

Report of	Meeting	Date
Assistant Chief Executive (Business Transformation) (Introduced by the Executive Member for Resources)	Overview and Scrutiny Committee	10 th November 2008

REVENUE BUDGET MONITORING 2008/09 REPORT 2 (END OF SEPTEMBER 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 additional sum of £10,800 be taken out of working balances to a specific reserve to meet the final costs of equal pay claims.
4. That contingency plans be developed to make additional savings to mitigate the impact of potential overspending in respect of concessionary travel, estimated to be up to £250,000 in 2008/09.

EXECUTIVE SUMMARY OF REPORT

5. The Council expected to make overall target savings of £320,000 in 2008/09 that equates to £160,000 for the first two quarters. I am pleased to report that excellent progress has been made in this area with savings of £234,000 already achieved. Further savings will be made as the year progresses and more vacancies occur, which should ensure that budgeted savings are achieved.
6. 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, land charges and markets
 - Concessionary travel costs
 - Benefit costs
7. As there is a potential overspend of up to £250,000 in respect of concessionary travel costs, I recommend that contingency plans be developed to identify further savings that could mitigate the effect of this, should a significant overspend materialise.

REASONS FOR RECOMMENDATIONS
(If the recommendations are accepted)

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

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

9. None.

CORPORATE PRIORITIES

10. This report relates to the following Strategic Objectives:

Put Chorley at the heart of regional economic development in the Central Lancashire sub-region		Develop local solutions to climate change.	
Improving equality of opportunity and life chances		Develop the character and feel of Chorley as a good place to live	
Involving people in their communities		Ensure Chorley Borough Council is a performing organisation	✓

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

BACKGROUND

11. 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

12. 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. In my report to the Executive Cabinet of 14 August 2008, I advised on the projected outturn for 2008/09, which was a deficit of £188,000, based on monitoring information at the end of June. Before taking into account the potential overspending of £250,000 in respect of concessionary travel, this position has improved. Based on monitoring information as at the end of September, the current projection would be a deficit of £112,000. However, should the 'worst case' overspending in respect of concessionary travel materialise, the deficit could increase to £362,000 unless further savings could be implemented to avoid this.

14. 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 from the last monitoring report

	£'000
Savings on staff salaries	(146)
Increase in Gas, Electricity, and Water charges	65
Reduction in Land Charges income	63
Planning Application Fees	(30)
Further reduction in Car Parking Fees	40
Income generated from external consultancy work	(25)
Recharge of staff costs on LDF matters	(32)
Savings on waste contract	(33)
Efficiency savings achieved	(24)
Net Financing Costs	30
Equal Pay Claims	11
Other minor variances	5
Net change since June monitoring	(76)
Potential Concessionary Travel overspending – ‘worst case’	250
Net change including Concessionary Travel	174

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, some 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 £73,000 from Business, mainly as a result of vacancies within the Planning section, £33,000 from People directorate, £20,000 from Policy & Performance, and £11,000 from Business Transformation & Improvement.

16. Over recent months we have seen a dramatic increase in the charges for gas, electricity and water supplies. Despite the 2008/09 budget including a provision for these increases, the effect of several increases from energy suppliers over the last twelve months means that actual costs will far outstrip the budgeted provisions. This, together with a lack of accurate billing information from our energy supplier, has meant that both the setting and monitoring of budgets has been extremely difficult in recent times. Based on the latest information available, the current forecast is for an overspend of £65,000 in 2008/09.
17. With the economy now moving towards recession, the impact is starting to be felt across several areas of the Council's services. One area being affected is the income generated from Land Charge Search fees, a major source of income for the Council with a total budget of around £189,000 in 2008/09. As a result of the slowdown in the UK housing market following the “credit crunch”, it is now clear that actual income levels will be significantly lower than budgeted for this year.

Current income levels are approximately 30% down on last year and this trend is likely to continue for the foreseeable future. The position will be monitored closely over the next few months but at the halfway stage in the financial year the forecast is for a shortfall compared to budgeted income in the region of £70,000.

