

Report of	Meeting	Date
Assistant Chief Executive (Business Transformation and Improvement) (Introduced by the Executive Member for Resources)	Overview & Scrutiny Committee Executive Cabinet	12/11/07 15/11/07

REVENUE BUDGET MONITORING 2007/08 REPORT 2 (END OF SEPTEMBER 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 in relation to the Council's Financial position.
 - b) Approve the recommendation to give notice to Chorley Community Housing that it is the Council's intention to terminate the current agreement for them to provide the Homelessness Service into the Council.

EXECUTIVE SUMMARY OF REPORT

3. The report contains details of the Council's expected spending for 2007/08 and summarises the main variations from the original budget.
4. Whilst presently the analysis shows that the budget is not on track to be balanced, significant progress has been made since the last budget monitoring report in June to identify the savings required to bring the budget into balance. However, the effect of the Gillibrand arbitration result means further savings are now required. Further savings should 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 due to the demand led nature of the budget the fact that we now have better information about usages for in particular concessionary travel and the judgement on the Gillibrand Link Road has now been received.
6. No action is required at this stage of the year even though further savings are required in the second half of the financial year. I shall continue to monitor the position regularly and should I feel any action is required, that action should be taken and reported to members.

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. In my last report I indicated that I was happy with progress being made on delivering a balanced budget. This report updates that position.

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 projected outturn shown in appendix 1 shows the summary forecast position for the Council based upon actual spending in the first six months of the financial year, adjusted for future spending based upon assumptions regarding vacancies and service delivery. No individual service directorate figures are attached. These are available for inspection in the Members Room.
13. The directorate cash budgets have been amended to reflect the new corporate structure following the recent Senior Management Review.
14. In my last report to the Executive Cabinet I advised on the projected outturn which forecast an overspend of £103,000 at the end of June. This position has since improved slightly and the current projection is now for an overspend of £91,000.

15. The significant movements since my last report are shown in the table below. Further details are contained in the directorate analysis available in the members room.

Table 1 – Significant Variations since the last monitoring report

	£'000
Additional salary savings in forecast	(166)
Senior Management Review salary savings	(43)
Bed & Breakfast costs	100
Private Lifeline Alarms	41
Building Control/Planning Application Fee income	(53)
Target Bonus recycling contract	70
Car Parking income	(44)
Benefits payments	50
Net Financing Costs	(102)
Interest on Gillibrand Development	215
Job Evaluation	(50)
Other minor forecasts	(30)
Net change since June report	(12)

16. Clearly one of the most significant changes being reported here is the additional savings relating to salaries. In the period to the end of September we have already identified the full £278,000 savings required to meet the corporate savings target for managing the establishment. The savings that have been identified are as a result of savings arising from staff vacancies within Corporate Governance, Policy & Performance, and Neighbourhoods directorates, together with savings from the Senior Management Review. I expect further salary savings from vacancies to accrue over the remaining part of the year.
17. A significant change in the forecast this time is the increase in Bed and Breakfast costs. The original budget for 2007/08 estimated the costs to be £15,000. The latest figures provided by Chorley Community Housing suggest an increase of around £100,000 for the year. The Strategic Housing section is currently in the process of implementing changes to minimise any future increase in costs.
18. When setting the budget for 2007/08 it was anticipated that the provision of Private Lifeline Alarms would be a function of the Council and that this would generate a surplus of income over expenditure of around £41,000. Chorley Community Housing has since taken over the role resulting in a loss of revenue to the Council. This has been offset by an increase in income from garage rents previously reported.
19. Income from Building and Planning Application Fees has been consistently above the profiled budget levels over the last three months. Development Control has identified a number of larger applications for the remainder of the financial year. Allowing for the larger applications and the steady flow of “everyday applications” should keep the income levels above budget resulting in additional income of around £53,000 for the year.
20. Additional expenditure on Target Bonus Recycling Payments is due to tonnage volumes exceeding those in the base contract as a result of higher levels of glass, paper and cans being recycled. The budget was based on approx. 6,800 tonnes @ £44 per tonne, giving a total cost of £300,000 for 2007/08. The projected total tonnage is forecast to be just over

9,000 tonnes for 2007/08, giving a total £400,000. This generates a budget overspend of £100,000 for the year, an increase of £70,000 from the figure reported in June monitoring.

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. On the assumption that the development will not now start before the end of the financial year, an additional £61,000 of car parking income should be generated. This is likely to be offset by a £17,000 reduction in income as a result of changes in fee tariff on the Flat Iron car park.
22. Following on from my previous report 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 forecast overspend by a further £50,000.
23. The forecast for the 'net financing transactions' budget, which is interest earned on the Council's cash balances less provision to repay debt incurred in financing the capital programme, is an increase of £101,800 in the net credit. The previous forecast of £225,700 credit is expected to increase to £327,500 credit. Cash balances invested to earn interest have been at a substantial level during 2007/08, following the transfer of the housing stock at the end of the previous financial year. The core of the cash balance is the HRA-related borrowing repaid to the Public Works Loan Board on behalf of the Council by the DCLG; the Council kept the cash borrowed from the PWLB under this arrangement. In addition, interest rates have increased above the estimated level, which is proving to the Council's benefit so far in respect of this budget. The forecast outturn is that net interest receivable will be £372,500, less £45,000 provision to repay debt.
24. The compensation awarded to the Gillibrand link road and housing developers following arbitration is £2.8m rather than the £2.2 previously provided for the 2006/07 accounts. The Council will need to budget for the increased capital cost of this land assembly in the capital programme, and this will be reported once all associated costs have been identified. At the time of preparing this report, the compensation has not yet been paid to the developers and both sides will need to agree some of the figures. Interest is payable on the compensation, so there will be a further impact on the revenue budget of around £215,000 covering the period from 2001/02 onwards. Had it not been for this additional interest cost in respect of Gillibrand, the underlying picture was that there would have been a significant underspend against the revenue budget for 2007/08.
25. Taking into account the points raised above, the current forecast position is that General Fund balances will be £91,000 lower than anticipated and further savings are needed to balance the budget. However at this stage in the year I recommend no further action is taken. 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. However, 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.
26. Members will have noted the reported increase in the cost of bed and breakfast to the Council. The reasons for the increases are reported in detail in the Quarterly Performance Management report elsewhere on this agenda. As a consequence, it is now felt appropriate to consider terminating the Housing Agency Agreement we currently have with Chorley Community Housing.

