

Report of	Meeting	Date
Assistant Chief Executive (Business Transformation) Statutory S151 Officer	Executive Cabinet	8 January 2008

DRAFT GENERAL FUND BUDGET FOR 2009/10

PURPOSE OF REPORT

- To secure the Executive's agreement of the content of the draft revenue budget that will form the basis of further work in terms of delivering the Council's 2009/10 budget.

RECOMMENDATION(S)

- The Executive Cabinet are recommended to:
 - Note my preliminary advice under S25 of the Local Government Act 2003 on the draft budget, particularly in relation to monitoring working balances within the range set out.
 - Agree to the consultation process outlined in the report.
 - Agree to consult on the savings proposals and the shape of the budget as outlined in the report.

EXECUTIVE SUMMARY OF REPORT

- This report outlines the Executives budget proposals for 2009/10. It sets out how the Executive propose to manage it's way through what will be a difficult period in financial terms for the Council:
- The financial position is such that significant savings have to be achieved, this is a result of the fact that firstly, the levels of additional government grant are being contained and secondly, the current costs of the continuation of our services needs to be realigned, as many of the Council's budgets have been affected by the current economic
- The strategy for managing over the medium term period is to continue:
 - Focus on a line by line review of current spending
 - Identify where possible savings that are administrative in nature and do not affect front line services
 - Look for opportunities to generate additional income
 - Use working balances to smooth the transitions, whilst the base budget is realigned
 - Minimise the impact on front line services
 - Pursue shared services opportunities
- Also included is a review of the level of the Council's working balances which is important in the context of the strategy being adopted. The financial risk profile will change due to a number of factors over the next three years and as such working balance can be used over the medium term.



7. I am required as part of the budget process to review the assumptions and budget proposals in terms of their deliverability and my initial thoughts are set out in the paper, but essentially confirms that the basis of the budget is robust both in terms of assumptions and deliverability and that together with the changes proposed in the level of working balances, protects against the financial risks the Council face. That said there is still much to do to balance the budget over the medium term, but this is not a surprise as the position is the same as reported previously, but the issue has been exacerbated by the economic downturn and the concessionary travel issue. The current forecasts and budget proposals show the following and the figures that follow are predicated on a 3.5% council tax increase for 2009/10:

Table 1: Budget Position

	£'000	£'000
Budget gap based upon service continuation		1,334
Less rebasing of budget and savings agreed		(254)
		1,080
Savings proposals	(453)	
Income generation	(172)	
3.5% Council Tax increase	(191)	
		(816)
Expenditure to be funded from working balances 2009/10		264

8. The analysis shows that under the current proposals a sum of £264k would be needed from working balances in 2009/10 to bridge the budget gap. In order to balance the Councils budget over the medium term a savings target of £1m, or an average of £500k per annum will be required, in both 2010/11 and 2011/12.
9. This report should be read in conjunction with the report included elsewhere on his agenda, containing the Executive proposal for Capital Investment contained in the Capital Investment Programme.

REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

10. To begin the budget consultation process for 2008/09.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

11. None.

CORPORATE PRIORITIES

12. The budget is the ultimate expression of corporate priorities and it is the essential that the link between priorities and resources used is explicit in any budget proposal.

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.	✓

BACKGROUND

13. The policy context for this budget whilst driven to some extent by National, Regional and Sub-Regional issues is influenced most by the local issues highlighted in the Corporate Strategy.
14. The development of the refreshed Community Strategy and the objectives therein form the basis of the Council's own Corporate Strategy. Contained in that document are the key objectives, outcomes and targets the Council works to deliver as part of its contribution to the overall well-being of the area.
15. Some of the main local issues are:
- Access to affordable housing.
 - The development of the local economy.
 - Continuing to develop the effectiveness of the Local Strategy Partnership.
 - Engagement, participation and satisfaction with local service delivery.
 - Combating climate change.
 - Extending the green corridor of Chorley.
16. The context is also in part, set by the proposed Medium Term Financial Strategy which forms the framework and which will be refreshed prior to the start of the next financial year but will be built upon a key targets that will include:

Working balances will be maintained at a level no lower than £1m between 2009/10 – 2011/12

17. The risk profile is set to change significantly over the medium term in particularly in relation to the concessionary travel costs whereby responsibility should pass to the upper tier authority in 2010/11. A separate paper is attached to this report on this particular issue due to the complexity and significance of the issue at Appendix 6.
18. The key debate in terms of the budget involves the means of resolving the conflict between various policy implications and the availability of resources including the level of Council Tax to be set. The priority has been to protect frontline services and to ensure the programmes of work currently underway are also protected. The emphasis in the coming financial years must be around maximising the use of the resources we currently have and continuing to improve service delivery whilst working with and influencing our partners to do the same as financial constraints prevail across the public and private sectors. Achieving the same or more for less will continue to be the overriding aim.

