenance Supplies	(29)	
Active Nation contract	42	
Concessionary Travel	<u>(24)</u>	
		(113)
Income		
Car Parking Permits	(30)	
DCLG Housing Grant	(15)	
Revenue salaries recharged to capital schemes (UID Project)	(54)	
DCLG Grant (Customer, ICT & Transactional Services)	(54)	
Income generation from external bodies (Copeland BC)	<u>25</u>	
		(128)
Other variances		(3)
Net Movement from December report		(244)

15. Additional savings on staff salaries of £73,000 have been generated since the last monitoring report, predominantly from within the Housing and Communication sections and the Transformation Directorate as a result of vacant posts. These savings have helped to offset the additional one-off severance and redundancy costs of around £60,000 incurred as a result of the recent departmental restructures.
16. The forecast expenditure for utilities at the end of December was broadly in line with the 2010/11 budgets. The Council now uses the help of Liberata UK to provide meter readings to help monitor energy consumption and the control of expenditure and based on the information provided the estimated outturn costs are lower than budgeted. The Council also changed energy suppliers for electricity in 2010/11 in an attempt to mitigate recent price increases and this has helped to control costs resulting in an additional saving of around £18,000 against budget.
17. The level of expenditure relating to refuse collection and skip use at the Bengal Street Depot is dependent on how much is collected from various types of waste such as green waste, street cleaning and grounds maintenance, and also on the number of exchanges (ie, how often they are collected). In recent months, Council vehicles have been used wherever possible, tipping directly rather than bringing refuse back to the skip therefore negating the need to pay for disposal. In addition to this, Streetscene operatives have increased the chipping of green waste rather than placing it in the skips therefore reducing the volumes of waste for disposal. This has helped to generate a saving against budget of around £31,000 for 2010/11.

18. Another saving generated in the People & Places directorate is on the use of external contractors in relation to tree inspection work and other services. Certain services such as football pitch maintenance have been brought in-house reducing the need for external contractors. The Council has also developed links with government sponsored scheme to retrain people who are unemployed whereby the Council provides the tools and consumables and the work is provided by the partner.. Combined, this has generated a saving of around £40,000 for 2010/11.
19. Further savings have been generated on Grounds Maintenance supplies, particularly in respect of the supply and type of spring and summer bedding plants. This has been achieved through better procurement and control of costs resulting in a saving against budget of around £29,000.
20. One area where the Council has not achieved the savings target it set itself for 2010/11 is on the Active Nation Contract for management of the borough's leisure centres. The 2010/11 estimates included a budgeted saving of £50,000 on the contract, to be achieved by capitalising Active Nation's project management fee. This was on the understanding that there would be sufficient improvement works undertaken throughout the year to justify charging the fee to capital rather than revenue budgets. The value of improvement work completed in 2010/11 wasn't sufficient for this to be achieved resulting in a charge of £44,000 against the revenue budget.
21. In the monitoring report to the end of December the forecast outturn for Concessionary Travel was for a marginal underspend of around £5,000. This was based on cost information provided by Lancashire County Council for the period to 25 December. The final outturn figures show a reduction in costs for the final quarter, likely to be as a result of the poor weather around the start of the year, resulting in a further saving against budget of around £24,000.
22. The Council has an arrangement with Lancashire County Council for residents on-street parking permits whereby the Council administers the scheme, issuing the permits and collecting the income. The income is paid over to LCC at the end of the year after deducting the estimated administration costs (staff time, cost of permits, etc). After reviewing the position at year-end, it has been agreed that the administration costs for 2010/11 are approximately £20,000. This is higher than first anticipated and therefore reduces the amount of net income payable to LCC, generating a saving against the budget.

The Council also held around £11,000 of income relating to residents parking permits previously collected under the Decriminalised Parking Enforcement scheme (DPE). It was expected that this sum would be paid over to LCC at the end of the scheme but after negotiations it has now been agreed that the Council shall retain this income.

23. In 2010/11 the Council received a Housing Grant of £20,000 from the DCLG which was earmarked to part finance the set up and implementation costs of the new Choice Based Lettings system. It was anticipated that the cost of the project would be around £35,000 as initially advised by the provider Community Gateway. However, the final costs for the scheme were only around £20,000 generating a saving of £15,000 to the Council.
24. In 2010/11 the Council secured funding for two projects that have not previously been reported in monitoring as the grants were not guaranteed until the programmes of work were delivered. The first of these was for the Unified Intelligent Desktop (UID) where the Council, in conjunction with Rossendale and Blackburn with Darwen Council, secured £285,000 capital funding from the North West Improvement and Efficiency Partnership (NWIEP) as detailed in the Capital Outturn report. As staff from the Customer, ICT and Transactional Services department have worked on the project it has been possible to recharge an element of their salary costs to capital. This has generated a revenue saving of £54,000 in 2010/11.

