

Report of	Meeting	Date
Chief Executive (Introduced by the Executive Member for Resources)	Executive Cabinet	24 November 2011

REVENUE BUDGET MONITORING 2011/12 REPORT 2 (END OF SEPTEMBER 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 the Executive Cabinet recommends the Council to set aside a sum of £150,000 from current year general revenue fund savings to meet potential planning appeal costs.

EXECUTIVE SUMMARY OF REPORT

4. The Council 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 £309,000 has already been achieved, leaving just £49,000 remaining for this target to be achieved for the year.

Further staffing savings will be made as the year progresses and more vacancies occur, which will ensure the target for the year is achieved.

5. The overall projected outturn currently shows a forecast underspend of around £391,000 against the budget.
6. 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.

Confidential report Please bold as appropriate	Yes	No
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Key Decision? Please bold as appropriate	Yes	No
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Reason Please bold as appropriate	1, a change in service provision that impacts upon the service revenue budget by £100,000 or more	2, a contract worth £100,000 or more
	3, a new or unprogrammed capital scheme of £100,000 or more	4, Significant impact in environmental, social or physical terms in two or more wards

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's approved revenue budget for 2011/12 included savings proposals of £1.197m required to balance the budget and maintain front line services. All the proposals have now been implemented with the exception of the proposed changes to the planning fees structure. A separate report will be presented on this issue.
11. 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

12. Set out in Appendix 1 is the summary forecast outturn 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 can be viewed using the following link and are also available as hard copies for inspection in the Members' Room: <http://democracy.chorley.gov.uk/mgConvert2PDF.aspx?ID=20662>
13. In the second quarter, July to September, we have identified a further £80,000 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.
14. In my report to the Executive Cabinet of 18 August, I advised on the projected outturn for 2011/12, which outlined a forecast underspend of £183,000 based on monitoring information at the end of June. This was reduced to £111,000 following approval of the virement of £72,000 from staffing savings to finance capital investment in new ICT infrastructure.

The 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 updated forecast shows an underspend against the budget of around £391,000. 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.

ANALYSIS OF MOVEMENTS

Table 1 – Significant Variations from the last monitoring report

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

	£'000	£'000
Expenditure		
Leasing/Hire of Vehicles	(31)	
Non Domestic Rates (Markets)	(25)	
Markets Fixtures & Fittings	15	
Refuse Collection (Markets)	(21)	
Pensions (Compensatory Added Years)	(23)	
External Audit Fees	(14)	
Skips/Refuse Collection (Bengal St Depot)	(10)	
Printing & Copying	<u>(9)</u>	
		(118)
Income		
Interest Receivable (Landsbanki deposit)	(85)	
Housing Benefits Subsidy	(76)	
Parking Fees	17	
Parking Enforcement	<u>(15)</u>	
		(159)
Other variances		(3)
Net Movement		(280)

15. The most significant change in the forecast since the last monitoring report is the additional interest receivable in respect of the Landsbanki deposit. The original budget for 2011/12 did not include any accrual of interest on the deposit. This was done because of uncertainty about the outcome of the appeal to the Icelandic Supreme Court, by other creditors, against the priority status of local authority deposits. Following the verdict, announced on 28 October upholding priority status, interest income of £85,000 has now been included in the revised 2011/12 forecast.
16. The other significant change in the forecast is the additional Housing Benefits Subsidy that the Council is expected to receive for the remainder of this year. Under the existing regulations, a restricted subsidy rule applies if the landlord is classed as a charity or “not for profit” organisation and where they provide “care, support or supervision” to their vulnerable tenants. If rents for these tenants are set at a higher level than the Rent Officer deems reasonable, the Council has to pay the full rent charged but is only allowed to claim a proportion of the rent in Housing Benefits Subsidy.

