



REPORT TO EXECUTIVE

PORTFOLIO AREA: GOVERNANCE AND RESOURCES

Date of Meeting: 27 June 2011

Public

Key Decision: Yes

Recorded in Forward Plan:

Yes

Inside Policy Framework

Title: PROVISIONAL GENERAL FUND REVENUE OUTTURN 2010/11

Report of: THE ASSISTANT DIRECTOR [RESOURCES]

Report reference: RD12/11 (Amended)

Summary:

This report summarises the 2010/11 provisional out-turn for the General Fund revenue budget and gives reasons for variances.

The out-turn position shows that:

- (i) the net underspend for Council Services as at 31 March 2011 once committed expenditure totalling £1,758,700 is taken into account, is £245,697,
- (ii) in addition, there are requests to carry forward £119,200 in respect of new items of expenditure, which if approved, would result in a final underspend to the Council in 2010/11 of £126,497.

It should be noted that the information contained in this report is provisional, subject to the formal audit process. The Statement of Accounts for 2010/11 will be presented to the Audit Committee on 5 July, followed by a three-month audit process.

Recommendations:

The Executive is asked to:

- (i) Note the net underspend as at 31 March 2011 of £245,697 after committed expenditure totalling £1,758,700 (£991,500 to be met in 2011/12, £644,100 in 2012/13 and £123,100 in 2013/14) which has been approved by the Assistant Director (Resources) under delegated powers;

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

- (ii) To consider supporting carry forward requests for new items of expenditure totalling £119,200, (noted as category “B” in Appendix B, of which £116,700 to be met in 2011/12 and £2,500 in 2012/13), and make recommendations thereon to Council on 19 July.
- (iii) Make recommendations to Council to approve the transfer of the Job Evaluation reserve into the Transformation reserve, as detailed in paragraph 3.3.
- (iv) Make recommendations to Council to approve the provision of £74,400 set aside to cover potential refunds of personal search fees as detailed in paragraph 3.4.

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CITY OF CARLISLE

To: The Executive
27 June 2011

RD12/11

PROVISIONAL GENERAL FUND REVENUE OUTTURN 2010/11

1. BACKGROUND INFORMATION AND OPTIONS

- 1.1 This report shows the provisional out-turn position for the General Fund Revenue budgets for 2010/11.
- 1.2 A summary of the overall position is shown at paragraph 2.2. Further details for each directorate are included in **Appendices A1 - A6** as follows:
 - (i) A comparison of the outturn position against the budget
 - (ii) An analysis of the major variances relating to both income and expenditure, with comments from the Assistant Director.
 - (iii) The items of carry forwards to cover committed expenditure to be expended in line with the original purpose. These requests follow the procedure agreed by Council with every form being signed off by the relevant Assistant Director and Portfolio holder, and the Assistant Director (Resources).
- 1.3 Members should note that the information contained in this report is provisional and subject to the formal audit process. The formal Statement of Accounts for 2010/11 will be presented to the Audit Committee on 5 July, followed by a three-month audit period. Any significant changes required following the approval of the 2010/11 accounts will, if necessary, be reported to a future Executive meeting.
- 1.4 Please note that throughout this report
 - (i) the use of a bracket represents a favourable position i.e. either an underspend or additional income received
 - (ii) the term 'underspend' is taken to include both reduced expenditure and/or increased income
 - (iii) the term 'overspend' includes both spending above budget and/or reduced income levels

2. SUMMARY REVENUE OUTTURN 2010/11

2.1 The following table shows the revised 2010/11 budget for the General Fund:

2010/11 Revenue Budget	£
Approved Budget (Council resolution – February 2010)	18,673,000
Carry forward requests (2009/10 out-turn)	1,518,000
Revised Budget 2010/11 at February 2011	20,191,000
Non-Recurring Expenditure (note 1)	
Fuel Poverty (EEAC Reserve)	40,000
Career Development Support Package (Job Evaluation Reserve)	75,000
Transformation Costs (Transformation Reserve)	1,025,100
Revised Budget 2010/11	21,331,100

Note (1) use of earmarked reserves to fund 2010/11 expenditure.

