

RESOURCES OVERVIEW AND SCRUTINY PANEL

Panel Report

Public

Date of Meeting: 17 February 2011

Title: REVENUE BUDGET OVERVIEW AND MONITORING REPORT:
APRIL TO DECEMBER 2010

Report of: Assistant Director (Resources)

Report reference: RD75/10

Summary:

This report provides an overview of the Council's overall budgetary position for the period April to December 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.

Details of the position of each directorate can be found in Appendices A1 to A6, whilst Appendix B shows progress against CSR07 efficiency savings targets in 2010/11.

To the end of December there is a shortfall of circa £170,500 against the income target for fees and charges (para. 6.2) and at this stage the updated forecast outturn position (para. 5.2) shows that the overall budget for the year is likely to be underspent. Unfortunately, the position is likely to be more difficult in future years and assumptions on income generation and other budget pressures, identified in this report, have been considered as part of the 2011/12 budget process.

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

REPORT TO EXECUTIVE

PORTFOLIO AREA: GOVERNANCE AND RESOURCES

Date of Meeting: 14 February 2011

Public

Key Decision: No

Recorded in Forward Plan:

No

Inside Policy Framework

Title: REVENUE BUDGET OVERVIEW AND MONITORING REPORT:
APRIL TO DECEMBER 2010

Report of: THE ASSISTANT DIRECTOR [RESOURCES]

Report reference: RD75/10

Summary:

This report provides an overview of the Council's overall budgetary position for the period April to December 2010 for revenue schemes only. 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.

The overall position based on current projections suggests:

- (i) the year end position is likely to be £626,200 under spent
- (ii) of this, likely carry forward requests, i.e. when funding is committed but not spent in 2010/11, of £572,100 have been identified

- (iii) the net underspend available to repair the Council's depleted Revenue reserves is being estimated at £54,100
- (iv) greater savings in 2010/11 on the Transformation initiative at £1.58m against the budget of £1m
- (v) most of the Council's high risk income streams have been affected by the economic downturn and are falling short of their targets. With car parking and Land Charges currently performing better than their reduced expectations all areas continue to be closely monitored.

RECOMMENDATIONS:

The Executive is asked to:

- (i) Note the budgetary performance position of the Council to December 2010,
- (ii) Note the potential forecast year end position for 2010/11; and
- (iii) Note the planned efficiencies.
- (iv) Approve the virement of £37,000 revenue underspends and additional income generated to the capital programme to be used as match funding for the purchase of a plastics and card vehicle
- (v) Approve the virement of £42,200 from revenue underspends to the capital programme to be used to fund the purchase of replacement bins and boxes within the Waste Minimisation project.

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CITY OF CARLISLE

To: The Executive
14 February 2011

RD75/10

REVENUE BUDGET OVERVIEW AND MONITORING REPORT
APRIL TO DECEMBER 2010

1. BACKGROUND INFORMATION AND OPTIONS

- 1.1 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].
- 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.
- 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.

2. REVENUE BUDGET OVERVIEW

- 2.1 The following statement shows the total annual revenue budget as at December 2010:

| 2010/11 Revenue Budget | £ |
|---|-------------------|
| Approved Budget (Council resolution – February 2010) | 18,673,000 |
| Carry forwards from 2009/10 | 1,518,000 |
| Budget 2010/11 at December 2010 | 20,191,000 |
| Non-Recurring Expenditure: | |
| Fuel Poverty (EEAC Reserve) | 40,000 |
| Career Development Support Package (Job Evaluation Reserve) | 75,000 |
| Transformation Costs (Transformation Reserve) | 611,200 |

| | |
|--|-------------------|
| Revised Budget 2010/11 at December 2010 | 20,917,200 |
|--|-------------------|

3. 2010/11 BUDGET MONITORING

3.1 The summarised budgetary position as at December 2010 is shown below:

| Directorate / Appendix | | Annual Net Budget | Net Budget to Date | Net Expenditure to Date | Adjusted Variance |
|------------------------|----|-------------------|--------------------|-------------------------|-------------------|
| | | (£) | (£) | (£) | (£) |
| Chief Executive's Team | A1 | 475,400 | 343,900 | 300,450 | (43,450) |
| Governance | A2 | 2,544,800 | 1,944,510 | 1,874,006 | (70,504) |
| Resources | A3 | (377,000) | (740,393) | (615,054) | 125,339 |
| Community Engagement | A4 | 8,600,600 | 5,393,553 | 5,277,879 | (115,674) |
| Economic Development | A5 | 3,045,500 | 1,679,393 | 1,736,799 | 57,406 |
| Local Environment | A6 | 6,627,900 | 5,256,037 | 4,538,817 | (717,220) |
| Total | | 20,917,200 | 13,877,000 | 13,112,897 | (764,103) |

3.2 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 Assistant Director and a note of any performance issues.

4. KEY ISSUES

4.1 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 £428,400 have been made against the nine months target of £408,205, as set out in Appendix A3, hence the surplus of £20,195.

