

Report of	Meeting	Date
Director of Finance (Introduced by the Executive Member for Resources)	Executive Cabinet	7 December 2006

DRAFT GENERAL FUND REVENUE BUDGET FOR 2007/08

PURPOSE OF REPORT

- To secure the Executives agreement on the content of the Draft Budget that will form the basis of further work in terms of delivering a balanced budget.

CORPORATE PRIORITIES

- The budget is the ultimate expression of corporate priorities and it is essential that the link between priorities and resources used is explicit in any budget proposal.

RISK ISSUES

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

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

- The key issues are as follows:-

- Strategy – The Council needs to set a budget which reflects its overall strategy for delivering its priorities. This is dealt with in the policy context section of this report.
- Financial – The key financial risks are assessed and the issues of mitigation are contained in this report which contains the advice of the Director of Finance, as the Statutory Officer, under S25 of the Local Government Act 2003.
- Regulatory/Legal – These risks relate to the requirement to set a balanced budget and to the risk of capping. Again these issues are discussed in specific sections contained in the body of the report.

BACKGROUND

- The policy context for this budget whilst driven to some extent by National, Regional and Sub Regional issues, is influenced most by the local issues highlighted in the Corporate Strategy.

6. The development of the new Community Strategy and the objective therein form the basis of the Councils own Corporate Strategy. Contained in that document are the key objectives, outcomes and targets the Council wants to deliver as part of its contribution to the overall well being of the Borough.
7. Some of the main local issues are:
- The impact on the Council of the significant amount of change that is currently ongoing particularly around stock transfer and the mixed economy approach to services.
 - Access to affordable housing.
 - Engaging with the Local Area Agreements to see that outcomes are what the local community need and want and that funding opportunities are maximised.
 - Developing the Local Strategic Partnership and Community management.
8. The context is also, in part, set by the approved Medium Term Financial Strategy and in particular the key assumptions:

Assumption 4

Working balances will not be used to finance recurrent expenditure

Assumption 6

Working balances will be maintained at a level between £0.75m - £1.25m with an annual review in light of planned levels of expenditure and changes in the financial risk profile.

However, in 2007/08 a new policy has been adopted by the administration.

To have no increase in the Chorley Borough Council element of the Council Tax for 2007/08.

9. The key debate in terms of the budget involves the means of resolving the conflict between various policy implications and delivering the freeze in Council Tax.

RESOURCE CONTEXT

10. Indicative figures were produced by the DCLG in their 2006/2007 Grant Settlement. However, at this early stage in the budget cycle we have received no update of that position. I will report to Cabinet once more details become available.

CONSULTATION

11. For 2007/08 and following a review of the Corporate Strategy by the Administration, the focus will now be on delivering that strategy.
12. Consultation will take place on the draft budget on the basis that:
 - The budget can be resource mapped based on the new priorities
 - There will be potential for limited investment in line with the strategy that Council Tax will be frozen but that investment will be through redistribution of resources
13. The process will, as last year, consist of:
 - Circulation of the draft budget to Partners and Stakeholders
 - Publication of the detailed information on the internet and intranet, supplemented by a press release
 - Specific meetings with Parish Councillors and Trade Unions
 - Review by the Overview and Scrutiny Committee and Panels of the draft budget.
14. However in addition to the above I will work with the Citizens Panel to ask for their views on the budget and resource allocation.

THE COST OF MAINTAINING CURRENT SERVICE LEVELS

15. Appendix 1 sets out the cost of maintaining current service levels and any additional statutory requirements, adjusted for known changes that will have no impact on the level of service provided. This is summarised in the table below.

Table 1 - The cost of maintaining current service levels and meeting statutory requirements

	£'000
2006/07 Budget requirement	13,751
Pay Inflation	497
Increment	96
Capital Financing Costs	100
Job Evaluation	256
Other Changes	675
	<hr/> 15,375 <hr/>

16. These figures represent a cost increase of 11.8% compared with the 2006/2007 figures. However it should be borne in mind that much of the increase is beyond the Council's control.
- Pay awards are settled nationally and pension costs are at the mercy of the performance of the financial markets and actuarial process.
 - Contracted commitments
 - The effect of Job Evaluation and the Housing Stock Transfer

CAPITAL FINANCING COSTS

17. Members will be aware of the debate that has taken place regarding the potential increased capital financing costs for the Capital Programme as a result of the potential reduction in the level of capital receipts available to the Council and the effect of the outcome of the Gillibrand Compensation discussions. The outcome of these issues will not be known until late in the planning cycle and may ultimately affect the costs in the overall budget but at this time the underlying assumption is that costs are contained within budget during 2006/07.

