

Report of	Meeting	Date
Director of Finance	Overview and Scrutiny	4 December 2006

REVENUE BUDGET MONITORING 2006/07 - REPORT 4 (END OF OCTOBER 2006)

PURPOSE OF REPORT

1. 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

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

RISK ISSUES

3. 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	

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

BACKGROUND

5. 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

6. The appendix 1 shows the summary forecast position for the Council based upon actual spending to the end of August, 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.
7. In my last report I advised on the projected outturn which forecast an overspend of £170,000, This position has since changed and the current projection is now for an overspend of £67,000.

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	(131)
Planning Application Fee income	(25)
Income from Friday Street Depot	(14)
Concessionary Travel	35
Benefits payments	25
Net Financing Costs	25
Other minor forecasts	(18)
Net change since June report	<u>(103)</u>

9. Clearly the most significant change being reported here is the additional savings relating to salaries. This is further analysed as £72k from HR, £47k from Stock Transfer and £12k from other areas.
10. The savings from HR are as a result of two particular initiatives being quantified. Firstly the impact of transferring our Health & Safety Function to a third party provider has generated £42k in establishment savings. Additionally, the secondment of a Senior HR advisor to South Ribble Borough Council has generated an income of £30k.
11. Income from planning applications is forecasted to increase by £25k over previous estimates. The majority of this is due to a single application at the end of September of approximately £16k that was not previously forecasted. The additional income will be a significant contribution towards the recovery plan of Development & Regeneration.
12. The delay in disposing of the Friday Street depot continues to generate additional rental income for the council that was not included in the current budget. The current forecast for this year is £14k. The disposal to the PCT is expected to be completed by the end of December 2006.
13. In my previous report I advised members that a significant lack of information flowing from LCC regarding concessionary travel has meant it was impossible to predict the level of any potential overspend on this budget. We have now been given some data regarding actual costs incurred in the first part of the year and as a result I am expecting the overspend on concessionary travel to be in the region of £35k.
14. In order to try to put this into perspective, this would mean that costs for this year would be in the region of £549k compared to £217k in 2005/06. There are potentially a number of policy decisions that may need to be taken around the viability of continuing the current level of service, especially if we take into account likely activity of other districts within the NoWCard scheme and a summary of the current position is appended at Appendix 3.
15. Following on from previous reports in which I have advised of the volatility of the housing benefits budget and the potential to impact on the revenue outturn, I feel it is prudent at this stage to increase the forecasted overspend by a further £25k to £75k.
16. 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 £75k 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.

17. The forecast for the net cost of financing has also increased by £25k to the end of the year. This is as a result of lower than anticipated investment income due to lower cash balances than were originally budgeted. The reduction in council house sales is one of the main factors in the reduced level of cash balances.
18. As part of the stock transfer process we have applied for section 25 consent to allow us to include costs relating to officer time being spent on the process to be included within the post ballot transfer costs. Current estimations are that the value of such will be in the region of £47k. As soon as confirmation is received as to whether consent has been granted I will report back to the cabinet.

HOUSING REVENUE ACCOUNT

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. In the last report balances were forecast to be in the region of £833k at the end of the year. This position has now improved and the forecast is for balances to increase to £973k.
21. The biggest single change is the inclusion in the estimates of the "Rent Constraint Allowance" totalling £90k. This is additional subsidy to compensate for the rent income lost as a result of the 5% limit on rent increases in April 2006. Provision has also been made for the financial consequences of the stock transfer, which it is assumed will happen on 26th March 2007.
22. There is also the likelihood of an unbudgeted deficit on the Service Group Trading account. A provision of £50k has been made. Every effort will be made to mitigate or avoid this loss.

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. However there appear to be a number of cost pressures building that indicate that limited action is now required.
24. In order to ensure that the Council's spending target is achieved we will now embark on a period of intense monitoring to ensure that as the year progresses the budget is balanced. This is common practice and has historically been sufficient in ensuring the budget is balanced.
25. There are a number of areas that will be monitored closely as the year progresses, these are:
 - Contribution to Corporate Savings and Efficiency Targets
 - Confirmation of S25 approval for post ballot costs relating to officer time.
 - Agency Staff costs
 - Income streams from Development & Regeneration and associated recovery plan
 - Increased refuse collection costs
 - Concessionary travel and benefit costs

RECOMMENDATIONS

26. Executive Cabinet are asked to:

- a) Note the contents of the report.

**REASONS FOR RECOMMENDATIONS
(If the recommendations are accepted)**

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

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

28. None

GARY HALL
DIRECTOR OF FINANCE

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Dave Bond	5488	Sept 2006	ADMINREP/REPORT