18. Another of the Council's major income streams, which is potentially at risk, is planning application fees. However, income levels for the first six months of the year remain extremely positive and the forecast at this stage, even after allowing for a slight downturn in applications, is for a surplus of £30,000 over budget. The position will have to be monitored closely over coming months and any change in the position will be reported to members at the earliest opportunity.
19. One area almost certainly affected by the current economic climate is the income from car parking fees. Although it is too early in the financial year to accurately predict the final outturn position, it is clear that budget targets will not be achieved for 2008/09.

Income levels for the second quarter have continued to be below the levels anticipated in the budget and whilst levels are expected to rise in the run-up to Christmas I feel it is prudent at this stage to increase the forecast deficit by a further £40,000.

20. One area where the Council has performed well in recent times is in the generation of additional income resulting from members of staff working for other local authorities. Two particular examples to note are the Assistant Chief Executive (Policy & Performance) providing policy support work for Blackpool Borough Council and the Planning Policy Manager working on Local Development Framework matters in conjunction with Preston and South Ribble councils. These two areas of work will generate additional income of £25,000 and £32,000 respectively in the current year.
21. The current forecast outturn for refuse collection is for an underspend of around £33,000 against the budget in 2008/09, with the saving coming from two areas in particular. The cost charged for green waste processing has come down below the agreed threshold this year which means that the Council no longer needs to make a contribution towards the costs. The 2008/09 budget also included a provision for the additional cost of delivering waste to Whinney Hill Tip, expected to be in the region of £18,000. With waste volumes currently lower than anticipated, it is unlikely that this provision will be required in the current year.
22. Good progress has been made in the first half of the year towards achieving the £60,000 target the Council set itself for procurement and efficiency savings in 2008/09. The new contract negotiated for providing the Council's Documents On Line service realised a saving of around £20,000 for the Business Transformation & Improvement directorate. This, together with the decision to replace Performance Plus software in the Policy & Performance directorate with an in-house solution giving a saving of £4,000 means that a total of £24,000 has been achieved to date.
23. A number of factors affect the 'Net Financing Transactions' budget, which consists of the provision to repay borrowing, plus interest payable on external borrowing, less interest receivable on cash balances invested. The provision to repay borrowing has been reduced because it was not necessary to incur borrowing to finance the capital programme in 2007/08. Offsetting this saving is a reduction in estimated net interest receivable. This is affected by factors such as the availability of cash balances to invest, which may be less than originally estimated because of reduced asset sales and delayed contributions from developers, and the interest rates offered by borrowers.

Overall the forecast for 'Net Financing Transactions' is a reduction in the net credit by £30,000, which approximates to the interest that would have been earned on the sum invested in Iceland but which is at risk.

At present, the forecast outturn is prepared on the assumption that the investment in Iceland is recoverable. Should the cash not be recoverable in full, the estimated 'bad debt' would be a charge against the revenue budget. If this proved to be the case, and the sum

was significant when compared to the Council's revenue budget and revenue reserves, it may be possible to obtain Government permission to capitalise the estimated loss so that the impact on the revenue budget would be spread over a number of years.

24. At the Executive Cabinet meeting in August of this year it was agreed that a sum of £50,000 be transferred to an earmarked reserve to meet the anticipated costs of equal pay claims. The final costs have now been agreed at £60,800 including legal costs and I propose to transfer a further sum of £10,800 from working balances to meet these additional costs.

CONCESSIONARY TRAVEL

25. Though the net effect of these changes is an improvement by £76,000 since the previous monitoring report, there is another budget that has the potential to have a significant adverse impact on our year-end position. This is the budget for Concessionary Travel. The Council has only recently received the first cost information for this financial year, which covers the period 1 April to 9 August. Calculations based on this information suggest a forecast outturn ranging from £1.284m to £1.375m compared to the budget of £1.125m, giving a potential budget gap of between £159,000 and £250,000. All twelve Lancashire Districts have written to Government Ministers seeking additional funding; and the proposed pooling arrangements are currently being discussed between the twelve District Councils and two Unitary Authorities.
26. Clearly with only four months costing information received to date it is too early to predict the outturn with any degree of accuracy. As more information is made available over the coming months I will update members on this position in due course. In the meantime, I recommend that contingency plans are developed to identify savings that could be achieved in order to mitigate the potential effect of an overspend of up to £250,000.

IMPLICATIONS OF REPORT

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

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

28. The financial implications are detailed in the body of 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	24/10/08	Revenue Budget Monitoring 2008-09 – Sept 08.doc