BALANCING THE BUDGET

18. All the figures that follow reflect a tax base of 34,965. The figure has been set under the powers delegated to the Director of Finance by the Council. This is an increase of 220.6 (0.63%) on the last financial year.
19. The strategy for bridging the budget gap is built on the following principles:
- Identifying and making savings in management costs.
 - Looking at alternative delivery mechanisms for services.
 - Undertaking a review of the Continuation Budget with Directors to identify potential savings.
 - Focusing on some of the high cost areas identified in previous VFM assessments and looking for opportunities to reduce costs.
 - Maximising the use of the Councils assets.
 - The impact of stock transfer is at least cost neutral on the General Fund.
20. A summary of the savings proposals is attached at Appendix 1 and where the proposal is significant in either staffing or political terms, further analysis and detail is provided in separate reports.
21. In terms of the overall messages from the proposals it is clear that all the above principles have been utilised in that:
- Proposals to reduce management costs are contained in a number of restructuring proposals.

- Alternative service delivery models are proposed for both the Health and Safety function, the Neighbourhood Wardens and Pest Control Services.
- Further savings in the Continuation Budget have been identified from the base budget review.
- The proposals contain reference to reducing the cost base on areas identified in the Councils VFM assessment as high cost, namely Revenues and Benefits, Planning and Environmental Services.
- Significant extra resources are being generated from rentals by rationalising Council accommodation, post the transfer of housing stock to Chorley Community Housing.

22. In terms of the effect of stock transfer, whilst the impact has been consolidated into the Councils overall financial position, a summary of the forecasted effect is shown in the table below:

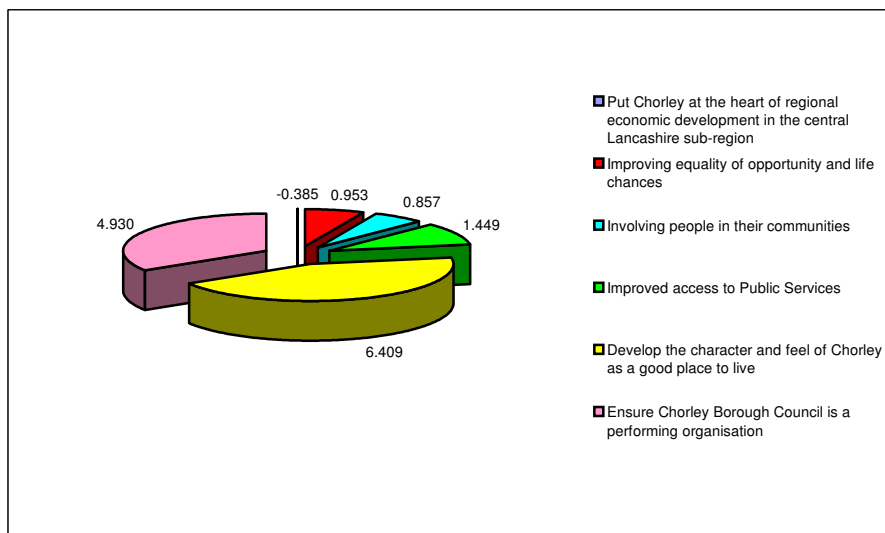
Table 2 – Impact on General Fund of Stock Transfer

	2007/08	
	£	
Recharges to/from HRA:		
General Fund recharges to HRA	766,400	
Grounds maintenance recharges to HRA	83,720	
General Fund recharges from HRA	(50,140)	
		799,980
Homelessness assessment and allocations		130,000
Less contribution to debt charges		
- Reversal of interest payment to HRA	(22,500)	
- Reversal of interest charge to HRA	110,000	
		87,500
Savings on debt charges		(289,970)
General Fund TUPE2 transfers		(165,570)
Marginal Cost Savings/Increases:		
Communications	(24,710)	
Bank Charges	(19,830)	
Corporate Training	(25,000)	
Saving from closure of Gillibrand Street	(92,440)	
Insurances	(30,610)	
		(192,590)
General Fund Cost Increase		369,350
Less interest received from cash receipt		(382,500)
Net (saving)/increase		(13,150)
* This excludes income from non-recurrent SLA's		

23. The table shows that the Council has been able to mitigate the costs overall, but Members should note that some of the numbers are still subject to confirmation through the negotiation process.

POLICY CHOICES

24. The Administration in policy terms have determined that a freeze on Council Tax is desirable. In terms of its impact on services the overriding objective is to maintain service delivery at their current level given that in most cases the Council is performing well.
25. However within that context and with the constraint off Council Tax being frozen, some resources have been identified to put into priority areas of the Corporate Strategy. The bulk of these centre around the priority of economic development.
26. A summary of the 2007/08 budget resources mapped against the Councils new priority shows the following:



27. The table shows that the bulk of the Councils resources are spent on developing the look and feel of Chorley and in ensuring Chorley is a performing organisation. The budget proposals as currently drafted include:

- Additional resources to be put into the development of the Town Centre through the Market Walk redevelopment.
- Putting additional resources into the development of the LSP, which is crucial as part of the Councils community leadership role.
- Working in Partnership with the Police to deliver more PCSOs in Chorley.
- Considering integrating the cost of Parish Council and other CCTV cameras into the Councils base budget to remove double taxation, and an increase in Village Hall rate relief.

