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| **RESOURCES OVERVIEW AND SCRUTINY PANEL** |

***Panel Report***

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| **Public** | |
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| **Date of Meeting:** | **29 July 2010** |
| Title: | **REVENUE BUDGET OVERVIEW AND MONITORING REPORT: APRIL TO June 2010** |
| Report of: | **Assistant Director (Resources)** |
| Report reference: | **RD29/10** |

**Summary:**

This report provides an overview of the Council’s overall budgetary position for the period April to June 2010 for revenue schemes. The revenue report includes details of balance sheet management issues, high-risk budgets, performance management, and progress against the Comprehensive Spending Review (CSR) efficiency statement.

Although difficult to forecast the outturn position this early in the year, the information contained within section 4 of this report points to a position of underspend at the year-end. It should be possible to contain any future over spends within this underspend, and within the overall budget provision. At the end of June there is a deficit of approximately £151,000 against the income target for fees and charges (para. 6.2). Unfortunately, the position is likely to be even more difficult in future years, and assumptions on income generation and other budget pressures, identified in this report, will be considered as part of the 2011/12 budget process.

Senior Management Team members are currently reviewing and providing comments on the status of the significant variances within each directorate and an addendum detailing these comments will be circulated to ROSP members on 22nd July 2010.

**Questions for / input required from Scrutiny:** To note the variances contained within the report and the likely year end position.

**Recommendations:** Members of the Resources Overview and Scrutiny Panel are asked to note the budgetary position for the period April to June 2010.

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CITY OF CARLISLE

To: The Resources Overview and Scrutiny Panel RD29/10

29 July 2010

REVENUE BUDGET OVERVIEW AND MONITORING REPORT

APRIL TO JUNE 2010

1. **BACKGROUND INFORMATION AND OPTIONS**
   1. In accordance with the City Council’s Financial Procedure Rules, the Assistant Director [Resources] 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. It is the responsibility of individual Assistant Directors to control income and expenditure within their service areas and to monitor performance, taking account of financial information provided by the Assistant Director [Resources].
   2. Due to the timing of the period end it was not possible to prepare this report to meet the deadlines of the Executive meeting of 26 July. The Joint Management Team meeting of 22 July will however consider this report.

1.2 All Managers currently receive a monthly budget monitoring report covering 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. 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.

* 1. Throughout the report, the use of brackets indicates a credit or income budget, and the term underspend also relates to additional income generated.

1. **REVENUE BUDGET OVERVIEW**
   1. The following statement shows the total annual revenue budget as at June 2010:

|  |  |
| --- | --- |
| **2010/11 Revenue Budget** | **£** |
| Approved Budget (Council resolution – February 2010)  Carry forwards from 2009/10 | 18,673,000  1,518,000 |
| **Budget 2010/11 at June 2010** | **20,191,000** |
| Use of Reserves (non recurring):  EEAC (Fuel Poverty) | 40,000 |
| Job Evaluation (Career Development Support Package) | 75,000 |
| Transformation Reserve (RD21/10 Exec 28.06.10) | 14,100 |
| **Updated Budget 2010/11 at June 2010** | **20,320,100** |

**3. 2010/11 BUDGET MONITORING**

* 1. The summarised budgetary position as at June 2010 is shown below:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Directorate / Appendix** | | **Annual**  **Net**  **Budget (£)** | **Net**  **Budget**  **to Date (£)** | **Net Expenditure**  **to Date (£)** | **Adjusted Variance**  **(£)** |
|  |  |  |  |  |  |
| Chief Executive’s Team | A1 | 167,700 | 39,284 | 28,328 | (10,956) |
| Deputy Chief Executive | A2 | 115,400 | 28,962 | 28,295 | (667) |
| Governance | A3 | 2,817,200 | 803,295 | 766,281 | (37,014) |
| Resources | A4 | (1,214,800) | 3,780,428 | 3,373,371 | (407,057) |
| Strategic Director | A5 | (34,200) | (8,655) | (13,096) | (4,441) |
| Community Engagement | A6 | 8,427,700 | 2,550,956 | 2,460,283 | (90,673) |
| Economic Development | A7 | 3,141,600 | 617,114 | 662,104 | 44,990 |
| Local Environment | A8 | 6,899,500 | 2,369,008 | 2,118,861 | (250,147) |
|  |  |  |  |  |  |
| **Total** |  | **20,320,100** | **10,180,392** | **9,424,427** | **(755,965)** |
|  |  |  |  |  |  |

* 1. Further details for each Directorate, including SMT comments, will be circulated to ROSP in an addendum on 22nd July 2010.

