

CORPORATE RESOURCES OVERVIEW AND SCRUTINY COMMITTEE

Committee Report

Public

Date of Meeting: 7 September 2006
Title: BUDGET OVERVIEW AND MONITORING REPORT: APRIL TO JULY 2006
Report of: THE DIRECTOR OF CORPORATE SERVICES
Report reference: FS40/06

Summary:

This report provides an overview of the Council's overall budgetary position for the period April to July 2006 for revenue and capital budgets, and includes details of balance sheet management issues, high-risk budgets, performance management, and progress against the Gershon efficiency statement.

Members' attention is drawn to the budgetary position as at July 2006. The revenue budgets are underspent by £940,871, of which £623,019 can be attributed to the insurance settlement in advance of flood recovery work being completed. Further details can be found in section 2 and Appendix A. The capital budgets are showing slippage of £1,318,512, of which £1,131,000 has been identified to be carried forward into 2007/08. Further details of capital expenditure can be found in section 3 and Appendix B.

Recommendations:

Members of the Corporate Resources Overview and Scrutiny Committee are asked to note the overall budgetary position for the period April to July 2006. The Executive considered this report on 29 August 2006, and approved the virement for £32,000 for the implementation of the replacement HR & Payroll system, which will be funded from salary savings and the Risk Management budget.

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Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: None



REPORT TO EXECUTIVE

PORTFOLIO AREA: FINANCE AND PERFORMANCE MANAGEMENT

Date of Meeting: 29 August 2006

Public

Key Decision: No

Recorded in Forward Plan:

No

Inside Policy Framework

Title: BUDGET OVERVIEW AND MONITORING REPORT:
APRIL TO JULY 2006

Report of: THE DIRECTOR OF CORPORATE SERVICES

Report reference: FS40/06

Summary:

This report provides an overview of the Council's overall budgetary position for the period April to July 2006, for both Revenue and Capital budgets. The report has been developed to include details of balance sheet management issues, high-risk budgets, performance management, and progress against the Gershon efficiency statement.

Recommendations:

The Executive is asked to:

- (i) Note the contents of the report.
- (ii) Approve the virement for £32,000 for the implementation of the replacement HR & Payroll system to be funded from salary savings and the Risk Management budget

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CITY OF CARLISLE

To: The Executive
29 August 2006

FS40/06

BUDGET OVERVIEW AND MONITORING REPORT APRIL TO JULY 2006

1. BACKGROUND INFORMATION AND OPTIONS

- 1.1 In accordance with the City Council's Financial Procedure Rules, the Director of Corporate Services is required to report to the Executive on the overall budget position, the monitoring and control of expenditure against budget allocations and the exercise of virement on a regular basis.

All Managers currently receive monthly budget monitoring reports for their areas of responsibility. Information is collated from the main accounting system and then adjusted to correct any known budget profiling trends, timing differences and commitments.

- 1.2 The report has been developed in line with the need to provide sound financial management information to inform the decision making process, which is also a requirement of the Use of Resources assessment, and as such now incorporates details of balance sheet management issues, high-risk budgets, performance management, and progress against the Gershon efficiency statement.
- 1.3 Throughout the report, the use of brackets indicates a credit or income budget, and the term underspend also relates to additional income generated.
- 1.4 Where the term 'revised budget' has been used, this denotes the original budget for 2006/07 plus the carry forward requests, and supplementary estimates approved to date.
- 1.5 In accordance with the City Council's Financial Procedure Rules it is the responsibility of Directors to control income and expenditure within their areas of responsibility and to monitor performance, taking account of financial information provided by the Director of Corporate Services. They should report on variances within their own areas and as such Directors will be able to provide more detailed explanations at the meeting of their particular budget areas if required.

- 1.6 From 2006/07 the format of the budget monitoring reports has changed. In line with the Best Value Accounting Code of Practice (BVACOP), reports now show gross expenditure and gross income, which complements year-end reporting for the statement of accounts. This format replaces the former split between direct and indirect expenditure and income (although this analysis is still available if required).