28. However whilst investment is being made in some priority areas this ultimately means that in order to deliver a balanced budget savings from other priority areas have to be made. Set out below is my assessment of the impact the proposals may have in policy terms.
29. The bulk of savings are being made from the two priorities of developing character and feel of Chorley and ensuring Chorley is a performing organisation.

30. In terms of the details, for character and feel, the work to deliver the PCSO regime makes up the bulk of the reduction in cost along with the rationalisation in Development and Regeneration. It is likely that ultimately the Council will claim this as a cashable efficiency in that the intention is to attain the same or a better level of service for less cash. Further significant savings are to be made in the Regeneration and Development unit but again through rationalising management costs.
31. With regard to the performing organisation, almost all the proposals will be claimed as efficiencies. The savings proposed focus on reducing management and back office costs, taking savings from better procurement of services and making the most of the Council's asset base. In accordance with the relevant regulations, efficiencies can only be claimed if there is no detriment in service and the plans in place focus on ensuring the excellent service Chorley delivers continues.

DELIVERING THE BUDGET

32. The following section of this report deals with my initial statutory advice to the Council on the adequacy of resources and robustness of the budget under the terms of S25 of the Local Government Act 2003. this will be updated once the final budget proposals are formulated.

WORKING BALANCES

33. The Council for some time has established a budget based upon not using working balances to fund recurrent expenditure. Clearly this is good practice which delivers a prudent and sustainable budget. I would propose that given the risk profile in terms of the budget that working balances are maintained at the range agreed in the financial strategy of £0.75m - £1.25m. The level of working balances is a matter of judgement, however there still remains the potential for further balances to be required given the risk profile, more details of which are set out in the paragraph below.

RISK ISSUES

34. There still remain a number of areas of significant risk to the council and it's ability to deliver its budget. The majority of these areas are not unique to Chorley and are recurrent issues in many cases, given the nature of Local Authority business.
35. Given the proposed changes in the establishment, there are likely to be a number of redundancies (some voluntary and some possibly compulsory) within the latter part of this year or the early part of 2007/08. We have not yet applied for detailed calculations as to likely redundancy costs and ongoing pension strain on the general fund as these will not be known until later in the process. Additionally as we have not quantified the exact value of redundancy costs we have not applied to the DCLG for permission to capitalise these costs and the DCLG is currently attempting to limit the scale of approach from Councils. Accordingly there is a risk of additional revenue costs relating to redundancies that have not yet been included in the budget, although a sum of £500k is set aside in the Council's Capital programme with the associated revenue costs built into the 2007/08 forecast.
36. As soon as the plans from individual directors are agreed we will make the necessary applications, and I will update members accordingly on the impact on the revenue budget.
37. A current assumption included within the budget is that £103k of salary costs for the Development & Regeneration team working on capital schemes can be capitalised during the year. At present there are no approved capital schemes that utilise staff time from this directorate and accordingly, part or all of the £103k may impact on the general fund. This is considered to be a significant risk and mitigating plans need to be put in place, but will depend on the outcome of discussion on the scale and content of the Capital Programme.

38. Fee income from Planning Application Fees, Building Control Planning Fees and Building Control Inspection Fees total £664k in 2007/08. In recent years these budgets have proven quite volatile and have been difficult for the service directorate to predict in terms of programmed receipts.
39. Given that there is now limited opportunity for further, currently unplanned, development on Buckshaw Village or any other major site within the borough these budgets could cause us significant problems if not monitored closely. Additionally the recent interest rate rise in the Bank of England Base Rate could also slow down the amount of small-scale private development that generates approximately £421k or 63% of the total budget.
40. In firming up the underlying assumptions around the LSVT to CCH, £260k of income relating to SLA's has been included in this draft of the budget. These SLA's cover items from leasing office accommodation at Gillibrand Street to grounds maintenance and other front line service costs. At present negotiations are taking place with CCH around how these services will be delivered, but to date there has not been any formal agreement on the services to be supplied and the rates to be charged, although informal rents have been agreed for Gillibrand Street and Bengal Street.
41. Additional funding from reserves has also been provided in the form of £66k for PCSO's and £30k for pump priming of the LSP. This is expected to be financed from the receipt of PSA1 grant due in the final quarter of 2006/07. If this grant is not received then there will be a cash impact on the general fund although I believe the risk to be limited.
42. The proposed future developments within the town centre known as Market Walk Phase 2 is the subject of a separate report submitted by the Chief Executive to the Executive Cabinet. Within the report reference is made to the potential impact on revenue resources, which will vary depending on how members decide to allocate the capital receipt for the sale of land, if the development proposals are approved.
43. The report indicates that the impact, primarily resulting from loss of car park income, is expected to be £94k in 2007/08 depending on how the capital receipt is to be utilised. As the details of the arrangement are not yet finalised this figure may change but I expect this to be at the margins.
44. Home Office funding for community safety initiatives also remains a risk within our budgets. At present I have included £135k as the amount anticipated to be received in grants in order to directly fund community safety projects. A further assumption is that the projects themselves will total £135k thereby exactly matching the grant. In the event that the amount of grant received is lower than anticipated, the level of activity may need to be reduced.
45. At present there is also an assumption that £144k of Planning Delivery Grant (PDG) will be received in 2007/08. This is approximately two thirds of the value received in 2006/07 and is allocated to cover the costs of employment of a number of specific posts within Development & Regeneration and ICT Services. If the value of the grant is lower than that assumed in the current budget the authority will either need to identify savings, or consider the level of resourcing currently allocated to this work.
46. Concessionary Travel continues to be an area of risk for the council's revenue budget. I have attached an additional report (Appendix 3) that specifically looks at the current issues around concessionary travel and the anticipated future developments in this area. The two largest impacts that are anticipated are the introduction of smart card technology from 1st April 2007 and the introduction of a national free travel scheme from 1st April 2008.