1. **KEY ISSUES** 
   1. The Salary Turnover Savings budget is a corporate target for the Council and savings from salary budgets across the authority are measured and then transferred to it. The full year target for 2010/11 is £544,200 and transfers of £104,200 have been made against the three months target of £136,200, as set out in Appendix A4, hence the deficit of £32,000.
   2. The employee budgets for 2010/11 include an estimated pay award at 1.0%, however, the Emergency Budget in June announced that there was likely to be a two years Public Sector Pay Freeze, so it is likely that there could be a saving on salary budgets accruing through the year, and once the exact details are known a figure will be able to be calculated.
   3. The corporate savings target for changes due to the Transformation in 2010/11 has been set at £1,000,000. To the end of June savings totalling £1,495,525 have been agreed and budgets reduced. A further report will be considered by the Executive in due course that will explain how these savings have been met.
   4. It is likely that there will be a shortfall in the rental income received from the Lanes during 2010/11. Information regarding lettings, voids, discounts etc. has been received from the managing agents of the Lanes and this points to the Council’s share of rental income being down by approximately £320,000 over 2010/11. Members will be aware that the Council no longer receives a guaranteed rental income and is now only entitled to a percentage of the gross rents.
   5. The Council’s energy providers advertised rises of 50% in 2009. However, the Council was able to negotiate prices below this target and the contracts agreed from 1st October 2009 increased the rates for gas by 26% and electricity by 24.8%. These increases were not included in the Council’s budget forecast for 2010/11 and equate to £94,100.

**5. FORECAST OUTTURN POSITION – 2010/11**

* 1. The Council’s financial position is affected by a number of external factors and these have a financial impact during the course of the year and ultimately at the year-end. These include:
* The general effect of the economic climate on the Council’s income streams e.g. car parking and leisure activities
* Fuel prices, energy costs and other inflationary issues
* The effects of the housing market and property prices, especially with regard to income from land charges and rents.
  1. The Council’s financial position will continue to be closely monitored and will be reported more fully in the next quarterly report. Using points highlighted in section 4, the following table attempts to provide a very broad estimate of the potential year end position, some of which will feed into the 2011/12 budget process

|  |  |  |
| --- | --- | --- |
| Potential Additional costs/Shortfalls in income | £ | Para. |
| * Lanes Head Rent * Energy * Recovery of court costs * Contract Parking income | 320,000  94,100  30,000  35,000 | 4.4  4.5 |
| * CCTV/Pub/Shopwatch SLA income | 38,600 |  |
| * Transport – Fuel costs | 36,000 |  |
| * Investment income shortfall | 30,000 |  |
| **Total additional costs/income shortfalls** | **583,700** |  |
|  |  |  |
| Potential Reduction in costs/Additional income |  |  |
| * Transformation savings | (495,600) | 4.3 |
| * Savings from pay award | (114,000) | 4.2 |
| * Land Charges search fees | (40,000) |  |
| * Improved car parking income | (40,000) |  |
| * NNDR net adjustment (Viaduct Car Parks) | (12,900) |  |
| * Surface Water charges | (10,300) |  |
| **Total reduced costs/additional income** | **(712,800)** |  |
|  |  |  |
| **Total Potential (under spend)/shortfall** | **(129,100)** |  |
|  |  |  |

* 1. The overall projected position is positive however some of the positive benefits are non-recurring. It will be important to maintain a prudent approach so as to ensure a sustainable budget position for future years and to avoid any significant variance at the year end.