RESOURCE CONTEXT

19. The government recently confirmed its spending plan for 2009/10 to 2010/11, the key messages from that Comprehensive Spending Review 2007 are:
- An increase in the funds/grants available to local government of 4.2% in 2008/09; 3.5% in 2009/10 and 3.4% in 2010/11. After accounting for inflation this amounts in real terms increases of 1.5%, 0.80% and 0.7% over the CSR period. In Cash terms for Chorley this means increases of only £137k (1.6%), £129k (1.5%) and £85k (1%) over the next three financial years.

CONSULTATION

20. For 2009/10, the process will consist of:
- Circulation of the draft budget papers to partners and stakeholders.
 - Publication of the detailed information on the Internet and Intranet, supplemented by a press release.
 - Specific meetings with Parish Councils and trade unions if requested.
 - Review by the Overview and Scrutiny Committee.

THE COST OF MAINTAINING CURRENT SERVICE LEVELS

21. Appendix 1 sets out the cost of maintenance of current service levels and any additional statutory requirements, adjusted for known changes that should have no impact on the level of service provided. No increase in the recurrent budget for concessionary travel costs is proposed and the rationale for this is explained later in the report. The position is summarised in the table below:

Table 2 – The Cost of maintaining current service levels and meeting statutory requirement

	£'000
2008/09 Budget requirement	14,394
Pay Inflation	318
Increments	108
Other changes	437
Total	15,257

22. The figures represent a cost increase of 6% compared with the 2008/09 figures. However it should be borne in mind that much of the increase is beyond the Council's control.
- Pay awards are settled nationally and pension costs are at the mercy of the performance of the financial markets.
 - Contractual commitments.

- The effect of the current economic conditions.

Details of the main variances are shown at Appendix 2

CAPITAL FINANCING COSTS

23. Also included on this agenda is a draft Capital Programme for 2009/10 to 2011/12. Again this is predicated upon a number of key assumptions, particularly in relation to the levels of specific capital grant that the Council may receive. Once again the details of these sums will only become available later in the planning cycle.
24. The key issue as always for Members is how affordable are the Plans. As in previous years the Council's ability to deliver investment is dependent upon its ability to generate planning gain receipts and other capital receipts. The levels of borrowing are increasingly kept to a minimum as the pressure on the Council's revenue budget is sufficient to mean little headroom for investment is available. That said the Council has been particularly successful at attracting S106 funds but going forward these are likely to decrease over the medium term the timing of receipt become less certain as the opportunities for attracting such funding decrease and development slows.
25. The expected levels of borrowing whilst still low in relation to the totality of the programme does have revenue consequences and these has been factored into future revenue budget forecasts.
26. The key message from the updated programme is that only key contractual commitments have been carried forward to 2011/12 with no new schemes being added. This is a consequence of having no headroom in the Council's budget over the medium term to fund additional schemes. That said the Council's investment plans have been significant over the last 3 years in a number of areas, particularly the Council leisure facilities and parks. In addition the Current programme that includes investment in key priorities is protected with no proposed reductions in the programme previously agreed
27. In terms of the net financing costs, these have changed significantly between 2008/09 and 2009/10. The biggest single change is in the net interest the Council attracts from cash deposits. This is as a result of the Council having less cash to deposit and the fall in interest rates as the base rate has dropped in a dramatic fashion in the last 3 months and forecasts are that this trend is set to continue. In terms of the Icelandic deposit, the forecasts exclude interest that would have been earned on that sum circa £60k and the Government has introduced regulations that mean the potential impairment costs, should any arise are not recognised for budgeting purposes until more is known about the potential outcome.

THE BUDGET

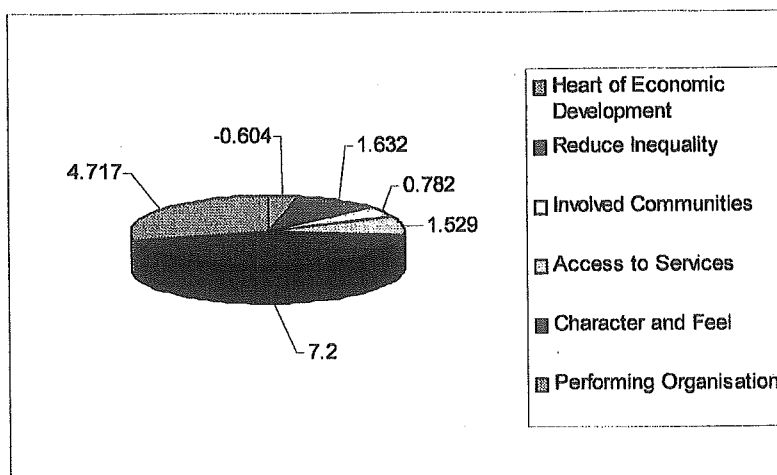
28. All the figures that follow reflect a tax base of 35,099.00. The figure has been set under the powers delegated to the Statutory Finance Officer by the Council. There is a decrease of (0.05%) on the last financial year in the tax base which is mainly as a result of the slow down in house building and the fact that I have increased the provision for bad debt by 0.5% as collection is now being affected by economic conditions.
29. The Strategy for bridging the budget gap is built on the following principles:
 - Minimising the level of Council Tax increase.
 - Rebased the Council's budget based upon historic performance and future expectations.
 - Maximising the Council's revenue earning opportunities.