APPENDIX 1

**General Fund Revenue Budget Monitoring 2006/07
Forecast Outturn as at October 2006**

	(1) Original Budget £	(2) Agreed Changes £	(3) Original Cash Budget £	(4) Contribution to Corp. Savings (Staffing) £	(4) Contribution to Corp. Savings (Other) £	(5) Current Cash Budget £	(6) Forecast Outturn £	(7) Variance £	(8) Variance %
Chief Executive's Office	966,090	39,570	1,005,660	(102,120)	(1,370)	902,170	902,170	-	0.00%
Customer, Democratic & Legal Services	2,105,500	(8,390)	2,097,110	(740)	(5,000)	2,091,370	2,129,370	38,000	1.82%
Development & Regeneration	890,980	(19,530)	871,450	(30,000)	(1,110)	840,340	826,720	(13,620)	-1.62%
Finance	1,481,380	3,250	1,484,630	(37,030)	(72,110)	1,375,490	1,372,490	(3,000)	-0.22%
Human Resources	697,140	11,510	708,650	(9,000)	(250)	708,400	668,400	(40,000)	-5.65%
Information & Communication Technology Services	939,560	53,500	993,060	(9,000)	-	984,060	989,060	5,000	0.51%
Leisure & Cultural Services	1,197,010	32,250	1,229,260	(18,740)	(370)	1,228,890	1,256,890	28,000	2.28%
Policy & Performance	534,680	(22,910)	511,770	-	-	493,030	493,030	-	0.00%
Property Services	35,010	(18,150)	16,860	-	-	16,860	17,860	1,000	5.93%
Streetscene, Neighbourhoods & Environment	4,696,680	61,630	4,758,310	(70,720)	(220)	4,687,370	4,747,370	60,000	1.28%
Budgets Excluded from Finance Unit Monitoring:									
Benefit Payments	(381,050)		(381,050)			(381,050)	(306,050)	75,000	-19.68%
Concessionary Fares	513,250		513,250			513,250	550,470	37,220	7.25%
Pensions Account	212,730		212,730			212,730	212,730	-	0.00%
Stock Transfer Post Ballot	-	1,345,650	1,345,650			1,345,650	1,298,590	(47,060)	-3.50%
Corporate Savings Targets									
Efficiency/Other Savings	(60,000)		(60,000)		80,430	20,430	-	(20,430)	-100.00%
Management of Establishment	(278,050)		(278,050)	268,350		(9,700)	-	9,700	-100.00%
Total Service Expenditure	13,888,960	1,140,330	15,029,290	-	-	15,029,290	15,159,100	129,810	0.9%
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	6,360,330	7,529,000			7,529,000	7,529,000	-	0.0%
Revenue Contribution to Capital	-	166,170	166,170			166,170	166,170	-	0.0%
Net Financing Transactions	219,210	40,000	259,210			259,210	296,970	37,760	14.6%
Parish Precepts	535,399		535,399			535,399	535,399	-	0.0%
Total Non Service Expenditure	1,685,229	6,904,550	8,589,779	-	-	8,589,779	8,527,539	(62,240)	-0.7%
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 - deferred charges	(1,167,670)	(6,360,330)	(7,528,000)			(7,528,000)	(7,528,000)	-	0.0%
Use of Earmarked Reserves - capital financing	-	(166,670)	(166,670)			(166,670)	(166,670)	-	0.0%
Use of Earmarked Reserves - revenue expenditure	(120,000)	(172,910)	(292,910)			(292,910)	(292,910)	-	0.0%
Use of General Balances - Stock Transfer	-	(1,345,650)	(1,345,650)			(1,345,650)	(1,345,650)	-	0.0%
Contribution to or use of General Balances	370	680	1,050			1,050	-	(1,050)	0.0%
Total Financing	(15,574,189)	(8,044,880)	(23,619,069)	-	-	(23,619,069)	(23,620,119)	(1,050)	0.0%
Net Expenditure	-	-	-	-	-	-	66,520	66,520	0.44%
General Balances Summary Position									
General Fund Balance at 1.4.06			1,000,000			1,000,000	1,000,000		
Forecast (Over)/Under Spend			-			-	(66,520)		
Forecast General Fund Balance at 31.07			1,000,000			1,000,000	933,480		

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

OCTOBER 2006

SURPLUS (-) FOR YEAR AS PER JUNE MONITORING REPORT (241)
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 **(833)**

FORECAST**EXPENDITURE**

Cost savings following 26/3/07 transfer (5 days)	(52)	
Pre ballot consultation costs in excess of budget	35	
Valuation fee for the revaluation of the housing stock	24	
Salaries, NI and superannuation	(36)	
Gas	11	
Bus passes	8	
Other costs	32	
Capital charges - adjustment re deferred charges	(8)	
Service Group - Provision for deficit on building maintenance	50	
		64

INCOME

Rents - reduction in voids	(17)	
Garages and service charges	(10)	
Rents and service charges - income reduction following 26/3/07 transfer (5 days)	114	
Subsidy and Major Repairs adjustment		
change in assumed interest rate (4.25% to 4.94%)	(59)	
change in dwelling numbers for subsidy purposes	(131)	
Rent Constraint Allowance (compensation for 5% rent increase restriction)	(90)	
other subsidy changes	(11)	
Income under (+)/ over (-) achieved		(204)

FORECAST BALANCES AS AT 31.3.07 **(973)**

Key Assumptions**Key Issues/Variables**

Repairs and Maint expenditure
 Management and Maint Expenditure

Key Actions

Control of above



Report of	Meeting	Date
Director of Finance	Overview and Scrutiny Committee	4 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	<p>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. *</p> <p>Journeys starting and ending anywhere in the NowCard area, but wholly outside the boundary of Chorley will be at half fare.</p> <p>Both of the above concessions are available at weekends and bank holidays.</p>
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.
<p>* 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.</p>	

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