2. REVENUE BUDGETS

- 2.1 The total approved revenue budget for 2006/07 is as follows:

| 2006/07 Budgets | £ |
|--|-------------------|
| Approved Budget (Council resolution – February 2006) | 16,720,700 |
| Carry forward requests (2005/06 out-turn) | 1,739,500 |
| Revised Budget 2006/07 | 18,460,200 |

- 2.2 The summarised budgetary position as at July 2006 is shown below :

| Directorate | Gross Expenditure Budget £ | Gross Income Budget £ | Net Annual budget £ | Adjusted Variance £ |
|---------------------------------------|---------------------------------------|----------------------------------|--------------------------------|--------------------------------|
| Carlisle Renaissance | 328,100 | 0 | 328,100 | (43,897) |
| Community Services | 20,233,200 | (8,068,900) | 12,164,300 | 110,328 |
| Corporate Services | 31,409,400 | (28,846,800) | 2,562,600 | (817,942) |
| Development Services | 8,638,500 | (7,904,500) | 734,000 | (105,106) |
| Legal & Democratic Services | 2,729,500 | (540,400) | 2,189,100 | 22,242 |
| People, Policy & Performance Services | 631,700 | (149,600) | 482,100 | (106,496) |
| Total | 63,970,400 | (45,510,200) | 18,460,200 | (940,871) |

- 2.3 Of the above underspend of £940,871, £107,922 can be attributed to additional income and ringfenced grants, with the balance of £832,949 being underspends on expenditure budgets. The Corporate Services variance includes an underspend of £623,019 for flood recovery.
- 2.4 Further details for each Directorate can be found in **Appendices A1- A6**. Each appendix shows a breakdown of the variance for that Directorate, with comments from the Director and a note of any performance issues.

- 2.5 The replacement HR and Payroll system is due to go live in April 2007 and additional resources of £32,000 are required for the implementation of the system. This can be funded from salary savings (£6,000) and the risk management budget (£26,000). Members are requested to approve this virement.
- 2.6 Potential carry forwards to 2007/08 for revenue schemes have been estimated at £107,000 to date: £80,000 relates to the Clean Neighbourhoods and Environment Act, and £27,000 to LSP.

3. CAPITAL BUDGETS AND RESOURCES

- 3.1 The following statement shows the capital programme as at July 2006 and, for comparison, the programme for the next two years:

| Capital Programme | 2006/07 £ | 2007/08 £ | 2008/09 £ |
|----------------------------------|----------------------|----------------------|----------------------|
| Original programme | 7,657,600 | 3,493,000 | 3,639,000 |
| Approved carry forwards | 2,464,200 | 0 | 0 |
| Commitments carried forward | 3,821,600 | 0 | 0 |
| Other adjustments * | (790,000) | 0 | 0 |
| Revised Capital programme | 13,153,400 | 3,493,000 | 3,639,000 |

*The adjustment is the transfer to reserves of the £1,000,000 for Strategic Property Purchase, the delay of the Desktop Replacement scheme for 2006/07 of £120,000 by one year, and the bringing forward of the Cremator Replacement scheme into 2006/07 (£330,000).

Work is ongoing to profile the revised programme to reflect likely patterns of expenditure in 2006/07. The Capital Projects Board met for the first time on 19 July; part of the remit of this board is to review progress of capital projects which will assist in improved budget monitoring information. As at July, £1,455,133 has been spent or committed against the profiled budget of £2,773,645, amounting to slippage of £1,318,512. Carry forwards to future years of £1,131,000 have also been identified.

- 3.2 Further details of the variances can be found in **Appendix B**.
- 3.3 The main underspends on the capital programme as at July relate to £73,000 for IT equipment in the Repairs and Renewals Reserve and £68,000 for the Multi Use Games Areas in Harraby and Denton Holme. The former is due to be assessed as part of the Repairs and Renewals Fund review, and the latter is due to a provision for costs made in 2005/06 for which no charge has yet been made.

