

Report of	Meeting	Date
Chief Executive (Introduced by the Executive Member for Resources, Policy and Performance)	Executive Cabinet	22 November 2012

## REVENUE BUDGET MONITORING 2012/13 REPORT 2 (END OF SEPTEMBER 2012)

### 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 2012/13.

### RECOMMENDATION(S)

2. That the contents of the report be noted.

### EXECUTIVE SUMMARY OF REPORT

3. The Council expected to make overall target savings of £200,000 in 2012/13 from management of the establishment. I am please to report that excellent progress has been made in this area and the full savings target for 2012/13 has been achieved.
4. The projected outturn currently shows a forecast underspend of around £312,000 against the budget. No action is required at this stage in the year.
5. The Council's Medium Term Financial Strategy proposed that working balances were to be no lower that £2.0m due to the financial risks facing the Council. The current forecast to the end of September shows that the General Fund balance will be around £2.334m. This puts the Council in a strong position and should help to mitigate against future risks associated with the Local Business Rates Retention scheme from April 2013.
6. Projects to improve Chorley Town Centre, to be funded from the £300,000 reserve created for that purpose, have commenced.

<b>Confidential report</b> Please bold as appropriate	Yes	<b>No</b>
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<b>Key Decision?</b> Please bold as appropriate	Yes	<b>No</b>
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### 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:

Involving residents in improving their local area and equality of access for all		A strong local economy	
Clean, safe and healthy communities		An ambitious council that does more to meet the needs of residents and the local area	√

Ensuring cash targets are met maintains the Council's financial standing.

## BACKGROUND

10. The Council's approved revenue budget for 2012/13 included target savings of £200,000 from management of the establishment.
11. The June budget monitoring report recommended the use of General Balances to create a specific earmarked reserve for use in 2012/13. A sum of £300,000 was approved for investment in the Town Centre. Work has already started in a number of areas including:
- Market Street reopening – estimated cost £40,000
  - Conversion of newly acquired land at Gillibrand Street to extension of Fleet Street Car Park - estimated cost £40,000

These costs are not included in Appendix 1 as they are being funded from the Town Centre Investment Reserve without any impact on the forecast outturn.

12. Also approved in the June report was the use of underspends on existing staffing budgets to fund the creation of an additional Business Advisor post. This will provide a service for existing businesses that have been trading for more than three years.

## CURRENT FORECAST POSITION

13. Set out in Appendix 1 is the summary provisional 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 [here](#) and are also available as hard copies for inspection in the Members' Room.
14. In the period to the end of September we have already identified the full £200,000 of contributions towards the annual corporate savings targets for 2012/13. 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. The main savings that have been identified are analysed by directorate as £110,000 as a result of savings from within the Chief Executive & Transformation Directorate and £90,000 for People & Places Directorate.
15. In my report to the Executive Cabinet of 16 August I advised on the projected outturn for 2012/13 which outlined a forecast underspend of £255,000 based on information to the end of June. The forecast has since been updated and the projected outturn shown in Appendix 1 forecasts an underspend against the budget of £312,000. The significant movements since the 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
<b>Expenditure</b>		
Staffing costs	(27)	
United Utilities review of wastewater charges	(51)	
Bus Shelter refurbishment	(23)	
Street Furniture replacement	(10)	
Leasing/Hire of Vehicles and Plant	(20)	
Utilities (Gas, Electric)	(23)	
Refuse Collection - Civic Offices	(12)	
IT Software Licences & Maintenance	41	
Other Expenditure	<u>(17)</u>	
		(142)
<b>Income</b>		
Planning Fees	50	
Cemetery Income	20	
Change in Parking Tariffs Proposal	(21)	
Rental Income (Investment Portfolio)	(16)	
Lease/Rental of Council Offices	(11)	
Cotswold Rental Income	(10)	
LCC income - roundabout maintenance	(12)	
Working together with families	(10)	
Other Income	<u>(5)</u>	
		(15)
Corporate Savings (Management of Establishment)		100
<b>Net Movement</b>		<b>(57)</b>