47. The introduction of Smart technology is a risk as it is highly likely that the costs recharged to the authority will increase when we are charged for journeys that concessionaires living in the borough make, rather than being recharged on the basis of a historical survey. At this stage it is not possible to quantify the size, given that to date the Smart Card technology has not been delivered, nor do I have any confidence, given the performance of the transport companies that the technology will be delivered by April 2007.
48. The introduction of a national free travel scheme also has the potential to impact on the revenue budget in later years. At this stage however, it is not possible to clearly state the level of the impact, as the precise details of the scheme are not known. The biggest risk to the authority would be from a scheme that is administered and funded centrally and therefore grant relating to travel would not be paid to Chorley as the Travel Concession Authority, but to the body that administers the scheme.

FUTURE YEARS BUDGETS

49. Appendix 2 shows the 3 year forecast and in summary shows that the Council will be able to deliver a balanced budget for 2007/08, but that in future years there is more work to be done.
50. The figures for 2008/09 are premised on an inflationary increase in Council Tax in both years, but show that even with an increase the size of the budget gap is significant. It will again be a policy choice for Members regarding the future levels of Council Tax, but a further freeze is likely to have an impact on service delivery.

SAVINGS TARGETS AND BUDGET ASSUMPTIONS

51. Inevitably the 2007/08 budget as in previous years contains a number of assumptions. However at this stage in the budget cycle plans are well advanced and there are very few speculative savings targets are currently factored into the budget. However key areas which remain as assumptions and where further work will be required are:-

Table 3 – Efficiency Savings

EFFICIENCY SAVINGS	£'000
Efficiency savings	(60,000)
TUPEII and SLA negotiation with Chorley Community Housing	(257,000)
Vacancy Savings	(228,000)
Reduction in Indoor Leisure costs to Management Fee	(25,000)
Creation of PCSO's	<u>(228,590)</u>
	<u><u>(798,590)</u></u>

52. The table shows that in total £799k of cost reductions are included in the 2007/08 base budget that need to be delivered if the budget is to remain in balance. In relation to the particular items I would make the following observations.

EFFICIENCY SAVINGS

53. An annual target has previously been set by the Council. Again this target is usually met so I consider the risk to be minimal, and there are a number of schemes in the pipeline which I expect will contribute significantly to this target.

CHORLEY COMMUNITY HOUSING

54. Whilst some items remain unresolved, discussions with CCH are well advanced. Should the targets for in particular the TUPE II list not come to fruition, the Council has the option to offer ERVS as an alternative, thus the savings should still be realised.

VACANCY SAVINGS

55. Traditionally the Council has achieved this target and a reduction to the base level of savings expected has been made in 2007/08 to reflect the fact that the Councils establishment has reduced, thus the opportunity for saving is also reduced.

CREATING PCSO'S

56. This option is currently under discussion with Lancashire Police and clearly this is a realistic option, it is only the exact details of the scheme which require resolution.

INCOME

57. In terms of the income the Council generates from fees and charges, the bulk of the increases come from the following income streams:

Licensing Fees	£120k
Local Land Searches	£190k
Parking Fees	£780k
Market Toll	£300k
Planning and Building Control Fees	£664k
Investment Portfolio	£463k
	<hr/>
	£2.517m
	<hr/>

58. In terms of the assumptions made, adjustments have been made to account for rent reviews, but the bulk of the income streams are subject to market competition and are demand led and a policy decision regarding the scale of fees has already been determined in relation to parking fees. Any significant increase in Land Search fees or Building Control fees could adversely affect income levels, where there is local competition for these services, so currently there are no changes proposed in this initial draft.

CONCLUSION ON THE ADEQUACY OF RESERVES AND THE ROBUSTNESS OF THE BUDGET

59. My overall conclusion therefore is that, whilst there are still some risks contained in the budget they are certainly no greater than those faced in previous years. Whilst the impact of stock transfer has been mitigated to a great extent, the job evaluation process is still ongoing and will not be resolved for some time.