2.2 The provisional out-turn position for the General Fund is summarised below and explanations for the main variances are provided in the appendices. The key issues are highlighted in paragraphs 3.5:

Directorate / Appendix		Annual Net Budget	Total Expenditure	Net Variance as at 31/3/11	Carry Forwards Committed	Adjusted Variance
		(£)	(£)	(£)	(£)	(£)
Chief Executive's Office	A1	513,100	423,619	(89,481)	0	(89,481)
Governance	A2	2,526,700	2,435,456	(91,244)	32,000	(59,244)
Resources	A3	(607,500)	(858,336)	(250,836)	413,200	162,364
Community Engagement	A4	8,822,600	8,312,785	(509,815)	296,600	(213,215)
Economic Development	A5	3,532,800	2,702,620	(830,180)	983,100	152,920
Local Environment	A6	6,543,400	6,310,559	(232,841)	33,800	(199,041)
Total		21,331,100	19,326,703	(2,004,397)	1,758,700	(245,697)

2.3 Carry forwards for new items of expenditure, totalling £119,200, are shown in Appendix B, that will, if approved by Members, reduce the underspend to be returned to reserves to £126,497.

2.4 The above table details the net Council budget. The Council's original gross budget for 2010/11 was £68.9m and although there are many individual variances as detailed by Directorates in **Appendices A1 – A6**, the underspend equates to 0.36% of this budget.

3. EXPLANATION OF MAJOR VARIANCES

3.1 The provisional outturn position for 2010/11 results in an underspend of £245,697 after taking into account potential carry forward requests of £1,758,700 as set out in paragraph 6.

3.2 The reallocation of central departments' balances to service areas still has to be carried out, which explains many of the balances held on some management and support services cost centres. This reallocation is part of the final accounts process and will be completed before the Statement of Accounts is prepared.

3.3 The cost of Job Evaluation was fully provided for and funded by the earmarked Job Evaluation Reserve. The balance on the reserve at the end of 2012/13 will be £430,309 after taking account of any on-going commitments and it is recommended that this is returned to the Transformation Reserve to fund any one-off costs associated with the transformation process in 2011/12. The details are provided in the table below.

Job Evaluation Reserve	2010/11 £	2011/12 £	2012/13 £
Opening Balance as at 31st March	493,109	548,609	455,309
Movements (In)/Out - see note*	(55,500)	93,300	25,000
Available Balance	548,609	455,309	430,309
Note* - examples of movements:			
Career Development Support Package	75,000	50,000	25,000
Additional requirement for Career grades	8,200	11,100	0

3.4 Members were advised at the Executive meeting on 14th February 2011 of the advice received from DEFRA regarding changes to the statutory regulations

for the charges made for personal searches of the local land charges register. A request is made for a provision of £74,400 to be set up in 2010/11, £40,000 from under spent survey costs and the balance from Government grants, to cover the potential refunds arising from these changes.

- 3.5 Currently included in the Revenue Outturn is £829,900 of Highways Claimed Rights Expenditure and £829,900 Highways Claimed Rights income that relates to capital schemes. In accordance with Capital Finance Regulations, this expenditure and income should be included in the Council's Capital Programme. There will be no impact on the overall bottom line in the Revenue and Capital Outturn as the expenditure is fully funded, however, this needs to be reflected correctly in the accounts.
- 3.6 Members are regularly updated on the budget position throughout the year, with quarterly reports being considered by the Executive and scrutinised by Resources Overview and Scrutiny Panel. Many of the variances shown in the Appendices have previously been reported with any necessary steps to mitigate the impact on the future budget position dealt with as part of the 2011/12 budget. However, some pressures still have an on-going impact which must be addressed during the forthcoming budget process. These include income shortfalls in respect of Highways, parking, crematorium and increases in energy and fuel costs.
- 3.7 Some of the main service expenditure variances are set out below. Many of these have been reported throughout the year in budget monitoring reports, and further explanations are provided in the appendices.

Additional Costs/Shortfall in Income	Recurring £	Non Recurring £	App/ Para.
Building Maintenance sub-contractor costs		38,500	A3
LABGI grant income shortfall		33,000	A3
Council Tax 2nd Home discount - grant income shortfall		31,200	A3
Transformation savings unallocated		87,200	A3
The Lanes - guaranteed rent income shortfall		208,000	A3
John Street Hostel - security costs and income shortfall		22,900	A4
Tullie House - obsolete stock w/o & shop income shortfall		39,600	A4
Carlisle TIC - shortfall on sales		21,800	A5
Development Control - advertising & professional consultations		24,700	A5