**6. HIGH RISK BUDGETS**

* 1. A number of high-risk budgets have been identified which require detailed monitoring throughout the year. These include income budgets, recurring and non-recurring bids, approved in the 2010/11 Council Resolution.

6.2 The position of income budgets deemed to be high risk can be summarised as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Budget Area** | **Annual Budget**  **£** | **Budget**  **to date**  **£** | **Actual to date**  **£** | **Variance**  **£** | **Para.** |
| Land Charges | (132,600) | (35,685) | (42,701) | (7,016) | 6.3 |
| Lanes | (1,583,200) | (395,800) | (314,400) | 81,400 | 6.4 |
| Car Parking | (1,182,600) | (395,612) | (388,956) | 6,656 | 6.5 |
| Bereavement Services | (1,081,400) | (254,976) | (259,958) | (4,982) | 6.6 |
| Development Control | (637,100) | (180,172) | (105,296) | 74,876 | 6.7 |
|  |  |  |  |  |  |

6.3 The annual budget for income from Land Charges was reduced by £241,000 for 2010/11 as a result of the impact of the current economic climate on the housing market. The income for the first quarter is marginally exceeding the new target.

6.4 Income from the Lanes was increased in 2009/10 by £170,000 to reflect the change of basis to a share of the equity rental. However, the income fell short of the target due to the number of vacant units and the budget for 2010/11 was reduced by £77,000 to meet the potential shortfall. Early indications show that the shortfall will significantly exceed this reduction and these figures will need to be revised in line with projections from the managing agents (refer to para. 4.4 above).

6.5 Income generated from car parking has been consistently lower than the level budgeted for a number of years and the annual budget for 2009/10 was reduced to represent a more realistic target. The forecast levels for 2010/11 have been further reduced, by £212,000, in anticipation of the closure of the Viaduct car parks and the non-achievement in line with the Green Travel Plan. For the period April to June 2010 the income actually generated has shown significant improvement against the profiled target but this has been offset by reduced sales of contract parking spaces (refer to Appendix A8 attached).

* 1. The 2010/11 budget for income from Bereavement Services was reduced by £60,000 in anticipation of a continuing downward trend. Although there has been a slight improvement against the income estimate for the first quarter of this year the position continues to be closely monitored.
  2. Income for Development Control charges has continued to decline in recent years mainly as a result of fewer planning applications received due to the economic downturn and it was agreed to lower the annual budget expectation by £39,000 until 2010/11. For the period April to June this position has declined even further and forecasts will need to be revised to reflect the potential shortfall in income.

**7. S.106 COMMUTED SUMS**

7.1 The City Council currently holds a balance of £218,289 of commuted sums to be used for the provision and future maintenance of public open spaces, £52,737 of which is in respect of developments that are still incomplete. A further £539,764, relating to agreements for sites that have yet to be developed, is expected.

**8. DIRECTION OF TRAVEL**

**8.1 Balance Sheet Management**

In line with CIPFA guidance and good practice, information relating to significant items on the Council’s balance sheet is shown below. The information concentrates on those items that may have a material impact on the Council if not reviewed on a regular basis.

|  |  |  |  |
| --- | --- | --- | --- |
| Balance Sheet item | Balance at  31/3/10 | Balance at  30/06/10 | Note |
| Investments | £22.0m | £27.2m | (i) |
| Loans | £15.0m | £15.0m | (ii) |
| Debtors | £ 1.2m | £ 1.6m | (iii) |
| Creditors | £ 0.3m | £ 0.2m |  |

(i) The anticipated return on these investments is estimated at £513,700 for 2010/11 with current projections below target.

(ii) The cost of managing this debt, in terms of interest payable, is budgeted at £1,322,700 in 2010/11 with costs currently on target. There are no proposals for further borrowing during 2010/11, although this will be kept under review.

(iii) There may be a significant impact on the cash-flow of the Council if outstanding debts are not received. Any debts deemed to be irrecoverable are written off against a bad debt provision set up specifically for this purpose. Other significant debts relate to Council Tax and NNDR.