60. There are a number of dependencies built into the forecast, not least of which is the Job Evaluation process which will determine the final shape of the 2007/08 budget and the overall financial strategy of the Council. The Council has set an objective of maintaining the process cost neutral, but only once negotiations are complete with the outcome be known.
61. Working balances will be mid range as compared to the target range set out in the Medium Term Financial Strategy and I propose that no change should be to those limits.
62. With regard to the robustness of the budget for 2007/08 once again each service has had a line by line review completed of their budget and whilst there are still some issues to resolve clearly savings have been identified to bring the budget into balance. In almost all cases work is in hand to complete the work required and progress is well advanced. For this reason I believe the budget to be soundly based and achievable.

OVERALL CONCLUSIONS

63. In previous years the Council has been faced with the prospect of making significant savings and 2007/08 will be exactly the same. This report has identified that good progress has been made to identify savings required to balance the budget but some of the work is still in progress and will not come to fruition until later in the budget cycle.
64. Some inherent risks remain in the budget but the underlying assumptions I believe are reasonable. I have outlined my views and advice in relation to the level and adequacy of working balances and summarise the key risks and the mitigations that are in place and my recommendations are as follows.

COMMENTS OF THE DIRECTOR OF HUMAN RESOURCES

65. All proposed savings which have any staffing implications will be subject to full consultation with the effected employees and trade unions.

RECOMMENDATION(S)

66. The Executive Cabinet are recommended to:
 - Note my advice under S25 of the Local Government Act 2003 on the draft budget, particularly in relation to maintaining working balances within the range set out in the Medium Term Financial Strategy.
 - To agree to consultation process outlined in the report.
 - To agree to consult on the savings proposals and shape of the budget as outlined in the report.

REASONS FOR RECOMMENDATION(S) (If the recommendations are accepted)

67. To begin the budget consultation procedure for 2007/08.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

68. None

GARY HALL
DIRECTOR OF FINANCE

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Gary Hall	5480	20 November 2006	ADMINREP/REPORT

SAVINGS PROPOSALS

	£	£
CHIEF EXECUTIVE'S OFFICE		
- Proposed re-structure of Office Support	(25,530)	
- Practising Certificates	(910)	
- International Links	(4,000)	
- Office Support overtime	(4,000)	
- Deletion of Executive Director post	<u>(106,210)</u>	
		(140,650)
CUSTOMER, DEMOCRATIC & LEGAL		
- Contact centre SLA for CCH	(20,000)	
- Remove yearbook	(4,170)	
- Reduction in civic vehicles	(5,010)	
- Savings from closure of Gillibrand Street	(92,440)	
- Rental Income from Gillibrand Street	(90,000)	
- Rental Income from Gillibrand Street Annexe	<u>(10,000)</u>	
		(221,620)
DEVELOPMENT & REGENERATION		
- Restructure of Development & Regeneration	(108,540)	
- Agency Staff	(4,100)	
- Contribution to HIA	(20,000)	
- E-Planning software	13,000	
- Contribution to Contact Centre	<u>20,000</u>	
		(99,640)
FINANCE		
- Finance Directorate Restructuring	(116,000)	
- Base Budget review	<u>(22,000)</u>	
		(138,000)
HUMAN RESOURCES		
- Externalising of Health and Safety function	<u>(45,200)</u>	
		(45,200)
ICT SERVICES		
- Reduction in maintenance budget	(15,000)	
- TUPE transfer of designated post	(31,360)	
- Removal of 0.5 FTE Customer Services Asst. Post	(8,580)	
- Thin client implementation	(3,560)	
- Telephony	(24,710)	
- Income from Chorley Community Housing (SLA's)	<u>(29,520)</u>	
		(112,730)

LEISURE & CULTURAL SERVICES

- Withdraw funding for LCC Welfare Rights post.	(5,000)	
- Attract external funding for the 'Get Up and Go' programme.	(5,000)	
- Negotiate reduction in Indoor Leisure Contract management fee	<u>(25,000)</u>	(35,000)

POLICY & PERFORMANCE

- Policy & Performance Restructure	(52,240)	
- Consultation for LSP & CPA work	<u>19,750</u>	(32,490)

PROPERTY SERVICES

- Outsourcing of Property Services function	<u>(65,570)</u>	(65,570)
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STREETSCENE

- PCSO and Neighbourhood warden Team disestablishment	(228,590)	
- Other staffing costs	71,170	
- Reduction of one Pest Control Officer and implementing charging for Pest Control Services	(30,630)	
- Line by Line budget review		
- Research	(30,000)	
- Materials	(30,000)	
- Textile Recycling	(28,000)	
- Other Items	(63,060)	
- Rental Income from Bengal Street	(35,000)	
		(374,110)