- 3.4 The following table shows the projected capital resources which are anticipated over the next three years:

| Capital Resources | 2006/07 £ | 2007/08 £ | 2008/09 £ |
|---------------------------------|----------------------|----------------------|----------------------|
| Sale of surplus assets (note 1) | (1,480,000) | (500,000) | (500,000) |
| Raffles development (note 2) | (1,000,000) | (500,000) | (500,000) |
| PRTB Sharing agreement (note 3) | (1,400,000) | (1,200,000) | (1,100,000) |
| Total | (3,880,000) | (2,200,000) | (2,100,000) |

Notes:

- (1) As at July 2006, £2,060,766 has been received in relation to the sale of surplus assets, which is ahead of the current target. This includes a £1.3m receipt for the sale of land at Kingstown Industrial Estate which was not originally anticipated.
- (2) Capital receipts anticipated in respect of the Raffles development scheme will not be received until the final property in each phase has been sold. The expected completion date for phase 1 is currently predicted for the end of August 2006, at which point the Council will receive its share of the proceeds.
- (3) The PRTB receipt for 2006/07, estimated at £1.4m, is not due to be received until 28 April 2007, in accordance with the LSVT transfer agreement. However, the receipt can be used to fund the 2006/07 capital programme.

4. VIREMENTS AND SUPPLEMENTARY ESTIMATES

- 4.1 This details any virements and supplementary estimates exercised during the year in accordance with the Financial Procedure Rules.
- 4.2 The following carry forwards from 2005/06 were approved by Council in July:
- Revenue £1,739,500
 - Capital £3,821,600
- 4.3 A supplementary estimate was approved by Council on 18th July to address the designation of the City Council as a Planning Standards authority, which could affect the Council's CPA rating if performance does not improve. Funding of £315,000 will provide three members of staff for a fixed three-year term to assist the Planning section in improving the service.
- 4.4 No significant virements have been carried out as at July. An updated position will be provided in the next quarterly report.

5. BALANCE SHEET MANAGEMENT

5.1 For the first time in a quarterly report and in line with suggested best practice, information relating to significant items on the Council's balance sheet is being provided to Members. Whilst there is no specific guidance published as yet, CIPFA is aiming to issue a good practice framework on balance sheet management in October 2006. Nonetheless, work has commenced and will continue to be developed, with reporting currently concentrating on those items which may have a material impact on the Council if not reviewed on a regular basis.

5.2 Treasury Management

- Outstanding Investments – as at 28 July 2006 the Council had £33.3m (£20.7m 31 March 2006) on short-term deposit, mainly with Building Societies. The anticipated return on these investments is estimated at £1,417,000 for 2006/07 with current projections (based upon financial information as at July 2006) slightly ahead of the budget.
- Outstanding Loans - the value of the Council's loan portfolio, which is a mixture of both long and short-term loans, is valued at £15.1m as at the end of July 2006 (£15.1m 31 March 2006). The cost of managing this debt, in terms of interest payable, is budgeted at £1,454,400 in 2006/07 with costs currently on target. There are no proposals at present for any additional borrowing during 2006/07.

5.3 Debtors

This relates to the amount of income due to the Council for goods and services provided by the Council, which has not yet been received. This total sum due from the Debtors System amounts to £1.5m at the end of July (£2.1m at 31 March 2006). There may be a significant impact on the cash-flow of the Council if these outstanding debts are not received or debt recovery procedures are not initiated promptly. Any debts which are deemed to be unrecoverable are reported separately to Members and are written off against a bad debt provision set up specifically for this purpose. In addition, other significant debts due to the Council relate to Council Tax and National Non Domestic rates (NNDR). Collection rates for these debts as at the end of July are 38.61% and 43.38% respectively.

5.4 Creditors

This is the amount of money due to be paid by the Council for goods and services received from its external customers and contractors. The amount of outstanding invoices awaiting payment totals £286,000 as at the end of July (£1,272,800 as at 31 March 2006). The PI target (BV8) for the payment of undisputed invoices is 99% for 2006/07 with current progress against this target being 98.4%.