16. An additional saving of £27,000 on staff salaries has been achieved in the period to the end of September from across the Council's directorates. This has helped to contribute towards the transfer of a further £100,000 to the corporate savings target in quarter 2 resulting in the full savings target for 2012/13 being achieved.
17. In recent months a number of issues have been raised with United Utilities Water Plc where it appeared that charges for surface water and highway drainage were being duplicated or made on the wrong tariff. United Utilities have initiated a review which is now almost complete resulting in both one-off refunds for overpaid accounts and amendments to charges as a result of now charging on a site area basis rather than a rateable value basis. The current forecast is for a saving of around £51,000 against the budget in 2012/13 with a recurrent saving of around £14,000 for future years. The saving figure may increase as there are still one or two issues to resolve and Members will be updated accordingly once the review is completed.

Members should be aware however that United Utilities have indicated that the new charging mechanism should have applied to other council properties, such as parks and cemeteries, and is proposing to charge for these new sites in future years. Negotiations are still on-going but the potential impact for the Council is an increase in charges of between £40,000 and £80,000 per annum to be phased in over the next 7 years.

18. Included in the base budget for 2012/13 was a one-off growth item of £75,000 for a programme of repair, refurbishment and replacement of Chorley Council owned bus shelters. The final quotes have now been received and it is anticipated that the total cost of the work will be around £23,000 less than budgeted. A further £75,000 was also included in the base budget for the refurbishment and replacement of 300 bins within the borough. The final quotes for this work have been received at £10,000 less than the initial estimate.
19. The current leasing and hire commitments for vehicles and plant used by the Streetscene Delivery Teams have now been assessed for 2012/13 in line with the Council's fleet replacement programme. The cost of existing lease and hire arrangements have been taken into account resulting in a forecast underspend of around £20,000 against budget in the current year.
20. Over the last 12 months the Council has been involved in discussions with energy suppliers for gas and electricity in an attempt to receive more accurate billing information based on actual rather than estimated meter readings. In certain instances the meters have also been misread by the suppliers leading to incorrect bills being issued. A number of these issues have recently been resolved resulting in revised invoices and refunds on certain accounts. As a result, the forecast for 2012/13 is for an underspend of around £23,000 against the budget.
21. Earlier this year the Council negotiated a new contract with Neales Waste Management for refuse collection in respect of the Civic Offices, replacing the previous arrangement with Veolia (UK) Ltd. This has achieved part year savings of around £12,000 in 2012/13 and around £15,000 for 2013/14 and future years.
22. One area where the Council is forecast to overspend this year is on IT Software Licences and Maintenance. One-off costs pertain to a dispute with software suppliers ESRI (UK) Ltd in relation to Oracle licencing costs. A license resolution charge of £36,858 has been agreed to settle the dispute which will be recovered from on-going licencing costs. The impact on the Councils finances will ultimately be cost neutral.

In addition, the Council recently experienced a period where the IT systems were unavailable and specialist out of hours external IT support was needed to resolve the issue, costing around £5,000. It should be noted however that both of these items of expenditure are one-off in nature and the total cost of around £41,000 can be met from within existing 2012/13 budget resources.

23. One of the most significant changes to report is the forecast outturn position for Planning Fees. Income received for Planning Application Fees over recent months has been significantly below budgeted levels, particularly for the month of September where income was around £40,000 lower than anticipated. Figures for April to July were positive as income levels were in line or ahead of targets but this position changed for August and September. The latest forecast is for fee income to be around £550,000 for the year compared to the 2012/13 budget of £600,000. This position will be monitored closely over coming months and Members advised accordingly.
24. Another area where the Council is forecast to under achieve against its income budgets set for 2012/13 is in relation to Cemetery fees. Income levels for the first six months of the year are down compared with the budget and also the 2011/12 income for the same period. The latest forecast is for a shortfall in income of around £20,000 in the current year.