- Minimising the impact on service delivery.
 - Looking for opportunities for sharing services.
30. A summary of the effect on the rebasing exercise is shown in Appendix 2.
31. A summary of the proposals to make efficiencies and to maximise income opportunities are shown in Appendix 4.
32. In terms of the overall message from the proposals it is clear that all the above principles have been utilised in that:
- The proposed level of Council Tax is below the 5% expected by the Government at 3.5%, currently the retail price index is at just over 4%. This means that the average increase in Chorley's element of the council tax will have been 2% over the three financial years, 2007/08 – 2009/10.
 - The line by line review of the base budget has elicited further savings.
 - The review of revenue generating activities has identified some opportunities.
 - The number of changes in both the level and nature of the Councils staffing establishment has been kept to a is minimal on order to protect service delivery. Where changes are proposed, these are administrative or managerial in nature or reflect the fact that volumes of work have reduced significantly. Posts have been kept vacant in anticipation of the downturn and to minimise the impact on staff currently employed.

POLICY CHOICES

33. The Administration in policy terms have determined that they wish to continue to have low Council Tax rises. In terms of its impact on services the overwhelming objective is to at least maintain service delivery at its current level given that in most cases the Council is performing well. But the organisation will continue to strive for further improvement and will continue to focus on delivering its priorities.
34. However within that context and within the Council's resources constraints some resources have been identified to be put into priority areas of the Corporate Strategy but these will be a realignment of resources and not additional in nature. A summary of the current 2008/09 budget resources mapped against the Council's priorities shows the following:

Diagram 4: Current Resource Allocation



35. The table shows that the bulk of the Council's resources are spent in developing the look and feel of Chorley and ensuring Chorley is a performing organisation. The draft budget for 2009/10 seeks to maintain the resources put into these priority areas.
36. However given the Council's overall financial position this ultimately means that in order to protect services as much as possible, savings have to be made, set out below is my interim assessment of the impact the proposals may have.

RISK ISSUES

37. In terms of the budget proposal there still remains a number of risk areas where actual performance may not match the assumptions made. In such an event this may impact on the Council's ability to deliver its proposed budget. The majority of these areas are not unique to Chorley and are recurrent issues in many cases, given the nature of local authority business.
38. The risk in almost all cases is a result of not having information on which to base future forecasts. This position is a result of either a budget being demand led, as is the case with Concessionary Travel or information on particular funding streams not being available until later in the year. Whilst forecasts are available for Chorley in relation to concessionary travel, we are still only working off six months actual data for the new scheme.
39. In respect of the key assumptions in the budget, these are as follows:

Table 5. Budget Assumptions

Assumption	%/£
Pay Award	+2.5%
Grant Settlement	+1.7%
Pension Contribution	+1.0%
Housing Planning Grant	+£27k

40. In relation to each individual item I would make the following comments:

PAY AWARD

41. The assumption is based upon the 2008 settlement and the stated intention of the Government to restrain Public Sector Pay Awards.

GRANT SETTLEMENT

42. Whilst the government have confirmed the grant allocation for 2009/10 at £8.358m, the figures for further years are still draft in nature. Given the governments overall financial position of the Government we may find changes are made to the current allocations in further years as the Government looks to get public expenditure back under control.

PENSIONS CONTRIBUTION

43. Last year following the revaluation of the pension fund the following additional contributions were agreed.

2009/10	+1.0%
2010/11	+1.0%
2011/12	+1.0%

44. Pension funds will be big loser due to the performance of the stock market in the last 12 months. As a result the Council's pensions deficit currently £8m will increase and following the next financial review in 2010/11 employees contributions are likely to rise again.

HOUSING AND PLANNING GRANT

45. This specific grant has been paid to the Council and other Council's to invest in improving planning service. The Council received a sum of £104k in 2008/09 for its performance in this area and I have made the assumption that we will receive the same sum in 2009/10. Some of the grant is based on relative performance in a number of areas like housing development. Clearly the Council cannot control this.

CONCESSIONARY TRAVEL

46. This particular element of the budget represents the greatest risk in terms of identifying accurately the likely cost of the new concessionary travel scheme which was implemented from April 2008. There are two key risk issues that continue namely:

- we cannot estimate the potential take up in terms of additional concessionaries or the impact having a free service will have on travel patterns.
- Historic cost will not be an indication of future costs.

47. That said, we do now have 6 months worth of data which has been used as a basis for forecasting on the next three financial years. The Lancashire districts have now also agreed the pooling arrangement to be used. Consequently the budget deficit for the 2008/09 is £188k and for 2009/10 £272k. A separate paper explaining the position is at Appendix 6.