The Council has been working with supported provider landlords over the last few years to make them aware of the situation and the impact of restricted subsidy on local authority finances. Over recent weeks, three of our “not for profit” landlords have registered with the Tenants’ Association and are now treated, for Housing Benefit purposes, as Registered Social Landlords (RSL’s). In these cases, the restriction on subsidy no longer applies and the Council is able to claim the full rent in subsidy. This is anticipated to result in additional subsidy of around £106,000 in 2010/11 and £158,000 for a full year in 2012/13.

Although it is difficult to accurately predict the level of expenditure due to the size and nature of the budget in that it is very much demand driven, based on expenditure levels to date I feel it is prudent at this stage to reflect an increase in net costs of around £30,000. This reduces the forecast budget surplus to around £76,000 for the current year.

17. The Council is currently undertaking a review of its fleet strategy in the Streetscene department with regard to the leasing and hire of vehicles. The council has already met its current leasing obligations for vehicles & plant for the 2011/12 financial year and assuming no additional new leases are taken out before the end of the year there will be a saving against budget of around £31,000.
18. The Valuation Office Agency has carried out a review of Chorley Covered Market, in line with a National Review of markets in England and Wales, to ensure consistency and fairness in the way that they are assessed for business rates purposes. The outcome is that the Rateable Value (not rates payable) for the Covered Market will be reduced from £57,500 to £18,750 whilst the combined individual RV’s for the 33 cabins will be £35,520. This will result in a rebate for Chorley Council but individual liability for the 33 cabins.

The majority of cabins will be entitled to Small Business Rates Relief which, until October 2012, is 100% for any RV below £6,000 (all 33 cabins). However, the liability will be backdated to April 2010 at which point rate relief was only set at 50% until October 2010 thus leaving each trader with a liability. It is the Executives intention to pay the cabin holders liability for 2010/11 and 2011/12, a sum of around £17,000 in total. This will result in a net saving to the Council of around £25,000 in 2011/12.

19. As the Council will benefit from the changes to the rateable value on the Covered Market outlined above, a proportion of this saving will be used to finance improvement works to the market roof. These include installation of snow boards to prevent snow falling from the roof, a rainwater harvest drain and additional security features. It will also cover electrical testing to the market cabins. It is estimated that the cost of these works will be around £15,000 in total.

20. As part of the 2010/11 closure of accounts process it was agreed that a budget of around £10,000 would be carried forward to cover the potential backdated increase in refuse collection costs in relation to the Market. The 2011/12 budget also included provision for an anticipated increase in costs for the current year. However, Market Walk has recently undergone a change in ownership and it is unlikely that the Council will now incur any backdated costs relating to the previous owners. Agreement has been made in principle with the new owners Orchard Street Investment on the new refuse collection charges and it is anticipated that there will be a budget underspend of around £21,000 in the current year.
21. The 2011/12 revenue budget for compensatory added years pension costs was based on an estimate of the charges due from both Lancashire County Council and Tameside Council, and also included a provision for additional pension costs arising from any future early retirements. Details of the actual charges for 2011/12 have now been received from LCC and are lower than anticipated in budget. This, together with a backdated refund on charges for 2010/11, should result in a budget underspend of around £23,000 in the current year.
22. In July of this year the Audit Commission announced further reductions in their scale of audit fees and charges for 2011/12. This was in addition to the reductions previously announced that were built into the Council's base estimates for the current year. This has resulted in additional savings of around £3,000 against the 2011/12 budget.

Further underspends against budget will be generated this year as a result of changes regarding the Joint Committee for Shared Financial Services. Revised accounts and audit regulations have been approved by parliament and included an increase in the turnover threshold for smaller relevant bodies from £1million to £6.5million. As the turnover for Shared Financial Services is now below this increased threshold, the Joint Committee can now be classed as a smaller relevant body and is subject to a limited assurance audit regime. This has reduced the charges for 2011/12 and also resulted in a refund of charges for 2010/11 saving the Council around £11,000.