(iv) Use of reserves

The usage and level of all Council reserves are set out in the Medium Term Financial Plan (CORP 35/09), approved by full Council in September 2009. It is anticipated that £3.256m will be required from the Council’s Revenue Reserves to fund revenue expenditure in 2010/11 (including £1,518,000 of 2009/10 carry forwards). Any under or overspend at the year end will adjust the balance transferred to or from the reserve. Council reserves are under significant pressure for 2010/11 and the savings strategy approved in February 2010 will help to resolve the projected deficit. However, further savings must be identified to replenish usable revenue reserves to the minimum required.

**8.2 CSR07 Efficiency Savings**

**Introduction**

The 2009/10 Annual Efficiency Statement was submitted to the Department of Communities and Local Government [DCLG] in June 2010 and illustrated the continuing achievement of the Council in meeting the Governments efficiency target. Details of the Comprehensive Spending Review period 2008-09 to 2010-11 is attached for information and illustrates the council to be on-target to achieve the Governments requirements for the third year.

**Comprehensive Spending Review (CSR07) NI 179**

National Indicator 179 (NI 179) is one of the new indicators in the national indicator set and is the mechanism through which councils report their progress on achieving VFM gains. The CSR07 VFM delivery plan states that, unlike Gershon, there will be no mandatory VFM target for all Councils. However, it is considered necessary for the Council to calculate its own baseline figures as a means to accurately monitor its progress. Appendix B illustrates the current baseline, future forecasts and achievements to date.

**Corporate Efficiency Agenda**

The Council is undertaking a transformation process to review all services and to make significant savings. Financial projections indicate a shortfall in the Councils budget requirements and further pressures have identified that an additional £1million is needed in order to build reserves back up to a prudent level by 2014/15.

In order to address this shortfall a new budget discipline has been approved and implemented as part of the 2010/11 budget process. The savings strategy will concentrate on the following areas to deliver the required savings: -

* Deliver service improvement reviews, providing effective service delivery whilst pursuing a 5% reduction in the gross cost of those services;
* Carry out an asset review to deliver recurring income or a reduction in cost;
* As part of the transformation programme, alternative options for service delivery including shared services and the commissioning of services will be considered;
* Carry out reviews of those services which do not fall within the Council’s core priorities or which are not statutory.

**9. CONSULTATION**

9.1 Consultation to Date.

JMT have considered the issues raised in this report.

9.2 Consultation proposed.

None.

**10. RECOMMENDATIONS**

The Panel is asked to:

1. Note the budgetary performance position of the Council to June 2010;
2. Note the potential forecast year end position for 2010/11, and
3. Note the planned efficiencies
4. **REASONS FOR RECOMMENDATIONS**

To show that the Panel has been informed of the Council’s actual financial position compared with the budgeted position and to bring to their attention any areas of concern.

1. **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 – Included in the report above.
* Equality Issues – Not applicable.
* Environmental – Not applicable.
* Crime and Disorder – Not applicable.

**13. IMPACT ASSESSMENTS**

**Does the change have an impact on the following?**

|  |  |  |
| --- | --- | --- |
| **Equality Impact Screening** | **Impact Yes/No?** | **Is the impact positive or negative?** |
| Does the policy/service impact on the following? |  |  |
| Age | **No** | **N/A** |
| Disability | **No** | **N/A** |
| Race | **No** | **N/A** |
| Gender/ Transgender | **No** | **N/A** |
| Sexual Orientation | **No** | **N/A** |
| Religion or belief | **No** | **N/A** |
| Human Rights | **No** | **N/A** |
| Social exclusion | **No** | **N/A** |
| Health inequalities | **No** | **N/A** |
| Rurality | **No** | **N/A** |

**If you consider there is either no impact or no negative impact, please give reasons:**

This report provides an overview of the Council’s overall budgetary position for the period April to June 2010 for revenue schemes and gives reasons for variances and has no direct impact on the above.

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