EXPENDITURE SAVINGS

48. Turning to the savings and additional fees and charges Income proposed in the draft budget, I make the following comments, which is strategic in nature and also does not focus on the minute of individual proposals.
49. The budget proposals as they currently stand includes expected expenditure savings of £452k. The bulk of the savings of £341k are staffing related and focus on areas where the impact on the delivery on front line services is minimised. As such and given the scale of the individual savings proposals, it is unlikely that they will impact at all on the Council's ability to deliver its corporate priorities.
50. In relation to the savings from staffing costs in the context of the balancing of the Council's budget these have been minimised and focus on streamlining middle management costs and some minor reductions in benefit staffing where posts have been vacant sometime. In addition areas that have seen a downturn in workload from the economic condition have also been reviewed and will be realigned to the anticipated workload. Again I anticipate that this will not significantly affect our overall ability to deliver the corporate plan targets and objectives but may impact on the levels of services being provided, but only at the margins. Changes will need to be made to working practices to continue to provide excellent services. The Council's VFM programme has identified the priorities for change that will enable the Council's services to operate more efficiently and effectively.

INCOME PROGRAMME - FEES AND CHARGES INCOME

51. This year the Executive has again undertaken a strategic review of fees and charges with the objective of ensuring that the fees and charges were correct, covering costs and at a market rate.
52. The budget contains a number of proposals in relation to increasing those fees and charges. This applies particularly to car parking income and other major income streams. The proposals exclude the fees and charges for the Councils leisure facilities as these are negotiated with the Councils leisure provider CLS and will only take place early in 2009.
53. The financial risk to the Council is that there is a degree of consumer resistance to the proposed charges. For this reason, I have adjusted a number of the fees and charges budgets that are subject to consumer choice and not taken the totality of the additional income that could be generated. In addition whilst volumes are down in some areas, the mix of work as in say planning applications has changed, so the financial impact has not been as great. Interestingly developers are still continuing to seek planning consent, but they will clearly wait before starting developments.
54. I believe that in this way a prudent approach has been adopted. A summary of the levels of income currently anticipated for the major income streams and those subject to some amendments to the fees and charges is shown in the table below:

Major Income Streams

Table 6 - Total Fees and Charge Income

	£'000
Licensing Fees	(187)
Local Land Searches	(130)
Parking Fees	(806)
Market Toll	(310)
Planning and Building Control Fees	(724)
Rents from Investment Portfolio	(378)
Total	(2,535)

55. The table shows the importance of fees and charges income to the Council. Its historic approach of containing the levels of fees and charges is not sustainable unless used for the delivery of strategic objectives and protecting the Councils budget position.

CONCLUSION OF THE ADEQUACY OF WORKING BALANCES AND THE ROBUSTNESS OF THE BUDGETED WORKING BALANCES

56. The current financial strategy that takes us up until the end of 2010/11 allocated for working balances to be in a range £1.25 – 1.50m. This was based upon the financial risk profile which has changed during the financial current planning period.
57. From 2009/19 a number of the external factors influencing the Council's ability to either attract funding or to influence expenditure has changed. This is the main due to the following reasons:

- The CSR07 means that there is a risk of less rate support grant over the planning period 2008/09-2010/11.
 - The full impact of the changes to the concessionary travel budget will not be known for at least 15 months in the new scheme. Additionally the Government has signalled its intention to revise the grant distribution methodology and pass responsibility for concessionary travel to upper tier authorities
 - The Government is capping capitalisation applications and as such the cost of change may need to be resourced from revenue.
 - The Council has secured significant external funding for the next three years from LAA reward grant, Area based grant and Local Authority Business Growth funds.
58. The greatest potential impact is still likely to come from the concessionary travel issue, but all of the issues have the propensity to affect the Council's ability to both deliver its budget and continue to deliver effective services.
60. As members will be aware, working balances are there to protect the Council's against the 'peaks and troughs' in expenditure and allows them to be able to manage any changes to be base level of expenditure that is required to bring the budget back into balance.
61. Sometimes this can take time so maintaining working balances until they are needed means the Council does not have to make reactive changes that can significantly impact on service performance.
62. In terms of resource availability the balances position will be as follows if a strategy of using balances to fund part of the 2009/10 budget and the non budgeted concessionary travel costs, pending responsibility being passed back to the upper tier authorities is adopted:

General Fund Working Balances Forecast

	£'000
Balance 1st April 2008	1,726
Less	
Non Budgeted Concessionary Travel Costs 2008/09	-188
Forecast Balance 31st March 2009	1,538
Less	
Unfinanced budgeted Costs 2009/10	-264
Non Budgeted Concessionary Travel Costs 2009/10	-272
Forecast General Fund Balances 31st of March 2010	1,002

The forecasts assume that the budget is balanced for 2008/09 and that the un financed element of the budget is eliminated between 2010/11 and 2011/12., making the savings target for the following two financial years almost £500k annually.