25. The Council also secured funding from the DCLG to deliver a project that used customer insight to better understand the needs and wider needs of older people with a focus on fuel poverty. The project engaged with older people and partners through workshops as well as developing a series of practical initiatives (flu jabs, electric blanket testing, health checks) and a promotional campaign to raise awareness of fuel poverty and reduce its impact. This project extended and enhanced previous work undertaken on Circles of Need.

The funding was used to support the delivery and management of the project and as the majority of the work was delivered in-house, the funding was used primarily to cover existing staffing costs therefore generating a revenue saving for the Council.

26. At the time of the last monitoring report in December it was anticipated that the Transformation Programme support to Copeland Council would generate income of around £70,000. As the support for this project has continued into the new financial year, a proportion of this income around £25,000 will only be realised in 2011/12.

COMMITTED ITEMS/SLIPPAGE REQUESTS

27. Each year the Council commits itself to expenditure that may not always be incurred in the financial year. It is customary to allow directorates that have a budget underspend to carry forward these resources to pay for specific items in the following year. This is an important part of the budget management process as it allows officers to commit earmarked resources to specific projects particularly towards the end of the financial year.

The slippage requests received for 2010/11 are outlined in Appendix 2.

28. One area that merits a specific comment is the slippage requests in relation to ICT Services. The principal aim of the Councils current investment in ICT is to deliver better services for less cost. This commenced with the modernisation of the Councils infrastructure in 2010, consolidation of key corporate business applications and making better use of our Microsoft products. Ultimately this will future proof systems, improve productivity leading to more effective performance and resource management for the Council. Greater service efficiency and the potential for sharing of our ICT infrastructure will reduce waste and operational costs in 2012 and beyond in line with the Councils Transformation Strategy.

To conclude the two year ICT improvement plan, now in its second year, requires the investment outlined in this report. Astute fiscal management over 2010 has enabled this opportunity and the request for slippage of funds is therefore necessary to achieve the improvements required for 2012 and beyond.

29. One further item for consideration is the slippage of Section 106 funded grants to other bodies (such as Parish Councils) relating to the Play and Recreation Fund. Grants are paid in stages with the final payment only paid upon completion of the work and as a result of delays in projects being delivered, a balance of £109,740 remains available at the end of the year which is requested to be carried forward to fund projects committed for completion in 2011/12.

GENERAL FUND RESOURCES AND BALANCES

30. With regard to working balances, and as per Appendix 1, we started the year with a balance of £1.663m. During 2010/11 we added to this balance a planned contribution of £0.219m plus the income received from LCC for marginal off-street parking in the sum of £0.158m. At this stage this would provide us with a potential closing balance at the end of 2010/11 of £2.545m prior to allocating any of these resources to specific reserves or allowing for any slippage.

However there are a number of items that will impact on this position that should be considered by Cabinet, these being:

- Carrying over items into 2011/12 via slippage requests (outlined in Appendix 2).
- Setting up an additional reserve to cover future one-off costs associated with achieving recurring budgetary efficiencies.
- Uncertainty in MTFs over future years Formula Grant after 2012/13.

31. The approved MTFs proposes that working balances are to be no lower than £2.0m given the budgetary challenges facing the Council for the next three years together with significant efficiency savings to be achieved to reach a balanced budget position. The MTFs is intended to achieve recurring and sustainable budgetary savings which may result in one-off costs. In the past Central Government have allowed us to capitalise these costs, however, it is unlikely this will be the case in future. The only other alternative to finance these costs is from revenue funds. It is recommended, therefore, that it would be prudent to set aside funds from general balances to form a separate reserve to cover any such one-off costs in future years.

32. It can be seen from the table below that the General Fund Balance will exceed the minimum level set in the MTFs by £0.077m, however, given that there remains uncertainty with regard to Formula Grant after 2012/13 it is important that balances are maintained. The effect of the above on working balances is set out below.

Table 2 – Movement in General Fund Balance

General Balances	£m
Opening Balance 2010/11	1.663
Planned contribution during 2010/11 - achieved	0.219
Marginal off street parking income from LCC	0.158
Provisional revenue budget underspend	0.505
Potential Closing Balance 2010/11	2.545
Less Slippage Requests	0.168
Less reserve to fund recurring efficiencies	0.300
Proposed Working Balances for 2011/12	2.077

IMPLICATIONS OF REPORT

33. 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	

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

GARY HALL
DIRECTOR OF TRANSFORMATION

There are no background papers to this report.

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