

Report of	Meeting	Date
Director of Finance (Introduced by the Executive Member for Resources Councillor G Morgan)	Executive Cabinet	24 August 2006

REVENUE BUDGET MONITORING 2006/07 - REPORT 2 (END OF JUNE 2006)

PURPOSE OF REPORT

- This paper sets out the current financial position of the Council as compared against the budgets and efficiency savings targets it set itself for 2006/07 for the General Fund and the Housing Revenue Account.

CORPORATE PRIORITIES

- This report does not directly relate to the corporate priorities.

RISK ISSUES

- The issue raised and recommendations made in this report involve risk considerations in the following categories:

Strategy	✓	Information	
Reputation	✓	Regulatory/Legal	
Financial	✓	Operational	✓
People		Other	

- Actions to manage the budget have the potential to impact on all of the above risk categories.

BACKGROUND

- The Council's budget for 2006/07 included real cash savings targets of £278,000 from the management of the establishment and a further £60,000 of savings to come from efficiency and procurement related activities.

CURRENT FORECAST POSITION

- The appendix 1 shows the summary forecast position for the Council based upon actual spending in the first quarter of the financial year, adjusted for future spending based upon assumptions regarding vacancies and service delivery. No individual service unit figures are attached. These are available for inspection in the Members Room.
- In my last report I advised on the projected outturn which forecast an overspend of £82,000, The current projection has improved slightly and is now for an over spend of £66,000 after using the £100,000 in the council's contingency budget to reduce the

anticipated budget gap. At this stage no specific allocations have been made from the contingency budget.

8. The latest forecast shows how the position has changed. 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:

Table 1 – Significant Variations since the last monitoring report

	£'000
Additional salary savings in forecast	(48)
Loss of income in Development & Regeneration	25
Savings in Development & Regeneration recovery plan	(25)
Target Bonuses for recycling contract	16
Use of equalisation reserve for target bonuses	(26)
Increase in NNDR costs for Streetscene, Neighbourhoods & Environment	15
Benefits payments	25
Other minor forecasts	2
Net change since October report	<u>(16)</u>

9. As part of our continuing drive to identify savings that contribute towards our annual targets, a further £48,000 has been identified relating to the management of our establishment. These savings have arisen in a number of directorates, and further savings should be identified over the coming months. This now brings the total savings identified to £223k against a target for the year of £278k.
10. The most significant change being reported this month is the reduction in income within the Development & Regeneration directorate. The £25k shown in the table above is further broken down as Building Control Plan Fees £9k and Building Control Inspection Fees £20k partially offset by Planning Application Fees increased income of £4k.
11. In response to this projected loss of income the Director for Development & Regeneration is undertaking a study to determine how this can be balanced with cost savings. Initial indications are that by not filling existing vacant posts until October and savings from supplies and services budgets will enable the service to recover this position.
12. I have included in the table above the savings in the recovery plan based on assurances from the Director of Regeneration & Planning that they are achievable as they are mainly arrived at from not filling existing vacant positions.
13. In addition to identifying savings needed to offset the loss of income, the Director for Development & Regeneration has also instigated a review by her team of the major income streams for the directorate to determine if there are any other areas where income budgets are unlikely to be achieved. As soon as information is provided on this I will report it to the Executive Cabinet.
14. The forecast for target bonus payments relating to the recycling contract has risen again this month as a result of increased performance. However, the impact is reduced as a result of bringing in an amount from the equalisation reserve established at the end of 2005/06 financial year designed to smooth the effect of variances arising from the recycling contract. In the previous monitoring report the increased cost was reported, but no account was taken of the use of reserves. This report now shows the effect of using the reserve specifically designed for this purpose.