5.5 Use of reserves

The usage and level of all Council reserves are set out in the Medium Term Financial Plan (FS12/06), approved by full Council in July. It is anticipated that £2.8m will be required from the Projects Reserve to fund revenue expenditure in 2006/07 (including £1.7m of 2005/06 carry forwards); however any under or overspend at the year end will adjust the balance transferred to or from the reserve.

6. HIGH RISK BUDGETS

- 6.1 A number of high-risk budgets have been identified which require detailed monitoring throughout the year. These include budgets carried forward from last year, and recurring and non-recurring bids approved in the 2006/07 Council Resolution. Other high-risk areas which may cause concern during the year have also been highlighted.
- 6.2 The ability to achieve income levels set in the revenue budgets is still a concern for the authority. A number of income budgets were revised down during 2005/06 and the budgets for Land Charges, Car Parking, Planning, Bereavement Services and Legal fees have been reduced in the 2006/07 budget. Income from penalty charge notices and car park ticket sales is already struggling to achieve budget for the year, continuing the trend from 2005/06, and the letting income from the Civic Centre is also below budget.
- 6.3 Licensing is a potential high-risk area due to the changes in the Licensing Laws which took effect from 6 August 2005. Lump sum payments were received from applicants to cover a ten-year period; these payments will need to be transferred into reserves and allocated to revenue budgets over the ten years.
- 6.4 A total of £1,288,000 was allocated to recurring spending pressures in the 2006/07 budget. Included in this amount was £266,000 for a shortfall in income projections from fees and charges (see 6.1). The largest item amounts to £858,000 for Concessionary Fares where a potential recurring shortfall of approximately £137,000 has recently been identified as a result of increased ridership (ridership is now projected at 40% as opposed to 30%). Other expenditure budgets are broadly in line with profile.
- 6.5 A total of £409,000 was allocated to non-recurring spending pressures in the 2006/07 budget, most of which are being spent broadly in line with profile. The largest scheme was Pay and Workforce Strategy with a budget of £189,000. This was underspent in July by £22,521 but has been identified as an additional budget pressure. The pressure will be resolved within existing budgets, subject to the necessary approvals.

- 6.6 Another non-recurring spending pressure was £150,000 for the Cleaner Neighbourhood Act (underspent in July by £16,177). The scheme will take place over two years as approved by the Executive in February 2006, and will be reprofiled accordingly.

7. PERFORMANCE

- 7.1 Performance Conferences take place every quarter involving Directors and Heads of Service. The aim of the Conferences is to improve the integration of the performance management framework with financial planning and reporting. A timetable has been prepared to report performance to Members and the first report was considered by the Executive on 31st July 2006.
- 7.2 It has been recognised that there is a need to link performance and the budget position, with a view in the longer term to allocating resources to the Council's priorities (Cleaner Greener and Safer, and the Learning City). Performance Indicators for 2006/07 have been set for the authority; the next step is to develop the links with financial reporting and this work is underway. It is envisaged that more detailed information will be provided in the next quarterly report.

8. GERSHON EFFICIENCY SAVINGS ACTION PLAN MONITORING

- 8.1 The authority submitted its Annual Efficiency Statements for 2005/06 and 2006/07 on 6 July and 15 April 2006 respectively. The figures included in these statements are derived from the detailed Gershon Efficiency Savings three-year Action Plan, which is attached at **Appendix C**. The savings set out in the Plan may be summarised as follows:

| | Cashable £ | Non Cashable £ | Total £ | % |
|----------------|-----------------------|---------------------------|--------------------|------------|
| 2004/05 | 215,122 | 0 | 215,122 | 14 |
| 2005/06 | 476,927 | 212,695 | 689,622 | 46 |
| 2006/07 | 375,500 | 40,000 | 415,500 | 28 |
| 2007/08 | 175,000 | 5,000 | 180,000 | 12 |
| Total | 1,242,549 | 257,695 | 1,500,244 | 100 |
| Limits % | Min 50% | Max 50% | 100% | |
| Planned % | 83% | 17% | 100% | |
| Target | | | 1,400,000 | |
| Current Excess | | | 100,244 | |