25. In the June monitoring report I outlined the Council's proposal to introduce revised car parking tariffs on a trial basis from September 2012 to January 2013 resulting in an estimated loss of income at the time of writing of around £42,000. However, the proposals were subsequently modified leading to a revised estimate for the loss of income of around £21,000 during the five month trial period.
26. Also mentioned in the last report was the potential loss of rental income from commercial units at Chorley North Industrial Estate following the decision by a tenant of three of the units to give notice to terminate their leases. The forecast was for a shortfall in income of around £14,000 but on the assumption that the units would be re-occupied by the start of the new calendar year. I am pleased to report that new tenants have already been found for the three units resulting in no major loss of income for 2012/13. Additional minor income relating to other properties is also included in the latest forecast resulting in an overall improvement of £16,000 compared to the position reported in June.
27. Additional income is also forecast for 2012/13 from the lease/rental of Council Offices. HMRC are currently occupying office space at Union Street whilst the Gillibrand Street offices are being sublet to the Probation Service. Assuming that both tenants remain in occupancy to the end of the financial year, additional income of around £11,000 should be received, £6,000 from HMRC and £5,000 from an increase in the rent charged for Gillibrand Street above the budgeted level of £50,000.
28. The 2012/13 rental income budget for Cotswold House includes an assumption regarding the level of empty flats (voids) during the year. During the first quarter, large scale room refurbishment at Cotswold increased void levels to 24.7% compared to the budget allowance of 20%. The second quarter has seen occupancy increase and voids for this period have dropped to 15.4%, thus reducing the potential shortfall of income from £18,000 to £8,000. It is assumed quarters 3 and 4 will be within the budget allowance of 20% voids.
29. An agreement has been reached with Lancashire County Council, as part of the public realm working, for Chorley Council to carry out maintenance of the roundabouts within the borough in return for a share of the income received from roundabout advertising. The Council will receive £12,000 per annum from the agreement with associated costs being absorbed within existing budgets.
30. The Council will also receive a further £10,000 from LCC in respect of the Working Together with Families initiative. This is a transformational working initiative for which Chorley Council is carrying out the administration of the Local Management Board. It is anticipated that any associated costs will relate to staff time and will be met from within existing budget resources.
31. One issue for Members to be aware of is the funding arrangements for this years' Christmas events. Plans are well under way for the Christmas lights switch on event and the additional activities planned for the town centre each Saturday in the run up to Christmas. Sponsorship has already been secured from Market Walk and Chorley Nissan which has increased the budget available by around £7,000 to help fund the activities. Final costs for this year's events have not yet been finalised but in the event of any funding shortfall it is proposed that the balance remaining in the Olympic Torch Relay budget be used to cover the costs. The final costs for this event came in at around £17,000 compared to the budget provision of £40,000. This leaves a balance of £23,000 uncommitted and available for use if required.
32. A further issue to note is the receipt of a Special Government Grant from the DCLG to finance the implementation costs for localisation of council tax support. The Council has received a grant in the sum of £84,000 as a billing authority to help prepare for the new scheme which takes effect from 2013/14 onwards. The grant will be used to fund the necessary software upgrades and consultation costs required to implement the scheme.

## GENERAL FUND RESOURCES AND BALANCES

33. With regard to working balances, and as per Appendix 1, we started the year with a balance of £2.264m. The current forecast to the end of September shows that the General Fund balance will be around £2.334m. The approved MTFs proposes that working balances are to be no lower than £2.0m given the budgetary challenges facing the Council. However, given that there still remains a great deal of uncertainty for the Council's income streams following the implementation of the local Business Rates retention scheme from April 2013 it would be prudent at this time to maintain balances at this higher level to help mitigate this risk.

## IMPLICATIONS OF REPORT

34. 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

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

## COMMENTS OF THE MONITORING OFFICER

36. The Monitoring Officer has no comments.

GARY HALL  
CHIEF EXECUTIVE

There are no background papers to this report.

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Dave Bond	5488	29/10/12	