TOTAL SAVINGS PROPOSALS**(1,265,010)**

Analysis of Budget Variations 2006/07 - 2009/10

	2006/07	2007/08	2008/09	2009/10
	£000	£000	£000	£000
Base Budget Requirement	15,330	16,231	16,332	17,556
Less				
Recharges	-	3	20	20
Capital Charges	(2,581)	(2,581)	(1,998)	(1,984)
Cash Base Budget Requirement	12,750	13,654	14,355	15,592
Inflation				
Pay	352	385	334	355
Pensions	110	112	83	-
Non-Pay	90	62	34	23
Contractual	52	87	42	16
Income	91	13	(32)	(33)
Increments	118	96	85	61
Revenue Effects of the Capital Programme	(1)	10	50	-
Volume - Income	-	157	189	-
Volume - Expenditure	521	328	(77)	(20)
Investment	141	246	54	-
Savings - Star Chamber	-	(1,265)	74	(4)
Savings - Other	(580)	(368)	-	-
Senior Management Review		(114)		
Growth Proposals	245	-	-	-
Recharges Adjustments	-	34	-	-
Effects of stock transfer - To HRA	-	766	-	-
Effects of stock transfer - From HRA	-	(50)	-	-
Effects of stock transfer - Non Recharge Income	-	84	-	-
Effects of stock transfer - Reduction in cost TUPE	-	(105)	-	-
Effects of stock transfer - Reduction in cost - Other	-	55	-	-
Effects of stock transfer - Service Level Agreements	-	(76)	160	-
Contingency:				
- Genuine	100	(60)	-	-
- Salary Related Savings	(278)	10	-	-
- Procurement Savings	(35)	-	-	-
- Gershon Savings	(25)	-	-	-
- Headroom for Capital Investment	-	40	-	-
- Job Evaluation	-	256	241	248
- Housing Stock Transfer	-	-	-	-
Directorate & Corporate Cash Budgets	13,651	14,355	15,592	16,238
Base Recharges	-	(3)	(20)	(20)
In year transfer of recharges to cash budgets	-	(17)	-	-
Capital:	2,581	1,684	1,998	1,984
In year transfer of capital	-	314	(14)	-
Total Recharges	2,581	1,978	1,964	1,964
Total Directorate & Corporate Budgets	16,231	16,333	17,556	18,202
Reversal of Capital Charges	(1,412)	(1,678)	(1,678)	(1,678)
Net Financing Transactions:				
- Net Interest/Premiums/Discounts	148	(174)	(174)	(174)
- Recharged Interest to HRA	(88)	-	-	-
- MRP less Commutation Adjustment	159	100	100	100
Net Operating Expenditure	15,039	14,581	15,804	16,450
Revenue Contribution to Capital	54	-	-	-
Use of Earmarked Reserves				
- e-Workforce Reserve	(34)	-	-	-
- Capital Financing Reserve re: Def Chge w/os	(1,168)	(320)	(320)	(320)
- Units Earmarked Reserves	(140)	(151)	(55)	(55)
Use of General Balances	-	-	-	-
Total Expenditure	13,751	14,110	15,429	16,075
Financed By				
Council Tax - Borough	(5,960)	(6,019)	(6,262)	(6,514)
Parish Precepts	535	535	535	535
Council Tax Parishes	(535)	(535)	(535)	(535)
Aggregate External Finance	(7,743)	(8,050)	(8,250)	(8,450)
Collection Fund Surplus	(49)	(41)	-	-
Total Financing	(13,751)	(14,110)	(14,512)	(14,964)
Net Expenditure	(0)	0	917	1,111
Analysis of Net Expenditure (Budget Gap)				
Net Expenditure Brought Forward	-	-	(0)	917
Net Expenditure in Year	-	0	917	194
Net Expenditure Carried Forward	-	0	917	1,111

ANALYSIS OF MAJOR VARIANCES BETWEEN 2006/07 AND 2007/08 ESTIMATES

<u>INFLATION NON-PAY</u>	£
Car Leases/NNDR/Insurances/Utilities/Subscriptions/Other	62,570
	62,570
<u>CONTRACTUAL</u>	£
Reduced CLS contract	(21,970)
Refuse Collection - Market Walk	11,530
Rental Income	(21,270)
Refuse Contract	118,600
	86,890
<u>REVENUE EFFECTS OF CAPITAL PROGRAMME</u>	£
Astley Park Grounds Maintenance	10,000
	10,000
<u>VOLUME - INCOME</u>	£
Housing Benefit Grants/Subsidy	100,670
Licensing Income	(22,360)
Planning Delivery Grant - reduction in anticipated grant for 2007/08	67,400
Private Lifeline Alarms	(24,530)
NNDR Collection Allowance	3,850
Housing Benefits Admin. Grant	15,190
Duxbury Golf Course	(10,860)
Parking fees 1% increase - car parks	(7,720)
DPE Penalty Charge Notice net loss of income	32,580
Other	3,000
	157,220
<u>VOLUME - EXPENDITURE</u>	£
Increase in LCC Search Fees	8,360
Contact Centre restructure	47,400
Elections	9,960
Legal - Publications	6,000
Director of CUDL salary	9,650
External Audit	14,680
Bank Charges	7,000
External Contractors (Payroll)	6,270
Bus Passes - Concessionary Travel	39,040
External Funding Officer - no funding contributions to salary	19,950
Computer Software Licences/Maintenance Agreements	7,280
Roses Marketplace Licence	5,300
Allpay Cards	5,000
Community Management - Tatton	34,260
Corporate Training - Member Development Programme	5,000
Support services Officer Sc3 post SNED restructure phase 1	15,450
Increase in hours for Funding Officer	8,880
Miscellaneous Employee costs - Eng. Mngt. And Support Services	16,640
NNDR assessments - various sites	15,840
Survey expenses residents parking permits TRO's	5,000
Crime & Disorder Partnership - transfer of Sc4 post 18.125hrs	11,100
Bringsites recycling charges	12,000
Other	17,900
	327,960