This level of working balances will represent approximately 6% of the Councils net budget. The Council has a good track record of managing it's budget with no overall overspend in the last 5 financial years. It also has a good track records of achieving savings. As long as this approach is continued the working balances should be sufficient

to cover unexpected items which should now be few in nature. I shall be presenting to members the Councils updated Medium Term Financial Strategy as part of the budget setting meeting that will include a strategy to bridge the current budget deficit.

63. With regard to the robustness of the budget assumption for 2009/10 once again each Directorate has had a line by line review completed on their budget and whilst there are still some issues to resolve they represent adjustments that are reasonable and deliverable.
64. In previous years the Council has been faced with the prospects of making savings and 2009/10 will be exactly the same. The savings are necessary firstly to contain of Council Tax as the government capping limit has once again been set at 5%. This report has identified that savings and investment plans are well developed but further work will be necessary as we work through the budget cycle and better and more up to date information becomes available.
65. Some inherent risks remain in the budget proposals but the underlying assumptions I have made have been agreed by the executive and I believe they are reasonable. Officers shall be pursuing some of the options that are currently targets with the aim of being in a more informed position in terms of deliverability by the time the Council sets its budget. If by then I feel that the targets are not deliverable the budget and any assumptions will be amended accordingly as has happened in previous years. I have outlined my views and advice in relation to the level and adequacy of working balances and summarise the key risks and mitigation that are and should be put in place.

IMPLICATIONS OF REPORT

66. As this budget is for consultation only at this stage this has no impact on directorates.

GARY HALL
ASSISTANT CHIEF EXECUTIVE (BUSINESS TRANSFORMATION)

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Gary Hall	5480	20 November 2007	FINREP/2011LM1

	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
Base Budget Requirement	16,523	16,482	19,084	19,789
Less				
Recharges	-	-	-	-
Capital Charges	(1,998)	(1,664)	(4,198)	(4,198)
Cash Base Budget Requirement	14,525	14,818	14,886	15,591
Movements:				
Inflation				
Pay	430	156	316	332
Pensions	87	162	163	160
Non-Pay	37	163	62	65
Contractual	52	70	105	87
Income	(102)	24	7	6
Increments	107	108	73	42
Revenue Effects of the Capital Programme	120			
Volume - Income	(252)	70	(8)	(27)
Volume - Expenditure	482	112	(13)	17
Investment	74			
Rebasing of Base Budget	(315)	155		
Base Budget Savings Agreed	10	(254)		
Savings - Other	(21)			
Senior Management Review	(174)			
Savings Proposals	(152)			
Review of Fees & Charges	(223)			
Growth Proposals	265			
Effects of stock transfer - Reduction in cost - Other	41			
Effects of stock transfer - Service Level Agreements	2			
Savings Proposals		(453)		
Income Generation		(173)		
Contingency:				
- Genuine	(10)			
- Management of the Establishment	8	(70)		
- Salary Related Savings	-			
- Procurement Savings	-			
- Gershon Savings	-			
- Job Evaluation	(174)			
Directorate & Corporate Cash Budgets	14,818	14,886	15,591	16,272
Base Recharges				
In year transfer of recharges to cash budgets	-	-	-	-
Capital:				
Base Capital Charges	1,998	1,998	4,198	4,198
In year transfer of capital	(334)	2,200	-	-
Total Recharges	1,664	4,198	4,198	4,198
Total Directorate & Corporate Budgets	16,482	19,084	19,789	20,470
Reversal of Capital Charges	(1,664)	(4,198)	(4,198)	(4,198)
Net Financing Transactions:				
- Net Interest/Premiums/Discounts	(575)	13	(40)	(39)
- MRP less Commutation Adjustment	151	358	352	360
Net Operating Expenditure	14,394	15,257	15,902	16,593
Total Expenditure	14,394	15,257	15,902	16,593
Financed By				
Council Tax - Borough	(6,173)	(6,313)	(6,540)	(6,776)
Parish Precepts	575	575	575	575
Council Tax Parishes	(575)	(575)	(575)	(575)
Aggregate External Finance	(8,221)	(8,358)	(8,487)	(8,572)
LAA Reward Grant	-	(150)	(150)	(150)
Area Based Grant	-	(23)	(23)	(23)
LABGI Grant	-	(150)	(75)	(75)
Collection Fund Surplus	-	-	-	-
Total Financing	(14,394)	(14,993)	(15,274)	(15,595)
Net Expenditure	(0)	264	628	998
Analysis of Net Expenditure (Budget Gap)				
Net Expenditure Brought Forward	-	-	264	-
Net Expenditure in Year	-	264	364	371
Net Expenditure Carried Forward	-	264	628	371

