

Report of	Meeting	Date
Director of Finance (Introduced by the Executive Member for Resources)	Executive Cabinet	09/08/07

REVENUE BUDGET MONITORING 2007/08 REPORT 1 (END OF JUNE 2007)

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 2007/08 for the General Fund.

RECOMMENDATIONS

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

EXECUTIVE SUMMARY OF REPORT

3. The report contains details of the Council expected spending for 2007/08 and summarise the main variations from the original budget.
4. Whilst presently the analysis shows that the budget is not on track to be balanced, this is in the main due to the fact that salary savings target, which are savings that occur from post being vacant pending them being filled has not yet been achieved. This is not wholly unexpected in the first quarter of the year and further savings from this source will be made throughout the year which will mean other things being equal the budget will be balanced.
5. There have been some significant variations to the original budget which are in the main all due to the demand led nature of the budget and the fact that we now have better information about usages for in particular concessionary travel.
6. No action is required at this stage of the year as the position is as expected and the Council is on track to balance its budget for 2007/08, a significant proportion of the savings required have already been achieved.

REASONS FOR RECOMMENDATIONS (If the recommendations are accepted)

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

CORPORATE PRIORITIES

8. This report relates to the following Strategic Objectives:

Put Chorley at the heart of regional economic development in the central Lancashire sub region		Improved access to public services	
Improving equality of opportunity and life chance		Develop the character and feel of Chorley as a good place to live	
Involving People in their Communities		Ensure Chorley is a performing Organisation	✓

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

BACKGROUND

9. The Council's budget for 2007/08 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.

RISK ISSUES

10. 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	

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

CURRENT FORECAST POSITION

12. The appendix 1 shows the summary forecast position for the Council based upon actual spending in the first three 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 are available for inspection in the Members Room.
13. The directorate cash budgets have been amended for approved slippage from 2006/07 and any transfers from reserves. The significant additions to the budget include:
- £20,000 for slippage relating to Customer Profiling
 - £35,560 slippage for Human Resources staffing
 - £15,000 slippage for Telephony Project
 - £19,270 slippage for other ICT Services projects
 - £17,480 for Human Resources from Job Evaluation Reserve
14. In addition, £234,510 slippage in respect of the revenue financing of capital expenditure, reported as part of Capital Programme monitoring, has been added to the budget. This is financed by the transfer of the same total from earmarked reserves. As a result the cash target has increased from the original budget figure of £14,828m to £15,186m.

15. In the period to the end of June we have identified £112,000 of contributions to the corporate savings target of £278,000 for managing the establishment. The savings that have been identified are as a result of savings arising from staff vacancies within the Chief Executives Office, CUDLS, Development & Regeneration, Finance and Policy & Performance directorates. This is a positive start to the year, and this position will remain under constant review.
16. To date no definite efficiency and procurement savings have been identified that can contribute towards the target of £60,000 although a number of initiatives are underway in order to make progress. However, the allocation of an additional £20,450 of Planning Delivery Grant and the transfer from earmarked reserves of £16,400 towards the cost of budgeted expenditure means that £36,850 of the target has been met.
17. The projected outturn shown in appendix 1 shows a forecast overspend of £103,000 which is mainly due to the fact further savings are required from staff turnover. The significant variances from the Current Cash Budget are shown in the table below. Further details are contained in the service unit analysis available in the members room:

Table 1 – Significant Variations from the Cash Budget

	£'000
Target Bonuses for recycling contract	30
DPE cash collection costs	38
PILON, severance pay etc costs.	39
Delay in Market Walk Phase 2 project	(56)
Net Financing Transactions	(40)
Garage Rents less management/maintenance costs	(28)
Benefits payments	50
Concessionary Travel	88

