

Report of	Meeting	Date
Chief Executive (Introduced by the Executive Member for Transformation)	Executive Cabinet	18 August 2011

REVENUE BUDGET MONITORING 2011/12 REPORT 1 (END OF JUNE 2011)

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 2011/12.

RECOMMENDATION(S)

2. That the contents of the report be noted.
3. That Council be recommended to approve the virement of £20,000 from Partnerships, Planning and Policy directorate and £72,000 from the Transformation directorate in order to finance capital investment in two new ICT systems.

EXECUTIVE SUMMARY OF REPORT

4. The Council's revenue budget savings proposals of £1.197m approved for 2011/12 have, in the main, been implemented and savings achieved. The remaining savings options for increases in planning and car parking fees are due to be introduced over coming months.
5. The Council also expected to make overall target savings of £358,000 in 2011/12 from management of the establishment, a reduced pension rate from the draft budget, and review of the Car Leasing scheme. I am please to report that a total of £229,000 has already been achieved, leaving just £129,000 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.

6. The projected outturn currently shows a forecast underspend of around £183,000 against the budget. 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.
7. 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, and markets rents.
 - Housing and Council Tax Benefits.

REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

8. To ensure the Council's budgetary targets are achieved.
9. To ensure that two new ICT projects can be added to the Capital Programme without increasing borrowing in 2011/12.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

10. None.

CORPORATE PRIORITIES

11. 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

12. The Council's approved revenue budget for 2011/12 included savings proposals of £1.197m 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.
13. In addition to the savings outlined above, the Council expected to make overall target savings of £358,000 made up of £300,000 from management of the establishment, £36,000 from a reduction to the pension rate, and £22,000 from the review of the Car Leasing scheme.

CURRENT FORECAST POSITION

14. Set out in Appendix 1 is the summary forecast 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 are available for inspection in the Members' Room.
15. The directorate cash budgets have been amended for approved slippage from 2010/11 and any transfers from reserves. The significant additions to the budget include:

Details	£'000
• Slippage from 2010/11	168
• Neighbourhood Working reserve	108
• Building Maintenance Fund	68
• Provision for maternity cover	42
• Allotments	39
• Beacon Grant	15

16. In the period to the end of June we have already identified £229,000 of contributions towards the annual corporate savings targets of £358,000 for 2011/12. 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 and VFM reviews. The main savings that have been identified are analysed by directorate as £160,000 as a result of savings from within the Transformation Directorate and £69,000 for People & Places Directorate.
17. The projected outturn shown in Appendix 1 forecasts an underspend against the budget of £183,000. 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	(196)	
Active Nation Indoor Leisure contract	55	
Public Conveniences cleaning contract	<u>(44)</u>	(185)
Income		
Income generation from external bodies (Wyre BC)	56	
Award of New Homes Bonus	(52)	
Waste Collection - LCC cost share	(52)	
Revenue salaries recharged to capital schemes	44	
Income generation from external bodies (Copeland BC)	(40)	
Rental Income - Properties	<u>24</u>	(20)
Other variances		22
Net Movement		(183)

18. The forecast saving of £196,000 on staff salaries shown in the table above is in addition to the contribution of £229,000 already made to the corporate savings target in quarter 1. The majority of this additional saving is from the Transformation Directorate, with around £70,000 resulting from the former Director of Transformation post. It should be noted that this will more than offset the loss of income from Wyre Borough Council shown in the table above resulting from the end of the shared Chief Executive arrangement.

19. The Head of Customer, ICT and Transactional Services has identified two ICT projects that should help to support the Council's Transformation Strategy by increasing productivity and reducing the maintenance costs in respect of existing systems. Replacing the Document Management System by using Microsoft SharePoint technology and upgrading to a new Citrix Virtual Desktop Infrastructure would cost £131,000 in 2011/12. Of this total, £39,000 could be met from the existing ICT Services capital budget. It is recommended that the £92,000 balance should be met by increasing the revenue contribution to capital financing from the sources shown in the table below. Please note the approval of the above will reduce the underspend shown in Appendix 1 of £182,789 to £110,789.