Building Control shortfall in income		63,200	A5
Bereavement Services - income shortfall	24,500		A6
Highways & Area Maintenance - unrecoverable overhead expenses		27,400	A6
Highways Claimed Rights - bad debt provision		43,100	A6
Total additional costs/income shortfalls	24,500	640,600	
Reduction in costs/Additional income	£	£	
Post JE Career Development Package underspent		(59,200)	A1
Land Charges lower search costs and surplus income	(44,500)		A2
ICT Connect - shared service contract costs		(30,000)	A3
Concessionary Fares - contractor payments		(172,800)	A3
Customer Contact surplus income		(28,600)	A4
Revenues & Benefits costs prior to shared services		(152,400)	A4
London Road Hostel - under spent repairs		(16,500)	A5
Low Harker Dene - site maintenance		(19,000)	A5
Housing Regeneration - Fuel Poverty and DFG Pilot Group		(16,900)	A5
Management & Support Services		(26,700)	A6
CCTV - equipment and transmission costs		(27,000)	A6
Food Safety - temporary staff costs		(27,900)	A6
Grounds Maintenance costs		(45,000)	A6
Parking - significantly ticket sales	(79,600)		A6
Miscellaneous Highways Expenses - under spent schemes		(48,800)	A6
Recycling & Waste Collection - staffing and transport repairs		(53,500)	A6
Other Miscellaneous underspends		(62,397)	A1-6
Total reduced costs/additional income	(124,100)	(786,697)	
Net saving to be returned to Reserves	(99,600)	(146,097)	
Combined Non-Recurring and Recurring Net Saving		(245,697)	

4. TRANSFORMATION

- 4.1 There is a balance of £454,100 on the Transformation Earmarked Reserve to fund any future one-off costs associated with the Transformation programme. This is the remainder on 31st March 2011 after providing for redundancy and compensatory payments and transferring redundancy costs to capital in 2010/11. There will be further call on this reserve in 2011/12, and the current balance stands at £146,200. However, this fund will be replenished, subject to

Council agreement, using the balance on the Job Evaluation Reserve, as recommended in paragraph 3.3.

- 4.2 Salary Turnover Savings were introduced in 2003/04 as a means of contributing towards the corporate savings target and initially set at a level of 1.5% of the gross core staffing budgets. This target rate rose to 2.9% in 2010/11 and whilst the savings have over achieved their budgeted level over the last two years this has been significantly due to the Transformation Programme. As the gross salary budgets contract to a post restructure figure, the ability to maintain this rate of saving is likely to be unsustainable and the ongoing budget expectation will need to be addressed as part of the budget process in 2012/13 and continue to be monitored closely in 2011/12. Details of the salary turnover savings and the corporate achievement rates are provided in the following table.

Year	Core Salary Budget £	Salary Turnover Savings:			
		Budget £	Achieved £	Budget Rate	Achieved Rate
2003/04	15,793,230	230,000	100,330	1.46%	0.64%
2004/05	15,274,080	246,900	271,880	1.62%	1.78%
2005/06	16,860,100	454,200	492,900	2.69%	2.92%
2006/07	19,073,100	473,600	409,900	2.48%	2.15%
2007/08	19,468,600	575,600	231,600	2.96%	1.19%
2008/09	20,381,800	592,900	498,500	2.91%	2.45%
2009/10	20,281,100	537,100	785,600	2.65%	3.87%
2010/11	18,938,100	544,200	544,000	2.87%	2.87%
2011/12	18,602,500	537,100	-	2.89%	-

5. RECESSION PLANNING

As advised to members on the 22 December 2010 and 14 February 2011 the recession has continued to lead to significant income shortfalls in bereavement services, development control, parking, the Lanes and returns from investment and some budgets were again adjusted during 2010/11 to reflect revised 'post recession' income trends (RD54/10).

The Council has increased its bad debt provision in respect of sundry debtors and housing benefit overpayments and this has been allocated directly to the services.