WITH 3.5% INCREASE IN COUNCIL TAX EACH YEAR

Analysis of Significant Movements in Budget between 2008/09 & 2009/10

Budget Changes	£'000
Expenditure	
Pay	180
Pensions	168
Increments	108
Utilities (Gas, Electricity, Water)	78
Insurances	31
Non Domestic Rates	13
Housing & Council Tax Benefits Subsidy	62
Audit Fees	31
Property Services Contract (Liberata)	19
Refuse Contract offset by additional financing costs	(34)
Indoor Leisure Contract	35
Other contracts	26
Elections a/c	(12)
Pensions a/c	(34)
Other minor variances	49
Income	
Parking Fees income	80
Land Charge income	47
Customer Services SLA with CCH	20
Art Development income from Arts Council	10
Reduction in Benefits Overpayments recovered	62
Planning Application Fees	20
Reduction in use of Lancastrian	10
Benefits Admin. Subsidy	(10)
Rental income - Friday St Depot	28
Housing & Planning Grant	(27)
Licensing Income	12
Residents Parking Permits	18
Other income	29
Rebasing of budget and savings achieved	(254)
Changes identified at Corporate level	
Net Financing Costs:	
- Net Interest	588
- Debt repayment	207
Mangement of the Establishment	(70)
Adjustment to Council Tax Base/Special Expenses	50
Total Change in Expenditure/Income	1,540
Financed By:	
Increase in Borough Council Tax	(191)
Increase in Aggregate External Finance	(137)
LAA Reward Grant	(150)
Area Based Grant	(22)
LABGI Grant	(150)
Expenditure Savings Options for Member approval	(454)
Income Generation Options for Member approval	(172)
Total Change in Financing	(1,276)
BUDGET GAP 2009/10	264

Schedule of Budget Adjustments 2009/10

<u>1) Savings from Base Budget Review</u>	Budget Saving £	Comments
<u>Business</u> Strategic Housing - Bed and Breakfast	(20,000)	Reduction based on 08/09 costs.
<u>Chief Executive</u> Chief Exec Office - minor savings Office Support - Overtime Office Support - Lease of Tools/Equipment Office Support - Stationery Office Support - minor savings Photocopying charges	(2,040) (2,250) (1,170) (2,000) (570) (5,000)	Reduction based on 07/08 & 08/09 costs Reduction based on 07/08 & 08/09 costs Savings on franking machine contract Reduction based on 07/08 & 08/09 costs Reduction based on 07/08 & 08/09 costs Reduction based on 07/08 & 08/09 costs
<u>Corporate Governance</u> Legal Services - publications Legal Services - legal fees income Democratic Services - general subscriptions	(8,000) (7,000) (3,000)	Reduction based on 07/08 & 08/09 costs Reduction based on 07/08 & 08/09 costs Reduction based on 07/08 & 08/09 costs
<u>Finance</u> Exchequer - Bailiffs Commission. Housing Benefit Admin. - Training Expenses. Procurement - Conferences Staff.	(3,000) (3,460) (500)	Reduction based on 07/08 & 08/09 costs. Also new contract for 08/09. Budget £7,460 only £2,540 spent in 07/08 £1,000 budget in 09/10. Only £309 cost in 07/08
<u>Human Resources</u> Recruitment budget Rebase smaller budgets	(20,000) (2,200)	The contingency for higher profile job vacancies to be taken out of budget. The savings from any vacant posts to be used to cover the potential overspend. Various minor savings
<u>ICT Services</u> Disaster recovery contract renegotiated	(5,000)	Saving on new contract
<u>People</u> Young Peoples Activities - Get Up and Go Income	(5,000)	An increase in activities for which a nominal charge is made

Schedule of Budget Adjustments 2009/10

<u>Policy & Performance</u>			
Computer Software-Maintenance (Performance Plus)			Previous contract with has expired. Looking for in-house replacement.
Consultants Fees	(6,000)		Reduce provision for consultancy work
Communications	(5,000)		£5k reduction in publicity budget as more work done in-house
<u>Neighbourhoods</u>			
Pail Closet Emptying	(5,390)		Not required contract terminated
External Audit	(3,600)		No costs in last 3 years
Publications/General subscriptions	(2,500)		Reduction based on 07/08 & 08/09 costs
Research & Feasibilities	(5,000)		Scrutiny inquiry Neighbourhood working now completed
Radiation/Food safety system	(2,060)		Reduction based on 07/08 & 08/09 costs
Scientific fees	(1,500)		Reduction based on 07/08 & 08/09 costs
Heating Oil	(4,000)		Only £240 expenditure in last 3 years
DPE Off Street	(10,000)		Anticipated income re: Parkwise
Mobile Radio Recharges	(2,670)		No longer required
Publications	(1,000)		No costs in last 2 years
Sub-Total	<u>(144,910)</u>		
<u>2) Savings from Decisions Made Previously</u>	Budget Saving	Comments	
	£		
<u>Finance</u>			
Financial Shared Services Agreement	(46,160)		Based on mid-point of grade for new posts.
Support Services Restructure	(63,310)		Based on mid-point of grade for new posts.
Sub-Total	<u>(109,470)</u>		
TOTAL SAVINGS IDENTIFIED	<u>(254,380)</u>		