15. The annual assessment of rateable value for council assets has increased within the Streetscene, Neighbourhood & Environment directorate beyond the level assumed in the budget. The result is that £15k of additional costs has been incurred on NNDR split amongst the following assets:
- Bengal Street Depot £8k
 - Car Parks £3k
 - Chorley Cemetery £3k
 - Yarrow Bridge Depot £1k
16. In previous reports to the Executive Cabinet I have advised of the volatility of a number of budgets. One such budget that has the potential to impact significantly on our year-end position is the budget for housing benefit payments. At this stage in the year it is impossible to accurately predict the level of overspend on the budget, as the very nature of the expenditure is that it is demand driven. That said based on previous years experience I feel it is prudent at this stage to advise members of a potential overspend of approximately £25k at the end of the first quarter.
17. There are some steps that can be taken to reduce this level of overspend including reviewing the level of the provision for bad debts on overpayments. This review is normally conducted at the end of each financial year and takes into account the success of our recovery procedures in ensuring overpayments are repaid to the council. Taking into account such factors I have currently included an estimate of £25k as an overspend, but should information come to light that requires this figure to be amended, I will report back to the cabinet at that time.
18. Another area previously reported to members as requiring close monitoring has been the concessionary travel budget. Following changes in the statutory requirements placed on the council, the cash budget this year has increased to £514k from £217k in 2005/06. At the moment there has been insufficient information received to determine if the increased budget will adequately cover the increased costs arising from the enhanced scheme. The budget will be kept under constant review, and members informed as soon as any significant variations from budget are known.

HOUSING REVENUE ACCOUNT

BACKGROUND

19. The forecast for the HRA at the end of 2005/06 was for balances to be at £534k, however the actual outturn position resulted in a higher than expected contribution to balances taking them to £592k.
20. Last month I reported additional costs of £53k are expected to be incurred on the HRA in respect of Job Evaluation. This position has not changed.
21. However, the current income forecast has now been increased by £69k based on current year to date receipts. This is mainly due to a continued low level of council house sales.
22. The result of these two anticipated variations is that HRA balances are expected to be in the region of £683k at the end of the year.

SUMMARY

23. Progress continues to be made towards the Corporate Savings Target of £278,000 for the year. Further savings will be made as the year progresses and more vacancies occur.

24. There are a number of areas that will be monitored closely as the year progresses, these are:
- Contribution to Corporate Savings and Efficiency Targets
 - Agency Staff costs
 - Income streams from Development & Regeneration and associated recovery plan
 - Increased refuse collection costs
 - Concessionary travel and benefit costs
25. 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.

COMMENTS OF THE DIRECTOR OF HUMAN RESOURCES

26. There are no financial implications attached to this report.

RECOMMENDATIONS

27. Executive Cabinet are asked to:
- a) Note the contents of the report.

REASONS FOR RECOMMENDATIONS (If the recommendations are accepted)

28. To ensure the Council's budgetary targets are achieved.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

29. None

GARY HALL
DIRECTOR OF FINANCE

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Phil Eskdale-lord	5483	July 2006	ADMINREP/REPORT