4.2 The employee budgets for 2010/11 include an estimated pay award at 1.0%, however, the Emergency Budget in June announced that there is likely to be a two years Public Sector Pay Freeze and therefore there will be a saving on salary budgets accruing through the year as reported to Members in November 2010, as part of the 2011/12 budget process.

4.3 The corporate savings target for changes due to the Transformation in 2010/11 has been set at £1,000,000. To the end of December savings

totalling £1,398,000 have been agreed and budgets reduced, and at this stage the revised year end position is expected to be £1.58m.

- 4.4 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 for 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.
- 4.5 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 £80,100.
- 4.6 Advice has been received from DEFRA that the statutory fee payable for a personal search of the local land charges register is incompatible with the Environmental Information Regulations (2004) and therefore these charges should cease with immediate effect. Accordingly, the Government amended the Local Land Charges Rules (1977) and the statutory charge (£22) was revoked with effect from 17th August 2010. In addition, there is a potential liability for the Council to refund any such charge received since January 2005.
- 4.7 There has been a growth in the number of charities and non-profit making organisations qualifying for discretionary rate relief and the budget set aside for this has become significantly inadequate. Whilst it has been agreed to limit the relief to the Mandatory Level of 80% the Council is required to give 12 months notice to all qualifying organisations of any change in policy and it is expected that there will be an overspend in this financial year. However, the impact on future years' budgets has already been taken into account, as part of the 2011/12 budget process.
- 4.8 The need to close the John Street Hostel and re-house the clients in other accommodation whilst the facilities are brought up to standard has resulted in increased operational costs and a reduction in income.

- 4.9 Concessionary Fares funding and administration is to transfer to Cumbria County Council on 1st April 2011 and the potential year end variance on the cost of the scheme is provided on a non recurring basis.
- 4.10 The sale of the Council's Trade Waste service has generated a receipt for the sale of the client list of £125,200.
- 4.11 The purchase of a new fleet of vehicles in 2009/10 for the Recycling & Waste Collection service reduced the level of vehicle repairs and hire costs. These savings are currently under review as part of the Transformation process.

5. FORECAST OUTTURN POSITION – 2010/11

- 5.1 The Council's financial position is affected by a number of external factors that 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.
- 5.2 The impact and long term consequences of these issues continue to be closely monitored and will be reported fully at outturn. Using the points highlighted in section 4, the following table provides a broad estimate of the potential year end position:

| Potential Additional costs/Shortfalls in income | Recurring £ | Non- Recurring £ | Total £ | Para. |
|---|----------------|------------------------|------------|-------|
| • Lanes Guaranteed Rent * | | 320,000 | 320,000 | 4.4 |
| • Development Control Fees * | 100,000 | 130,000 | 230,000 | |
| • Energy* | 80,100 | | 80,100 | 4.5 |
| • Land Charges Personal Search Fees* | 5,000 | 78,000 | 83,000 | 4.6 |
| • LA Agency Fees - Renovation Grants* | | 70,000 | 70,000 | |
| • Recovery of court costs* | | 30,000 | 30,000 | |
| • MRP – Capital Programme increase* | | 43,000 | 43,000 | |
| • Discretionary Rate Relief | | 40,000 | 40,000 | 4.7 |
| • Area Based Grant* | | 15,400 | 15,400 | |
| • Hostels closure costs | | 50,000 | 50,000 | 4.8 |
| • Contract Parking income * | | 29,000 | 29,000 | 6.5 |

| | | | | |
|---|----------------|----------------|------------------|--|
| • CCTV/Pub/Shopwatch SLA income* | 38,600 | | 38,600 | |
| • Transport – Fuel costs* | | 68,000 | 68,000 | |
| • Investment income * | | 70,000 | 70,000 | |
| Total additional costs/income shortfalls | 223,700 | 943,400 | 1,167,100 | |

| | | | | |
|--|------------------|--------------------|--------------------|------|
| • Transformation savings* | | (598,000) | (598,000) | 4.3 |
| • Savings from pay award* | (114,000) | | (114,000) | 4.2 |
| • Concessionary Fares contractor costs* | | (170,000) | (170,000) | 4.9 |
| • Trade Waste - sale of contract* | | (125,200) | (125,200) | 4.10 |
| • Recycling vehicles hire and repairs* | | (110,000) | (110,000) | 4.11 |
| • Savings on Greenbox contract* | | (22,300) | (22,300) | |
| • Improved car parking income* | | (40,000) | (40,000) | 6.5 |
| • Land Charges income | | (20,000) | (20,000) | |
| • NNDR net adjustment* | 5,400 | (22,100) | (16,700) | |
| • Civic Centre - Surface water charges* | (5,000) | | (5,000) | |
| Total reduced costs/additional income | (113,600) | (1,107,600) | (1,221,200) | |
| Net Saving to be returned to Reserves | 110,100 | (164,200) | (54,100) | |
| Potential Budget Carry Forwards | | | £ | |
| Areas likely to be under spent at the year end and identified as potential budget carry forwards include; Carlisle Renaissance, Planning Standards, Town Twinning, Affordable Housing and Housing Regeneration | | | | |
| Total Potential Carry Forwards | | | (572,100) | |
| Total Potential under spend/Carry Forward | | | (626,200) | |

5.3 The items marked with an asterisk* above were reported in RD54/10, noted by the Executive at its meeting on 22nd November 2010, and subsequently approved by Council on 1st February 2011. These items will now feed into the Revised Base Estimate for 2010/11.