	£'000	
Replacement Document Management System		
Citrix Virtual Desktop Infrastructure		
Cost of new ICT capital projects	131	
Existing capital budget 2011/12	(39)	
Virements		
- from Planning	(20)	
- from Transformation	(72)	Efficiency and vacancy savings
Additional revenue financing of capital	(92)	
Financing of new projects	(131)	

Implementation of the two systems would help to avoid the expense of upgrades to existing legacy systems and would enable efficiency savings to be achieved.

20. One of the main issues reported in the Provisional Revenue Outturn report for 2010/11 was the deficit on the Active Nation Contract for management of the borough's leisure centres. Both the 2010/11 and 2011/12 estimates included a budgeted saving on the contract, to be achieved by capitalising Active Nation's project management fee. This was on the understanding that there would be sufficient capital 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.

The indoor Leisure asset management programme of works is yet to be finalised for 2011/12 and until this is completed there remains the potential for a further deficit this year. The contract with Active Nation is also currently under review and until these issues are resolved I feel it is prudent at this stage to forecast the full potential deficit of £55,000.

21. The contract for cleaning of the public conveniences has recently been renegotiated to take effect from 1 September 2011 with a reduction to the scope of the contract provided by external contractors. Following a review of the current services provided under the contract it has been agreed that certain elements can now be carried out in house, generating a saving on the contract price. The contract charges dating back to 2008 have also been under review and following discussions with the contractor it has been agreed that the Council will receive a refund in 2011/12 of around £23,000. This, together with the reduction in charges from September, will result in an overall saving to the Council of around £44,000 for 2011/12.

22. As part of the Governments 2010 Spending Review, the New Homes Bonus was introduced for 2011/12 to incentivise councils to grant planning permission for the construction of new homes, by matching Council Tax receipts for each new home built for a number of years. The Council's revenue budget included a provisional allocation of £250,000 due for 2011/12. The final allocations have since been determined and the Council has received a sum of £301,916 for the current year generating a surplus against the budget of almost £52,000.
23. As a Waste Collection Authority providing a three tier recycling service the Council is able to claim income from Lancashire County Council. This is a property based payment under which the Council receives a set amount per property. The exact figure that the council is able to claim per property was not known at the time the budget was approved so a prudent approach was taken and it was estimated that we would receive £17.50 per household; we are in fact entitled to £18.10 per household which has led to an additional £52k in income against the budget for 2011/12.
24. The 2011/12 revenue account for Housing Services included provision to recharge an element of staff salaries to Housing capital schemes. As discussed in the Capital Programme Monitoring report, the use and re-phasing of the uncommitted Housing Renewal and Affordable Housing budgets is currently under review. If expenditure is re-phased to later years, it may not be possible to make the budgeted recharge of staff salaries from the revenue account. This could result in a shortfall in revenue income of around £44,000 in 2011/12.
25. As outlined in the Provisional Revenue Outturn report for 2010/11, the Council had secured funding from Copeland Council to provide Transformation Programme support, and that due to the phasing of the work, a proportion of the income around £25,000 would only be realised in 2011/12. In addition to this, agreement has now been reached with Copeland to deliver a further programme of work which should generate additional income of around £15,000 for the Council.
26. The 2011/12 revenue budget includes rental income from properties which come under the Council's Investment Portfolio and also from other miscellaneous land and buildings. One of the Council's properties, the White Hart public house, is currently vacant resulting in a potential loss of income of £32,500 per annum if the property remains empty. This will be partly offset by additional income resulting from rent reviews recently agreed on other Council properties. The current forecast is for a net loss of income of £24,000 for 2011/12.

GENERAL FUND RESOURCES AND BALANCES

27. The current cash budget has been updated to take account of the transfer of approved slippage of £168,450 from 2010/11 and for other transfers from reserves to finance revenue expenditure in 2011/12.
28. The General Fund balance brought forward at 1 April 2011 is £2.077m after the transfer of approved slippage. The current forecast to the end of June shows that the General Fund balance will be around £2.259m. If approval is granted for the transfer of £72,000 from the Transformation directorate in order to finance capital investment in two new ICT systems, this would reduce the forecast level of balances to £2.187m which is in line with the £2.0m target set out in the Medium Term Financial Strategy.

IMPLICATIONS OF REPORT

29. 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	

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

GARY HALL
CHIEF EXECUTIVE

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Dave Bond & Michael Jackson	5488/5490	28/07/11	Revenue Budget Monitoring 2011-12 Report 1.doc