General Fund Revenue Budget Monitoring 2006/07

APPENDIX 1

Forecast Outturn as at June 2007

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Original Budget	Agreed Changes	Original Cash Budget	Contribution to Corp. Savings (Staffing)	Contribution to Corp. Savings (Other)	Current Cash Budget	Forecast Outturn	Variance	Variance
	£	£	£	£	£	£	£	£	%
Chief Executive's Office	966,090		966,090	(85,120)	(1,370)	879,600	874,000	(5,600)	-0.64%
Customer, Democratic & Legal Services	2,105,500	21,000	2,126,500	(740)	(5,000)	2,120,760	2,161,000	40,240	1.90%
Development & Regeneration	890,980		890,980	(30,000)		860,980	860,963	(17)	0.00%
Finance	1,481,750		1,481,750	(32,030)	(72,110)	1,377,610	1,378,000	390	0.03%
Human Resources	697,140		697,140		(250)	696,890	699,000	2,110	0.30%
Information & Communication Technology Services	939,560	19,000	958,560	(19,000)		939,560	940,000	440	0.05%
Leisure & Cultural Services	1,197,010		1,197,010		(370)	1,196,640	1,197,010	370	0.03%
Policy & Performance	534,680		534,680	(4,590)		530,090	530,000	(90)	-0.02%
Property Services	35,010	28,000	63,010			63,010	71,891	8,881	14.09%
Streetscene, Neighbourhoods & Environment	4,696,680	9,400	4,706,080	(51,480)	(220)	4,654,380	4,739,000	84,620	1.82%
Budgets Excluded from Finance Unit Monitoring:									
Benefit Payments	(381,050)		(381,050)			(381,050)	(356,050)	25,000	-6.56%
Concessionary Fares	513,250	(60,000)	(60,000)		79,320	19,320	-	(19,320)	-100.00%
Pensions Account	212,730	(278,050)	(278,050)	222,960		513,250	513,250	-	0.00%
Less						212,730	212,730	-	0.00%
Corporate Savings Targets									
Efficiency/Other Savings		(60,000)	(60,000)			19,320	-	(19,320)	-100.00%
Management of Establishment		(278,050)	(278,050)	222,960		(55,090)	-	55,090	-100.00%
Total Service Expenditure	13,889,330	(260,650)	13,628,680	-	-	13,628,680	13,820,794	192,114	1.4%
Non Service Expenditure									
Contingency Fund	100,000		100,000			100,000	-	(100,000)	0.0%
Contingency - Salary Related Savings	(278,050)	278,050	-			-	-	-	0.0%
Contingency - Procurement Savings	(35,000)	35,000	-			-	-	-	0.0%
Contingency - Gershon Savings	(25,000)	25,000	-			-	-	-	0.0%
Notional Capital Charges	1,168,670		1,168,670			1,168,670	1,168,670	-	0.0%
Revenue Contribution to Capital	-		-			-	-	-	0.0%
Net Financing Transactions	219,210		219,210			219,210	219,210	-	0.0%
Parish Precepts	535,399		535,399			535,399	535,399	-	0.0%
Total Non Service Expenditure	1,685,229	338,050	2,023,279	-	-	2,023,279	1,923,279	(100,000)	-4.9%
Financed By									
Council Tax	(6,495,201)		(6,495,201)			(6,495,201)	(6,495,201)	-	0.0%
Aggregate External Finance	(7,743,127)		(7,743,127)			(7,743,127)	(7,743,127)	-	0.0%
Collection Fund Surplus	(48,561)		(48,561)			(48,561)	(48,561)	-	0.0%
Use of Earmarked Reserves	(1,287,670)	(77,400)	(1,365,070)			(1,365,070)	(1,391,070)	(26,000)	-1.9%
Use of General Balances	-		-			-	-	-	0.0%
Total Financing	(15,574,559)	(77,400)	(15,651,959)	-	-	(15,651,959)	(15,677,959)	(26,000)	-0.2%
Net Expenditure	-	-	-	-	-	-	66,114	66,114	0.49%
General Balances Summary Position									
General Fund Balance at 1.4.05			£ 1,000,000						
			750,000						
Variations agreed utilising General Fund Balance			-						
Forecast (Over)/Under Spend			(66,114)						
Forecast General Fund Balance at 31.3.06			750,000						
			933,886						

SERVICE LEVEL BUDGET MONITORING 2006/2007**HOUSING REVENUE ACCOUNT**

JUNE 2006

£'000

ORIGINAL SURPLUS (-) / DEFICIT (+) FOR YEAR**(75)****BALANCE AS AT 1.4.06****(592)****Add Adjustments for In year cash movements**

Slippage from 2005/2006

Virements for other Services

Transfer from contingency

Cabinet approved decisions

Delegated Authority decisions

ADJUSTED HRA BALANCES EXPECTED at 31.3.07**(667)****FORECAST****EXPENDITURE**

Job Evaluation Costs

53

Expenditure under(-) or over (+) current cash budget

53

INCOME

Rents

(40)

Garages

(4)

Other Charges

(25)

Income under (+)/ over (-) achieved

(69)

FORECAST BALANCES AS AT 31.3.07**(683)****Key Assumptions****Key Issues/Variables**

Repairs and Maint expenditure

Management and Maint Expenditure

Key Actions

Control of above