ANALYSIS OF MAJOR VARIANCES BETWEEN 2006/07 AND 2007/08 ESTIMATES

<u>INVESTMENT</u>	£
Town Centre Management Post	40,000
LSP Consultancy	30,000
Contribution for 6 PCSO's per 2005/06 Growth year 2	66,000
Market Walk Phase 2 Development (Agenda Item)	95,000
CCTV in Remote Areas	15,000
	246,000

<u>STAR CHAMBER SAVINGS</u>	£
See Appendix 2 for further analysis.	(1,265,010)

<u>OTHER SAVINGS</u>	£
Council Insurances Renewal	(72,000)
Job Evaluation Project (Non-recurrent expenditure)	(95,770)
Human Resources Staffing Savings	(67,940)
Corporate Training HR Approved per 2005/06 Savings year 2	(10,000)
LHP, PSS, GM & SNED Phase 1 Restructure	(78,840)
Temp. Waste & Envir. Management post deleted (Non-recurrent expenditure)	(30,390)
Removal of revenue effects of capitalised redundancy payments	(6,000)
Hospitality	(7,480)
	(368,420)



Report of	Meeting	Date
Director of Finance	Executive Cabinet	7 th December 2006

CURRENT POSITION OF CONCESSIONARY TRAVEL SCHEME WITHIN CHORLEY BOROUGH

PURPOSE OF REPORT

1. To update members on the impact of concessionary travel on the general fund budget.
2. To highlight for members decisions that will need to be taken in the near future.

CORPORATE PRIORITIES

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

RISK ISSUES

4. The issues raised and recommendations made in this report involve risk considerations in the following categories:

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

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

BACKGROUND

6. In my last report to members in January I presented the options available for the provision of concessionary travel for residents of the borough.
7. Members decided to approve the adoption of the concessionary travel scheme as recommended by the Concessionary Travel Working Group (CTWG) and Lancashire Chief Financial Officers (LCFO's).
8. The approved scheme is significantly better for concessionaires than that required by statute, and details of the differences are shown in table 1.

Table 1. Features of concessionary Travel Scheme	
Statutory Minimum	Approved Scheme
No Concessions before 9:30am weekdays	Half fare travel before 9:30am on weekdays
Free travel within district 9:30am to 11:00pm weekdays	Free travel within district 9:30am to 11:00pm weekdays
No concessions at weekends or bank holidays	Free travel within district all day on weekends and bank holidays.
No concessions for travel outside District Boundary	Journeys starting within Chorley and ending in another NowCard district will be free to the boundary of Chorley and then half fare for the remainder of the journey. * Journeys starting and ending anywhere in the NowCard area, but wholly outside the boundary of Chorley will be at half fare. Both of the above concessions are available at weekends and bank holidays.
Applies only to travel on buses.	NowCard scheme includes other forms of public transport within the area including Blackpool Tramway, Knott End Ferry and Community Transport within each district.
* Due to difficulties in software programming for ticket machines, a 'flat fare' of 50p was introduced for journeys starting or finishing within a concessionaire's home district and staying within the NowCard area. This was intended to be an introductory offer, but is still in force due to technical difficulties.	

9. In order to simplify administration, the scheme is managed centrally by LCC who collect data from Travel Operators, make payments to operators on our behalf and invoice the district for the costs incurred. Currently we are not charged by LCC for the administration services.
10. Statutory requirements mean that the scheme to be operated by each Travel Concessionary Authority (TCA), of which Chorley is one, need to be formally notified to Transport Operators in draft by 1st December, and formally agreed by 1st March each year.

CURRENT POSITION

11. Our budgetary assumptions for the 2006/07 budget were that concessionary travel would increase much more than predicted by the travel consultants TAS who prepared a report on increased demand for the CTWG. Accordingly we increased our budget for concessionary travel to £514k from £217k in the previous year. Current forecasts are that the actual cost will be £553k by the end of the year.
12. One reason for the increased cost is due to delays in the introduction of smart card technology by transport operators. As referred to in table 1 above, it was anticipated that the 50 pence flat fare for travel starting or finishing within a concessionaires' district would only be in place for a short period (6 weeks was the original estimate). However, 7 months in to the scheme, current estimates are that full roll out of smart technology will not be until April 2007.