18. Target bonus payments relating to the refuse collection contract are directly linked to the tonnage of recyclate collected. At this early stage in the monitoring cycle it is anticipated that there may be an increase in recycling rates resulting in a budget overspend of around £30,000.
19. The cost of collecting cash from car parking pay and display machines has been brought into the revenue account following clarification of agency contractual terms with LCC. This will result in a forecast overspend of around £38,000, but this is still subject to further negotiation with the County Council and it may be that a retrospective sum of £80k is also payable which will be a further charge to the Council's revenue account?
20. Restructuring costs have been incurred as a result of the restructure for the Streetscene, Neighbourhoods & Environment directorate. These are one-off costs for 2007/08 and should be viewed against the overall savings achieved within the directorate.
21. The budget for 2007/08 made allowances for a reduction in car parking income due to reduced parking spaces following the phase 2 development of Market Walk. Assuming that the start date for development will now be delayed to around January 2008, income will continue to be received for several months resulting in additional net income of approximately £178,000. However, it should be noted that this saving is offset by an adjustment to Net Financing Transactions of £122,000 for loss of interest saved on borrowing giving a net saving of £56,000. In addition to this, £40,000 added to the budget as the revenue cost of £1m extra investment is not required until 2008/09 giving a further saving in the current year.

22. Following the agreement with Liberata to provide property services for the Council for the next seven years, and with Chorley Community Housing regarding retained assets, it has been agreed that the Council will continue to receive rental income from around 180 garages, generating around £48,000 income for 2007/08. This will be offset by management and maintenance costs anticipated to be in the region of £20,000.
23. One 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 spend on the budget, as the very nature of the expenditure is that it is demand driven. Based on the outturn position for 2006/07 I feel it is prudent at this stage to advise members of a potential overspend of approximately £50k at the end of the first quarter but this may change dependant upon the Council's ability to identify benefit overpayments.
24. Another area requiring close monitoring is the concessionary travel budget. Several issues were identified in 2006/07 and reported to members in the Revenue Outturn report, including the costs relating to unsubsidised bus routes for which the Council has only recently been notified. These additional costs, together with an increase in demand are likely to result in a budget overspend of approximately £88,000 for 2007/08. The budget will be kept under constant review, and members informed as soon as any significant variations from budget are known.
25. Taking into account the points raised above, the current forecast position is that General Fund balances will be £103,000 lower than anticipated and further savings are needed to balance the budget. However it is still early in the financial year and there are some risks contained in the budget the effect of which will only be known later in the financial year, particularly the cost of concessionary travel and the cost of benefits which could have a significant impact on the Council's bottom line. On a positive note it is still likely that further staffing savings will be achieved and this should bring the budget back into balance. In addition to the significant variations identified in table 1, the assumptions regarding the potential cost of job evaluation have also been amended, Whilst no final figures are available it is now anticipated that final outcome will be less than expected, but still a significant extra cost to the Council.

USE OF RESERVES

26. The current cash budget has been updated to take account of the transfer of £107,310 from earmarked reserves to finance revenue expenditure slippage; and £234,510 from earmarked reserves to finance capital expenditure slippage. The original budget also provided for the use of £40,000 from general balances to finance the Alleygates scheme included in the capital programme.
27. The general balance brought forward at 1 April 2007 is £231,390 less than planned due to adverse variances during 2006/07. The most significant of these was the provision made for payment of interest on compensation estimated to be due in respect of the land assembly for the Gillibrand link road and housing development. Should the actual compensation payable exceed that provided for in the 2006/07 accounts, there would also be a need to pay additional interest, which would be a further drain on revenue reserves.
28. The current forecast is therefore that the budget will be balanced once further salary savings are identified making total general fund balances at the end of the financial year £728k, this excludes the HRA balance of just over 900k that will become available once the final audit is completed and the Housing Revenue Accounts closed.

SUMMARY

29. Excellent progress has been 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. which should ensure the budget is balanced.
30. Further contributions towards the Efficiency Savings Target of £60,000 have still to be achieved, but work is in progress to achieve this.
31. There are a number of areas that will be monitored closely as the year progresses, these are:
- Contribution to Corporate Savings and Efficiency Targets
 - Increased refuse collection costs
 - Concessionary travel and benefit costs
32. 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.