Schedule of Budget Savings 2009/10

Back Office Savings

Reduction in Admin Support posts
Insurances - Employment Practices Insurance

Shared Services

Shared Financial Services
CDRP merger (Share CDRP manager with SRBC)
Planning Policy - Salaries
Shared Planning Enforcement Service
To provide H.R. services for St.Catherines Hospice

Restructuring Efficiencies

Delete vacant Benefits Officer part-time post
Reduce cleaning hours provision for Town Hall
Merger of posts within Directorate
Customer Services - Staffing
Licensing Enforcement Officer post saving
Reduction in CCTV manual operations
Delete Neighbourhood Co-ordinator post
Delete Parking Manager post
Business Directorate Restructure

Procurement Savings

Members Broadband. Provider to go out to tender.
Internet service to be provided by L.C.C.

Other Savings

Core Funding Grant
Website Development
Contaminated Land Investigations (contingency budget)

Sub-Total

Budget Saving £	Comments
(34,340)	Deletion of vacant posts and restructuring.
(10,500)	Cancel policy.
<u>(44,840)</u>	
(25,000)	Potential expansion of Shared Services.
(23,830)	Saving represents half of full year salary and oncosts for CDRP manager
(37,000)	LDF officer costs shared with Preston CC and South Ribble BC
(23,000)	Joint working with South Ribble BC
(15,000)	Service agreed. Details currently being worked up.
<u>(123,830)</u>	
(6,830)	Benefits Officer post replaced with Modern Apprentice
(6,000)	Reduction of one post in establishment
(15,000)	To merge the Landscape Architect and Education Officer Posts.
(10,000)	Restructuring/Efficiencies
(29,070)	Saving due to merging of Licensing Enforcement within Neighbourhoods
(10,320)	Deletion of one part-time post.
(39,900)	Restructuring/Efficiencies - duties delegated to team leaders as part of restructure.
(24,210)	Saving wef from Sept.2009 when on-street parking returns to LCC. Alternative solutions being developed.
(75,840)	Restructure of Planning Policy, Regeneration & Development, Economic Development & Markets, Development Control, and Land Charges section. Deletion of vacant posts not needed as a result of downturn in volumes of work.
<u>(217,170)</u>	
(15,000)	Estimated saving at this stage but plans well developed.
(25,000)	Estimated saving at this stage but plans well developed.
<u>(40,000)</u>	
(15,000)	This represents a 10% reduction in the Core Funding programme.
(5,000)	Budget deleted for 08/09 only. Delete for a second year.
(7,000)	No reactive capacity. Less than £1k spent in last 3 years - to be met from Contingency if required.
<u>(27,000)</u>	
<u>(452,840)</u>	

Schedule of Budget Savings 2009/10

Income Generation

Car Parking fees and Charges increase	(52,460)	Assuming 7% yield.
Fees and Charges Increase	(36,120)	Assuming a 3% increase.
Income from speakers fees, external working	(10,000)	Income to be generated by providing services and advice to other councils.
Cotswold House - Increase in rent income	(37,000)	Net increase in rental Income - funded from benefits.
Planning - Pre Planning Application Advice	(5,000)	Introduction of new charge.
GIS to start charging contractors for Street Naming and Numbering function	(15,000)	Introduction of new charge.
Get Up and Go Programme	(10,000)	Scope to work with partners to attract external funding to supplement the Get Up and Go Programme
Charge for recycling containers to new households	(7,000)	Based on 250 new householders paying £30 for a suite of recycling containers. Reduced to £20 if no brown bin required (ie non garden) 200 x £30 = £6000 50 x £20 = £1000

Sub-Total

(172,580)

TOTAL SAVINGS OPTIONS IDENTIFIED

(625,420)

Report of	Meeting	Date
The Executive Leader	Executive Cabinet	8 January 2009

CONCESSIONARY TRAVEL – POOLING ARRANGEMENTS ACROSS LANCASHIRE

PURPOSE OF REPORT

1. To update Executive Cabinet on the outcome of discussions regarding the pooling of resources for concessionary travel in Lancashire

RECOMMENDATION(S)

2. That The Cabinet approves this approach subject to the caveats outlined below.

EXECUTIVE SUMMARY OF REPORT

3. The report outlines a pooling arrangement for concessionary travel, which has been approved unanimously by The Lancashire Leaders, subject to the caveats outlined below.

REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

4. To mitigate the risks of the costs of concessionary travel to Chorley Council through a pooling arrangement across Lancashire.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

5. Several alternative pooling formulae were explored by Lancashire Leaders; however "the compromise solution" put forward by Pendle Council is the one which has finally been accepted.