23. One issue that has been previously reported in the revenue outturn report for 2010/11 is the expenditure relating to refuse collection and skip hire at Bengal Street Depot. Efficiency savings have been achieved by using Council vehicles wherever possible, tipping directly rather than bringing refuse back to the skip, therefore negating the need to pay for disposal. Streetscene operatives have also increased the chipping of green waste rather than placing it in the skips therefore reducing the volumes of waste for disposal. It is anticipated that there will be a saving against budget of at least £10,000 in the current year.
24. The review of printing & copying earlier this year outlined the varied use of a significant number of printers and copiers across the Council's main buildings and identified the potential benefits and savings from the use of Multi Functional Devices via the Council's network. As a result the majority of the old printers and copiers have now been replaced with a single contract, saving the Council around £18,000 for a full year and around £9,000 for a part year saving in 2011/12.
25. To encourage shoppers and support local traders, from the 24th November the Council is offering free parking from 3pm on their pay & display car parks. Motorists will also be able to take advantage of three hours' free parking after 10am on Thursdays. It has been estimated that this will lead to a potential loss of income of around £17,000 although the true effect will not be known until after the Christmas period.
26. The Council's revenue budget for Parking Enforcement reflects the amounts paid to Chipside Ltd and Legion Group to carry out off-street parking enforcement, less the income collected from Penalty Charge Notices (PCN's). Based on information available to date, the latest forecast indicates that the average income per ticket will be higher than expected resulting in a surplus of around £15,000 against the 2011/12 budget.

27. As detailed in the Capital Programme Monitoring report to Executive Cabinet on 24 November 2011, the budgets for ICT projects that implement new hardware and software increase by a total of £112,340. Of this total, bringing forward £40,000 of the budget from 2012/13, and funding £39,340 from revenue were approved by Council on 27 September 2011. Of the remaining £33,000, it is proposed that £18,000 is funded from Capital from the budget for Planned Improvements to Fixed Assets, and that £15,000 should be funded from revenue budgets.

GENERAL FUND RESOURCES AND BALANCES

28. The General Fund balance brought forward at 1 April 2011 was £2.077m after the transfer of approved slippage. The current forecast to the end of September shows that the General Fund balance will be around £2.318m.
29. One further item for consideration is the potential impact on the Council's revenue account of Planning Appeals. The Council is currently involved in a number of current and potential appeals and the full costs and implications may not be known for some time. In light of the current forecast outturn position and level of balances I feel it is prudent at this stage to recommend that a sum of £150,000 is set aside in the current year to mitigate against potential costs arising from planning appeals. If the recommendation is approved this would reduce the forecast General Fund balance to £2.168m.
30. A separate report is to be presented to members on the implications of the Olympic Torch Relay passing through Chorley and Euxton. The report recommends a one-off budget provision of £40,000 be made to support the associated activities and initiatives. It is also recommended that this is funded from the general fund balance.

IMPLICATIONS OF REPORT

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

Finance	✓	Customer Services	
Human Resources		Equality and Diversity	
Legal	✓	Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

COMMENTS OF THE STATUTORY FINANCE OFFICER

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

COMMENTS OF THE MONITORING OFFICER

33. The Monitoring Officer has no comments.

GARY HALL
CHIEF EXECUTIVE

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Dave Bond	5488	03/11/11	Revenue Budget Monitoring 2011-12 Report 2.doc