- 8.2 The figures in the table vary from those previously presented in report FS23/05 in November 2005 following a review of all efficiency proposals in May 2006. As a consequence of this review, the value of the proposals contained in the Efficiency Action Plan now exceeds the overall target set by the Department of Communities and Local Government (DCLG), which now stands at £1.4 million.
- 8.3 The authority has to provide evidence that it has in fact achieved these efficiency savings to the Audit Commission. This is likely to be audited as part of the next CPA assessment.
- 8.4 A 2006/07 Gershon Savings Action Plan has been set up so that the actual savings achieved against this year's target can be monitored and fed into the budget and budget monitoring process where relevant. In the event of shortfalls arising as a result of the original targets not being met, further efficiencies will need to be identified to make-up the shortfall. Any requirements of this nature will be identified via the budget process.
- 8.5 The 2006/07 Annual Efficiency Statement (AES) submitted to the ODPM set out that £226,000 cashable and £10,000 non-cashable savings, totalling £236,000, would be achieved in the year. This figure has been increased to £415,500 following the review of efficiencies mentioned in paragraph 4.2.
- 8.6 The cashable savings of £375,000 have already been included in the 2006/07 base budget.
- 8.7 **Appendix C** provides a statement reporting the actual efficiencies projected to be achieved against the targets in the 2006/07 AES. The appendix sets out the actions agreed by the relevant service managers and how they affect the Council's efficiency target.
- 8.8 The three-year Gershon Action Plan will be adjusted to reflect any additional efficiencies which may be identified during 2006/07 to contribute to the Council's efficiency target.

9. CONSULTATION

- 9.1 Consultation to Date.
SMT/JMT/SPG have all considered the issues raised in this report.
- 9.2 Consultation proposed.
Corporate Resources Overview & Scrutiny Committee will consider the report on 7th September 2006.

10. RECOMMENDATIONS

The Executive is asked to:

- (i) Note the contents of the report.
- (ii) Approve the virement for £32,000 for the implementation of the replacement HR & Payroll system to be funded from salary savings and the Risk Management budget

11. REASONS FOR RECOMMENDATIONS

As stated above.

12. IMPLICATIONS

- Staffing/Resources – Not applicable
- Financial – Contained within the main body of the report
- Legal – Not applicable
- Corporate – SMT have been involved in the preparation of this report.
- Risk Management – Not applicable
- Equality Issues – Not applicable
- Environmental – Not applicable
- Crime and Disorder – Not applicable

ANGELA BROWN
Director of Corporate Services

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2006/07 BUDGET MONITORING**APPENDIX A1****JULY 2006****CARLISLE RENAISSANCE**

| | Gross Expenditure £ | Gross Income £ | Recharges £ | Total £ |
|----------------|------------------------------------|-------------------------------|------------------------|--------------------|
| Annual Budget | 328,100 | 0 | 0 | 328,100 |
| Budget to date | 108,485 | 0 | 0 | 108,485 |
| Actual | 64,588 | 0 | 0 | 64,588 |
| | (43,897) | 0 | 0 | (43,897) |

Analysis of Main Variances

| Service | Note | Variance £ |
|-------------------------------|-------------|-----------------------|
| Learning City Manager | 1 | (13,447) |
| General expenses | 2 | (24,204) |
| Miscellaneous variances | | (6,246) |
| Total Variance to date | | (43,897) |

Notes

1. The underspend is as a result of the delay in appointing the Learning City Manager. The job description and person specification are currently being developed by Personnel and it is hoped that an appointment will be made by the end of the financial year.
2. The majority of general expenses will be spent in the latter part of the year. A public consultation is due to take place in September costing £30,000, and a further £11,000 will be vired into employee costs to fund a short term appointment of an administrative assistant.

Director's Comments

Carlisle Renaissance is initially a three year project. Any unused budget will be carried forward into the next financial year.