13. The most significant impact that is expected following the introduction of smart transactions is an increase in costs to Chorley based on more accurate allocation of costs to districts. At present the total costs of concessionary travel is distributed on the basis of historical data on passenger movement. As smart technology is not in place we do not actually know where concessionaires are travelling to and the costs involved once they leave their district. The passenger survey on which this allocation is based is a number of years old already, and there are real concerns that changes in demographics will mean that Chorley's costs will increase while other areas decrease.
14. As noted above, a significant part of the current scheme is administered by LCC and they do not currently charge districts for the costs incurred. Their estimates for continuing to provide their services for 2007/08 is £282k, of which Chorley's share would be £17k.
15. LCC have started discussions with the districts, via the CTWG, to implement a Service Level Agreement (SLA) whereby districts will pay their share of the administrative costs in return for a guaranteed level of service. At present discussions are in a very early stage, but members need to be aware of the implications, including an increase in the cash cost for next year.
16. The LCFO's have also formed a subgroup to look at concessionary travel with a specific remit of looking at ways to reduce cost to the districts whilst maintaining service quality.
17. The LCFO's have asked for a number of issues to be investigated, namely:
 - a) Banding flat fares (i.e. a range of flat fare depending on value of journey being taken)
 - b) Withdrawing the flat fare scheme from long distance (inter-urban) express services
 - c) A general increase in the flat fare for Over 60s to be implemented at the discretion of individual TCAs
 - d) A general increase in the 50p flat fare for disabled pass holders in line with increases in bus fare since 2003 when the flat fare was itself last increased
 - e) The use of a weighting factor to reflect the availability of return fares be included in the formulas used to reimburse bus operators
18. At the last meeting of the CTWG held on 7th November it was reported that increasing the flat fare by 10 pence to 60 pence would save the scheme as a whole £234k. When this saving is distributed to Chorley it would mean a reduction in costs of £7k based on current usage.
19. Given the potential impact from a publicity, and political point of view, members need to consider carefully whether they wish to agree to raise the flat fare by 20% in order to save £7k.
20. Representatives on the CTWG from LCC have been tasked with reporting back on the other issues requested by LCFO's by 1st December 2006.

FUTURE CONSIDERATIONS

21. Due to the provisions contained within the 1985 and 2000 Transport Acts in respect of concessionary travel schemes, a draft variation to the Scheme needs to be published by the 1st of December. This will include the items 17a to 17e above and will enable, and inform, consultation and negotiation with bus operators.

22. Following the report from the CTWG, members will need to form a view as to which options they wish to implement and then inform the CTWG as to how they wish to proceed with any variations to the scheme. The scheme from 1st April 2007 needs to be formally agreed and signed off with operators by 1st March 2006.
23. Perhaps the most significant change to concessionary travel will result from announcements made in the Chancellor's 2006 budget. In the budget it was announced that from 1st April 2008 there will be a national scheme for free travel for concessionaires replacing the local schemes currently in place.
24. It is expected that there will be a number of significant changes with the new scheme, namely:
 - a) It will be funded and administered centrally
 - b) It will exclude premium and express services
 - c) It will not apply for travel before 9:30am
 - d) It will only cover bus services.
 - e) It is unclear if concessions will be available at weekends and bank holidays.
25. Members should also be aware that at this stage the DfT have not consulted or held discussions with any of the TCA's within Lancashire or their representative groups.
26. Given that the changes proposed in some ways may degrade the services offered to concessionaires, the CTWG has decided to formally write to the DfT explaining our concerns. Before the letter is sent it will be passed to LCFO's for approval.
27. As well as the possible service implications, the centralising of the administration holds budgetary concerns for the TCA's within Lancashire. At a local level Chorley can expect a net reduction in revenue funding in the region of £100k from 2008 as a result of the proposals, so members need to keep this in mind in future budget setting exercises.

SUMMARY

28. The scheme throughout Lancashire is working well, and although it is likely to cost Chorley more than we budgeted there is expected to be sufficient funding to cover this years costs.
29. The CTWG are looking at a range of options with regards to reducing the cost of running the service.
30. The scheme for 2007 needs to be formally agreed by 1st March 2007, and members need to decide what changes they wish to see in the scheme.
31. Significant changes are due as a result of the introduction of a national free scheme, and the Council should consider lobbying government to ensure that service standards are maintained

RECOMMENDATIONS

32. Executive Cabinet are asked to:
 - a) Note the current position.

REASONS FOR THE RECOMMENDATIONS

33. The recommendations are made in order to ensure that a workable countywide scheme can continue to operate to the benefit of Chorley residents.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

34. None

GARY HALL
DIRECTOR OF FINANCE

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Phil Eskdale-Lord	5483	9th November 2006	ADMINREP/REPORT