The main reasons for this are:

- Failure to meet contractual obligations including service delivery and reporting performance targets.
- The use of bed and breakfast accommodation is significant. The current spend to date is £62k. The Council has provided support and assistance to CCH staff in order to try to address this issue, but guidance has not been followed.
- The focus of the service is reactive and does not provide the range of advice and sign posting service, which it could provide.
- A number of key BVPI are currently under performing.
- At present the service will not achieve the expected performance required by the Audit Commission in any future CPA Inspections.

Clearly managing a contracted arrangement rather than the staff and service directly can create management issues. Having more direct control will enable service improvements to be undertaken more quickly and without the need for consultation with a third party.

SUMMARY

26. Excellent progress has been made in achieving the Corporate Savings Target of £278,000 for the year. It is likely that further savings will be made as the year progresses and more vacancies occur which should ensure the budget is balanced.
27. Further contributions towards the Efficiency Savings Target of £60,000 have still to be achieved, but work is in progress to achieve this.
28. 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
29. 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.
30. Members should note the action proposed in relation to bringing back the management of the Homelessness Service from Chorley Community Housing for the reasons outlined in the report.

GARY HALL
ASSISTANT CHIEF EXECUTIVE
(BUSINESS TRANSFORMATION AND IMPROVEMENT)

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 September 2007

	(1) Original Budget	(2) Impact of Council Restructure	(3) Agreed Changes (Directors)	(4) Agreed Changes (Other)	(5) Original Cash Budget	(6) Contribution to Corp. Savings (Staffing)	(7) Contribution to Corp. Savings (Other)	(8) Current Cash Budget	(9) Forecast Outturn	(10) Variance	(11) Variance
	£	£	£	£	£	£	£	£	£	£	%
Chief Executive's Office	924,170	-	(77,000)	-	847,170	(83,000)	-	764,170	725,630	(38,540)	-5.04%
Corporate Governance	2,092,340	(744,630)	154,640	20,000	1,522,350	(61,600)	-	1,460,750	1,460,750	-	0.00%
Business	1,061,650	(10,000)	(185,270)	-	866,380	(22,000)	(20,450)	823,930	823,930	-	0.00%
Business Improvement	1,616,050	-	59,280	-	1,675,330	(5,000)	-	1,668,680	1,668,680	(1,650)	-0.10%
Human Resources	483,020	-	(40,050)	53,040	496,010	-	-	496,010	534,010	38,000	7.66%
Information & Communication Technology Services	998,230	-	(710)	34,270	1,031,790	-	-	1,031,790	1,018,790	(13,000)	-1.26%
People	1,231,770	738,020	(6,970)	-	1,962,820	(25,000)	-	1,962,820	1,992,820	30,000	1.53%
Policy & Performance	625,810	-	(2,250)	-	623,560	-	-	598,560	584,560	(14,000)	-2.34%
Property Services	82,040	10,000	79,490	-	171,530	-	-	171,530	348,590	177,060	103.22%
Neighbourhoods	4,988,550	6,610	18,840	-	5,014,000	(82,000)	-	4,932,000	4,910,000	(22,000)	-0.45%
Budgets Excluded from Finance Unit Monitoring:											
Benefit Payments	(250,340)	-	-	-	(250,340)	-	-	(250,340)	(150,340)	100,000	-39.95%
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)	278,600	-	550	-	(550)	-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)	-	-	0.00%
Total Service Expenditure	14,628,870	-	-	(280,740)	14,348,130	-	16,400	14,364,530	14,731,000	366,470	2.6%
Non Service Expenditure											
Contingency Fund	50,000	-	-	-	50,000	-	-	50,000	-	(50,000)	0.0%
Contingency - Job Evaluation	255,680	-	-	-	255,680	-	-	255,680	50,000	(205,680)	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)	(327,500)	(19,600)	6.4%
Parish Precepts	549,835	-	-	-	549,835	-	-	549,835	549,835	-	0.0%
Total Non Service Expenditure	199,565	-	-	622,560	822,125	-	-	822,125	546,845	(275,280)	-33.5%
Total Expenditure	14,828,435	-	-	341,820	15,170,255	-	16,400	15,186,655	15,277,845	91,190	0.63%
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	-	-	-	-	-	-	-	-	91,190	91,190	0.63%
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					(91,190)						
Forecast General Fund Balance at 31.3.08					1,000,000						