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
General Fund Revenue Budget Monitoring 2011/12 Forecast to end of September 2011	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	520,920	699,260	(10,500)	33,260	1,242,940	(20,000)		1,222,940	1,206,940	(16,000)	-1.3%
Partnerships, Planning & Policy	1,679,420	(699,260)	10,920	121,470	1,112,550			1,112,550	1,140,550	28,000	2.5%
People & Places	5,998,240		(24,650)	276,030	6,249,620	(99,000)		6,150,620	6,041,620	(109,000)	-1.8%
Transformation	5,074,580		24,230	179,600	5,278,410	(190,000)		5,088,410	5,028,410	(60,000)	-1.2%
Directorate Total	13,273,160	-	-	610,360	13,883,520	(309,000)	-	13,574,520	13,417,520	(157,000)	-1.2%
Budgets Excluded from Transformation Directorate Monitoring:											
Pensions Account	242,580				242,580			242,580	219,270	(23,310)	-9.6%
Concessionary Fares	(2,300)				(2,300)			(2,300)	(2,300)	-	-
Benefit Payments	154,310				154,310			154,310	77,980	(76,330)	-49.5%
Corporate Savings Targets											
Management of Establishment	-			(300,000)	(300,000)	251,000		(49,000)	(49,000)	-	-
Reduction in Pension Rate	-			(36,000)	(36,000)	36,000		-	-	-	-
Efficiency/Other Savings	-			(22,000)	(22,000)	22,000		-	-	-	-
Total Service Expenditure	13,667,750	-	-	252,360	13,920,110	-	-	13,920,110	13,663,470	(256,640)	-1.8%
Non Service Expenditure											
Contingency Fund	-				-			-	-	-	-
Contingency - Management of Establishment	(300,000)			300,000	-			-	-	-	-
Efficiency/Other Savings	(58,000)			58,000	-			-	-	-	-
Revenue Contribution to Capital	-			743,880	743,880			743,880	743,880	-	-
Net Financing Transactions	438,210				438,210			438,210	356,210	(82,000)	
Voluntary set aside for debt reduction	-				-			-	-	-	-
VAT Shelter Income	-			(524,280)	(524,280)			(524,280)	(524,280)	-	-
Transfer to Earmarked Reserve - VAT Shelter Income	-			114,910	114,910			114,910	114,910	-	-
Parish Precepts	589,260				589,260			589,260	589,260	-	-
Total Non Service Expenditure/Income	669,470	-	-	692,510	1,361,980	-	-	1,361,980	1,279,980	(82,000)	
Total Expenditure	14,337,220	-	-	944,870	15,282,090	-	-	15,282,090	14,943,450	(338,640)	-2.2%
Financed By											
Council Tax	(6,976,160)				(6,976,160)			(6,976,160)	(6,976,160)	-	-
Grant for freezing Council Tax	(159,000)				(159,000)			(159,000)	(159,673)	(673)	
Aggregate External Finance	(6,740,960)				(6,740,960)			(6,740,960)	(6,740,960)	-	-
New Homes Bonus	(250,000)				(250,000)			(250,000)	(301,916)	(51,916)	
LAA Reward Grant (PRG)	(80,100)				(80,100)			(80,100)	(80,100)	-	-
Local Services Support Grant	-			(71,470)	(71,470)			(71,470)	(71,470)	-	-
LABGI Grant	(75,000)				(75,000)			(75,000)	(75,000)	-	-
Collection Fund (Surplus)/Deficit	(26,000)				(26,000)			(26,000)	(26,000)	-	-
Use of Earmarked Reserves - capital financing	-			(347,430)	(347,430)			(347,430)	(347,430)	-	-
Use of Earmarked Reserves - revenue expenditure	(30,000)			(525,970)	(555,970)			(555,970)	(555,970)	-	-
Total Financing	(14,337,220)	-	-	(944,870)	(15,282,090)	-	-	(15,282,090)	(15,334,679)	(52,589)	0.3%
Net Expenditure	-	-	-	-	-	-	-	-	(391,229)	(391,229)	
General Balances Summary Position				Target	Forecast						
				£	£						
General Fund Balance at 1 April 2011				2,000,000	2,076,700						
(Use of)/Contribution to General Balances					0						
Provisional (Over)/Under Spend					391,229						
Potential Legal Costs in respect of Heath Paddock					(150,000)						
Forecast General Fund Balance at 31 March 2012				2,000,000	2,317,929						