5.4 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.

5.5 Carlisle City Council has been awarded a grant of £100,000 towards the purchase of a plastics and card vehicle. The total cost of the vehicle is £137,000 and the Executive is asked to approve a virement £37,000 from Waste Services to the capital programme to provide the additional capital funding required. The Executive is also asked to approve a virement of

£42,200 from Waste Services to be vired to capital to fund the replacement of recycling boxes and bins included in the waste minimisation project.

6. HIGH RISK BUDGETS

6.1 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 | (129,600) | (102,234) | (125,846) | (23,612) | 6.3 |
| Lanes | (1,583,200) | (1,187,400) | (950,995) | 236,405 | 6.4 |
| Car Parking | (1,182,600) | (908,792) | (1,031,236) | (122,444) | 6.5 |
| Bereavement Services | (1,069,200) | (781,891) | (765,374) | 16,517 | 6.6 |
| Development Control | (637,100) | (490,567) | (426,918) | 63,649 | 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 continuing impact of the economic climate on the housing market. However, the income for the first half of the year is exceeding the new target by 23%.

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 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 were 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. However, the car parks have remained fully open and for the period April to December 2010 whilst the income actually generated has shown significant improvement against the profiled target, partly offset by reduced sales of contract parking spaces (refer to Appendix A6 attached), this is below the

original budget before the reduction. A full review of car park income will be undertaken and reported as part of the outturn report and this will include the impact of reversing the temporary reduction for the closure of the Viaduct car parks.

- 6.6 The 2010/11 budget for income from Bereavement Services was reduced by £60,000 in anticipation of a continuing downward trend. Although there had been a slight improvement against the income estimate for the first half of the year the position to the end of December 2010 has again declined and continues to be closely monitored.
- 6.7 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 December the severity of this decline has been much greater than anticipated and forecasts will be revised to reflect the potential shortfall in income.

7. S.106 COMMUTED SUMS

- 7.1 The City Council currently holds a balance of £467,367 of commuted sums to be used for the provision and future maintenance of public open spaces, £164,750 of which is in respect of developments that are still incomplete. A further £378,285, 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 31/12/10 | Note |
|--------------------|--------------------|---------------------|-------|
| Investments | £22.0m | £27.9m | (i) |
| Loans | £15.0m | £15.0m | (ii) |
| Debtors | £ 1.2m | £ 2.8m | (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 (RD 27/10), approved by full Council in September 2010. It is anticipated that £3.867m 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.
- (v) The Council's VAT partial exemption calculation for the period ending 31st December has been calculated at 3.21% which is well below the 5% limit set by HMRC. However, we are currently working with our tax advisors regarding the VAT implications of major housing capital schemes such as the Families Accommodation Replacement, the Resource Centre and Low Harker Dene, to ensure that the limit has not, and will not be breached. A report will be presented to a future Executive meeting on the outcome of the review if any breaches are identified.

8.2 CSR07 Efficiency Savings

Introduction

The third quarter (2010/11) Annual Efficiency programme attached at **Appendix B** illustrates the continuing attainment of targets set by the council covering the Comprehensive Spending Review period 2008-09 to 2010-11.

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.

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 Council's budget requirements and further pressures have identified that additional savings are needed in order to build reserves back up to a prudent level.

In order to address this shortfall a new budget discipline was approved by Council on 14th September 2010. The Savings Strategy will concentrate on the following areas to deliver the required savings:

- Asset Review – this will focus on producing a Development and Investment Plan for the Council's property portfolio with the aim of delivering additional income and reduced costs on a recurring basis.
- Service delivery models - as part of the transformation programme, alternative methods of service delivery will be considered in order to make further significant financial savings whilst still delivering good standards of service. The options under consideration will be shared services and commissioning of services.
- As part of the transformation programme a review of those services which do not fall within the Council's core priorities or which are not statutory will be undertaken to ensure that services are properly aligned to what the Council wants to achieve.

These issues have been included in the council's revised Procurement and Commissioning strategy 2010-12 which will be submitted to Council for approval in April 2011;

9. CONSULTATION

9.1 Consultation to Date.

SMT has considered the issues raised in this report.

10. RECOMMENDATIONS

The Executive is asked to:

- (i) Note the budgetary performance position of the Council to December 2010;

- (ii) Note the potential forecast year end position for 2010/11; and
- (iii) Note the planned efficiencies
- (iv) Approve the virement of £37,000 revenue underspends and additional income generated to the capital programme to be used as match funding for the purchase of a plastics and card vehicle
- (v) Approve the virement of £42,200 from revenue underspends to the capital programme to be used to fund the purchase of replacement bins and boxes within the Waste Minimisation project.

11. REASONS FOR RECOMMENDATIONS

To show that the Executive 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.

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

13. IMPACT ASSESSMENTS

| 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 |
| Health inequalities | No | N/A |
| Rurality | No | N/A |

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

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