GARY HALL
DIRECTOR OF FINANCE

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Dave Bond/Michael Jackson	5488/5490	25/07/07	DOF/REPORT/REVENUE MONITORING

General Fund Revenue Budget Monitoring 2007/08 - Forecast Outturn as at June 2007

	(1) Original Budget £	(2) Agreed Changes (Directors) £	(2) Agreed Changes (Other) £	(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 %
<i>Chief Executive's Office</i>	924,170	(72,360)		851,810	(28,000)		823,810	823,810	-	0.00%
<i>Customer, Democratic & Legal Services</i>	2,092,340	124,140	20,000	2,236,480	(37,000)		2,199,480	2,200,480	1,000	0.05%
<i>Development & Regeneration</i>	1,061,650	(164,690)		896,960	(22,000)	(20,450)	854,510	854,510	-	0.00%
<i>Finance</i>	1,616,050	54,010		1,670,060	(5,000)		1,665,060	1,665,060	-	0.00%
<i>Human Resources</i>	483,020	(33,600)	53,040	502,460			502,460	494,460	(8,000)	-1.59%
<i>Information & Communication Technology Services</i>	998,230	(6,750)	34,270	1,032,500			1,032,500	1,043,500	11,000	1.07%
<i>Leisure & Cultural Services</i>	1,231,770			1,225,020	(20,000)		1,225,020	1,226,020	1,000	0.08%
<i>Policy & Performance</i>	625,810			625,810			605,810	605,810	-	0.00%
<i>Property Services</i>	82,040	79,490		161,530			161,530	115,530	(46,000)	-28.48%
<i>Streetscene, Neighbourhoods & Environment</i>	4,988,550	19,760		5,008,310			5,008,310	4,948,310	(60,000)	-1.20%
Budgets Excluded from Finance Unit Monitoring:										
Benefit Payments	(250,340)			(250,340)			(250,340)	(200,340)	50,000	-19.97%
Concessionary Fares	550,580			550,580			550,580	638,580	88,000	15.98%
Pensions Account	225,000			225,000			225,000	225,000	-	0.00%
Corporate Savings Targets										
Management of Establishment		(278,050)		(278,050)	112,000		(166,050)	-	166,050	-100.00%
Efficiency/Other Savings		(60,000)		(60,000)		36,850	(23,150)	-	23,150	-100.00%
Salary Related Savings		(50,000)		(50,000)			(50,000)	(50,000)	-	0.00%
Total Service Expenditure	14,628,870	-	(280,740)	14,348,130	-	16,400	14,364,530	14,590,730	226,200	1.6%
Non Service Expenditure										
Contingency Fund	50,000			50,000			50,000	-	(50,000)	0.0%
Contingency - Job Evaluation	255,680			255,680			255,680	100,000	(155,680)	0.0%
Contingency - Management of Establishment	(278,050)		278,050	-			-	-	-	0.0%
Contingency - Procurement Savings	(35,000)		35,000	-			-	-	-	0.0%
Contingency - Gershon Savings	(25,000)		25,000	-			-	-	-	0.0%
Contingency - Salary Related Savings	(50,000)		50,000	-			-	-	-	0.0%
Revenue Contribution to Capital	40,000		234,510	274,510			274,510	274,510	-	0.0%
Net Financing Transactions	(307,900)			(307,900)			(307,900)	(225,700)	82,200	-26.7%
Parish Precepts	549,835			549,835			549,835	549,835	-	0.0%
Total Non Service Expenditure	199,565	-	622,560	822,125	-	-	822,125	698,645	(123,480)	-15.0%
Total Expenditure	14,828,435	-	341,820	15,170,255	-	16,400	15,186,655	15,289,375	102,720	0.72%
Financed By										
Council Tax	(6,569,235)			(6,569,235)			(6,569,235)	(6,569,235)	-	0.0%
Aggregate External Finance	(8,008,230)			(8,008,230)			(8,008,230)	(8,008,230)	-	0.0%
Collection Fund Surplus	(59,970)			(59,970)			(59,970)	(59,970)	-	0.0%
Use of Earmarked Reserves - capital financing	-	(234,510)		(234,510)			(234,510)	(234,510)	-	0.0%
Use of Earmarked Reserves - revenue expenditure	(151,000)	(107,310)		(258,310)		(16,400)	(274,710)	(274,710)	-	0.0%
Contribution to or use of General Balances	(40,000)			(40,000)			(40,000)	(40,000)	-	0.0%
Total Financing	(14,828,435)	-	(341,820)	(15,170,255)	-	(16,400)	(15,186,655)	(15,186,655)	-	0.0%
Net Expenditure	-	-	-	-	-	-	-	102,720	102,720	0.72%
General Balances Summary Position										
General Fund Balance at 1.4.07				1,000,000						
Budgeted use of General Balances				(40,000)						
Forecast (Over)/Under Spend				(102,720)						
Forecast General Fund Balance at 31.3.08				1,000,000						