

| Report of   | Meeting  | Date                             |
|---|--|----------------------------------|
| Assistant Chief Executive<br>(Business Transformation)<br>(Introduced by the Executive<br>Member for Resources) | Overview and Scrutiny committee<br>Executive Cabinet | 11 August 2008<br>14 August 2008 |

## REVENUE BUDGET MONITORING 2008/09 REPORT 1 (END OF JUNE 2008)

### 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 2008/09 for the General Fund.

### RECOMMENDATIONS

2. Executive Cabinet are asked to note the contents of the report.
3. That the sum of £50,000 be taken out of working balances to a specific reserve to meet the anticipated cost of equal pay claims.

### EXECUTIVE SUMMARY OF REPORT

4. The Council expected to make overall target savings of £320,000 in 2008/09 that equates to £80,000 for the first quarter. I am pleased to report that excellent progress has been made in this area with savings of £150,000 already achieved. Further savings will be made as the year progresses and more vacancies occur, which should ensure the budget is balanced.
5. There are a number of areas that will be monitored closely as the year progresses, these are:
  - Contributions to Corporate Savings and Efficiency Targets
  - Major income streams, in particular car parking fees and markets
  - Concessionary travel and benefit costs
6. 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.

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

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

## ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

8. None.

## CORPORATE PRIORITIES

9. 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

10. The Council's budget for 2008/09 included real cash savings targets of £260,000 from the management of the establishment and a further £60,000 of savings to come from efficiency and procurement related activities.

The budget also included challenging targets for the Council's main income streams following a full review of fees and charges. The financial risk to the Council is that there could be a level of consumer resistance to the increase in fees.

## CURRENT FORECAST POSITION

11. 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.

12. The directorate cash budgets have been amended for approved slippage from 2007/08 and any transfers from reserves. The significant additions to the budget include:

- £150,000 for improving the look and feel of Neighbourhoods
- £32,000 for Town Centre Strategy
- £31,000 for Marketing Chorley
- £40,000 for slippage relating to agency staffing in Strategic Housing
- £17,000 slippage for Internet charges
- £16,000 slippage for Smoke Free Initiatives
- £19,000 for staffing in Customer Services
- £16,000 for the Thin Client project
- £29,260 for other ICT Services projects
- £20,000 for Waste Contract consultancy costs

13. In the period to the end of June we have identified £150,000 of contributions to the corporate savings target of £260,000 for managing the establishment. The main savings that have been identified are as a result of savings from within Corporate Governance, Business Transformation & Improvement, Policy & Performance, and Neighbourhoods directorates. This is a very positive start to the year, and this position will remain under constant review.
14. The projected outturn shown in appendix 1 shows a forecast overspend of £188,000 which is mainly due to the fact that further savings are required from staff turnover and efficiency measures. 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**

|                                      | <b>£'000</b> |
|--------------------------------------|--------------|
| Savings on staff salaries            | (132)        |
| Strategic Housing – staffing costs   | 50           |
| Markets Income                       | 44           |
| Car Parking Fees                     | 40           |
| Legal costs re: planning application | 25           |
| Salary savings from strike action    | (20)         |

15. Clearly the most significant change being reported here is the additional savings relating to salaries. These savings are in the main as a result of vacant posts, many of which have been kept vacant pending the outcome of directorate and departmental restructures due to take effect within the coming months.

The main savings achieved are analysed by directorate as £63,000 from Business Transformation & Improvement, £45,000 from Neighbourhoods, and £27,000 from People.

16. Details of the restructure for the Strategic Housing services section were outlined in the report to Cabinet in June of this year. The report outlined the necessary additional resource requirements in order to manage the recently transferred homelessness function, in addition to meeting the local and national performance targets regarding strategic housing.

The restructure identifies an additional full year requirement of around £60,000 and with the new structure expected to be in place by the end of September, the cost for 2008/09 will be in the region of £30,000. In addition to these costs, approval was given for slippage of £40,000 from 2007/08 to cover agency staff costs until the end of July, the anticipated start date for the new structure. With a delay until the end of September, an additional provision of around £20,000 is now required to cover agency costs.

17. One of the major income streams for the Council comes from Market Tolls, on both the general market and the Flat Iron, with a total budgeted income of around £320,000. Early indications suggest that this level of income may not be achieved in 2008/09. Several factors may be involved such as the impact of the markets refurbishment as work is carried out, but the major influence to date is that since April of this year, ten regular market traders have ceased trading. New businesses will need to be attracted to generate additional income over coming months to reduce the forecast deficit.

18. The budget for 2008/09 included challenging targets for income received from car parking fees. Although it is too early in the financial year to accurately predict the final outturn position, early indications suggest that these targets may not be achieved.

Although income has increased overall, ticket sales in the first quarter are approximately 9% down compared with previous year figures. It is unclear at this stage whether the cause of the downturn is due to consumer resistance to the increase in tariffs or whether other factors are involved such as increases in petrol prices, poor weather in recent weeks, or the impact of the credit crunch. What is clear is that revenues from car parking fees will have to be closely monitored over the coming months.

19. A further overspend against the revenue budget this year are the costs associated with the planning appeal in respect of 54 Lancaster Lane, Clayton-le-Woods. The final costs will be subject to argument over what is reasonable for the Council to pay but indications are that the sums involved may be significant. A forecast of £25,000 has been made at this stage.
20. The recent two-day strike action will generate a saving against salary budgets. Although final figures have yet to be confirmed, the anticipated saving is set to be in the region of £20,000.
21. Another area requiring close monitoring 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 2007/08 I feel it is prudent at this stage to advise members of a potential overspend of approximately £15k at the end of the first quarter but this may change dependant upon the Council's ability to identify benefit overpayments.
22. One budget that has the potential to impact significantly on our year-end position is the budget for Concessionary Travel. As outlined in the report to Council in February, changes to the Concessionary Transport Scheme with effect from April 2008 have made it impossible to predict the likely costs for this year. Although additional provision has been made in the 2008/09 budget, it is not yet clear whether this provision is sufficient to meet the increase in costs as a result of the predicted increases in journeys and pass take up.
23. One further issue still to be resolved is the impact of equal pay claims on the 2008/09 revenue outturn position. As no specific provision has been made in the 2008/09 budget I am proposing to transfer a sum of £50,000 from working balances to a specific reserve to meet these costs. If approved the level of working balances available to the Council would be £1.728m, on the assumption that the budget is balanced by the end of this financial year.

## **USE OF RESERVES**

24. The current cash budget has been updated to take account of the transfer of £107,630 from reserves to finance revenue expenditure slippage, and £421,260 from other earmarked reserves, including £150,000 for improving the look and feel of Neighbourhoods.
25. The general balance brought forward at 1 April 2008 is £1.778m after the transfer of approved slippage from 2007/08. This includes the transfer of the HRA surplus of £896,000.

## IMPLICATIONS OF REPORT

26. This report has implications in the following areas and the relevant Directors' comments are included:

|                 |   |  |  |
|-----------------|---|--|--|
| Finance         | ✓ | Customer Services                        |  |
| Human Resources |   | Equality and Diversity                   |  |
| Legal           |   | No significant implications in this area |  |

27. The financial implications are detailed in the body of the report.

GARY HALL  
ASSISTANT CHIEF EXECUTIVE (BUSINESS TRANSFORMATION)

There are no background papers to this report.

| Report Author | Ext  | Date     | Doc ID  |
|---------------|------|----------|---|
| Dave Bond     | 5488 | 25/07/08 | ACE (BT)/Reports/2008/Exec<br>Cab/Budget Monitoring (June 08) |