CORPORATE PRIORITIES

6. 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 organization	√



BACKGROUND

7. Members will recall the implementation of the national concessionary travel scheme from April 2008. This introduced free national travel for people over the age of 60 and people with a disability.
8. There are clear winners and losers in Lancashire with Chorley clearly emerging as a loser.
9. At the 2008/9 budget meeting in February 2008 the Council agreed the principal of pooling and since that date work has been ongoing to reach an agreement. However only in the last two months as financial information has become available has a mechanism finally been proposed.

10. THE COST OF CONCESSIONARY TRAVEL TO CHORLEY TO DATE

The current forecasts of costs for 2008/09 (including contracted services) for Chorley is £1.355m. This is based upon actual data to the end of September 2008 and is based upon a seasonally adjusted forecast. Using a straight line basis reduces that forecast but only by a sum of £58k. This is, of course, a forecast and is subject to variation as it is based upon only half a years actual data.

If the eventual outturn is circa £1.355m the impact on Chorley is as follows. I reported in the last quarters revenue budget monitoring report that should this occur, then the Councils budget would be overspent. The updated figures affect that forecast as follows:

	£000
Forecast Outturn at Sept 08	1,355
2008/09 Budget	1,125
Budget shortfall (including contracted services)	230

The table shows that based upon the latest forecast and before any pooling adjustment, the forecast deficit for 2008/09 is circa £230k. In terms of contracted services, the costs for the first six months of the financial year were £50k.

THE LANCASHIRE POOLING ARRANGEMENT

The compromise pooling arrangement put forward by Pendle Council is as follows:

Year one (2008/09) – Those authorities in surplus contribute a fixed sum of £50k plus 75% of the remaining surplus to be distributed amongst the Council with an in year deficit.

Year two (2009/10) – Councils contribute 1/3 of 2008/09 actual plus 2/3 of anticipated pool contribution, again with the first £50k retained by the authorities in surplus with 75% of the remainder being redistributed.

Year three (2010/11) – Councils contribute 2/3 of 2009/10 actuals plus 1/3 of anticipated pool contribution with the same distribution principal applied.

Year three (2010/11) – Actual costs.

The effect of this is that Chorley contribution to the pool is expected to reduce by the following sums for the pooling adjustment.

Chorley Councils Benefit

	£000
2008/9	64
2009/10	17
2010/11	0
2011/12	0

The table shows in total that the expected pooling benefit to Chorley amounts to £81k over a two year period. Whilst this is welcomed, the overall impact is limited in terms of the budget deficit. Using the forecasts as a guide, the budget position will be as follows:

	2008/9	2009/1	2010/11
Pool Contribution	1.355	1.388	1.458
Pooling adjustment	-64	-17	0
Cost to Council	1.291	1.371	1.458
Base budget	1.125	1.125	1.125
	0.166	0.246	0.333

11. At their meeting on 8th December The Lancashire Leaders agreed the following:

The allocation of Government funding for this scheme is both inadequate, even after allowing for contracted services and unfairly divided. Consequently we will:

- o Obtain Counsel's opinion and the views of the Audit Commission on the legality of a pooling arrangement across Lancashire in order to mitigate the risks for participating councils.
- o Engage bus companies in seeking cost reductions and reimbursements, including those companies in which there is a local government interest or control.
- o Set and monitor cost and savings targets

Additionally we will:

- o Work with Government to affect changes to the allocation system and the modus operandi.
- o Appoint a senior task and finish group to implement the new pooling arrangement.

IMPLICATIONS OF REPORT

12. 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	

COMMENTS OF THE ASSISTANT CHIEF EXECUTIVE (BUSINESS TRANSFORMATION)

13. Despite the Lancashire Councils now reaching an agreement on the pooling mechanism, the overall impact is marginal. The fundamental problem still remains that costs have risen by 54% when compared to 2007/08. Which is significantly more than anticipated.

Whilst some of the suggested action by the Lancashire leads will hopefully lead to a realignment of costs or grant, this is likely to take some time to crystallise or indeed materialise.

The Councils immediate problem is the in year deficit and thereafter the future years deficits. Given the forecasts are still uncertain I propose as a precautionary measure to apply to the Government for a capitalisation direction to mitigate the potential impact on the Councils revenue budget.

The DCLG allow for such circumstances whereby exceptional expenditure is incurred, in this case an increase in costs of greater than the additional grant of £275k. However a final decision would rest with the DCLG. I believe that there is recognition in government that the grant distribution used has resulted in inequalities and that as the scheme is statutory it would be reasonable to grant a direction whilst the grant distribution model is re-evaluated, something that the government promised to do when it introduced the current mechanism.

In terms of financing the unbudgeted costs, given that they should be non recurrent once either the grant distribution mechanism is changed or the responsibility is passed to the upper tier authorities, the proposal is that working balances are used to mitigate the financial impact. Members may recall that the level of working balances have been increased specifically to cover the risk of unbudgeted costs being incurred.

COUNCILLOR PETER GOLDSWORTHY
EXECUTIVE LEADER

There are no background papers to this report.