6. CARRY FORWARD REQUESTS

6.1 In accordance with the Council's Constitution, any net underspending/savings on service estimates under the control of the Assistant Director may be carried forward. This is to facilitate the achievement of more strategic five year budgeting which requires greater flexibility of budgets between years as set out in the Medium Term Financial Plan. Approval of carry forwards is subject to the following as contained in the Council's Constitution:

- *the authorisation of the Assistant Director of Resources where the request relates to a specific committed item of expenditure where, due to external or other factors, the Assistant director has been unable to spend the approved budget by 31 March. The use of the resource will be restricted to the purpose for which the estimate was originally intended. The carry forward will only be approved by the Assistant Director of Resources if the expenditure is within both the Directorate's and the Authority's budget as approved for that year. Any carry forward which would result in an overspend for the Authority will require authorisation by the Council.*
- *any overspending on service estimates in total on budgets under the control of the Assistant Director must be carried forward to the following year, and will constitute the first call on service budgets in the following year, unless the Council determines otherwise by way of a supplementary estimate. The Assistant Director of Resources will report the extent of overspending carried forward to the Executive, Resources Overview and Scrutiny Panel and to the Council.*

The delegated power applies only in so far as the carry forwards do not take the Council into an overspend position.

6.2 Details of the carry forward requests, which itemise committed expenditure, are contained within **Appendix B**. The requests have been subject to the scrutiny of the relevant Assistant Director and Portfolio Holder prior to formal consideration by the Assistant Director of Resources, who is satisfied that budgets of £1,758,700 should be carried forward to 2011/12 and to future years. All Directorates have expended less than their budgets and once the committed expenditure is taken into account there remains an overall underspend across the whole authority. These amounts have therefore been included in the carry forward. The relevant Assistant Director will be able to give further details of carry forward requests if required at the meeting.

- 6.3 For illustrative purposes, the table below provides details of the out-turn position (excluding funding) and level of carry forward requests over the last 5 years:

	2010/11 provisional £	2009/10 £	2008/09 £	2007/08 £	2006/07 £
Variance at 31 March	(2,004,397)	(2,367,534)	(3,577,380)	(367,808)	(1,308,523)
Carry forward requests	1,758,700	1,552,000	1,005,600	787,100	1,553,500
Final variance less in year budget initiatives	(245,697)	(815,534)	(2,571,780)	419,292	244,977
Service Expenditure variance			<u>(2,326,192)</u> (245,588)		
Percentage variance on service expenditure of original gross budget	(0.36)%	(1.23)%	(0.37)%	0.68%	0.41%

- 6.4 The Assistant Director of Resources does not have delegated authority to approve the carry forward requests relating to the new items of expenditure, items noted as category “B” in **Appendix B**, totalling £119,200. However, the Executive is asked to consider supporting the approval of the carry forward requests for recommendation to Council, and to note that, if all are approved, this will result in a revised contribution to reserves of £126,497.

7. BALANCE SHEET

- 7.1 In line with suggested best practice, information relating to significant items on the Council’s balance sheet has been reported regularly to Members during the course of the year. The Council’s balance sheet as at 31 March 2011 forms part of the annual Statement of Accounts that will be considered by the Audit Committee on 5 July, followed by a three month process.
- 7.2 The VAT partial exemption calculation continues to be monitored and has still to be finalised for 2010/11.
- 7.3 The 2010/11 collection fund projected surplus has increased from £39,313 (Council share £5,191) to £327,959 (Council share £43,302). The Council Tax and NNDR Provisional out-turn report provides further details which is considered elsewhere on the agenda (RD16/11).

- 7.4 The level of Council reserves was approved by Council in February 2011 and showed that there was significant pressure on reserves from 2011/12 onwards. Due to the level of underspend identified within this report and if all carry forward requests are approved, approximately £0.127m will be returned to the Projects Reserve. This will replenish the usable revenue balances by 31 March 2015 to the minimum required, however there will still be a projected shortfall against this minimum reserve from 2011/12 to 2013/14.

	31/03/2011 £'000s	31/03/2012 £'000s	31/03/2013 £'000s	31/03/2014 £'000s	31/03/2015 £'000s	31/03/2016 £'000s
Prudent Level of Reserves	(3,800)	(3,800)	(3,800)	(3,800)	(3,800)	(3,800)
Council Resolution General Fund Reserve	(1,710)	(1,577)	(2,870)	(3,473)	(4,256)	(4,266)
Underspend position returned to Reserves	(2,004)	0	0	0	0	0
Committed Carry Forwards	0	992	644	123	0	0
Revised Reserves Balance	(3,714)	(2,590)	(3,239)	(3,719)	(4,502)	(4,512)
New Items of Expenditure	0	117	3	0	0	0
Revised Balance if New Items Approved	(3,714)	(2,473)	(3,120)	(3,599)	(4,382)	(4,392)

8. EFFICIENCY SAVINGS

Comprehensive Spending Review (CSR07)

- 8.1 This section provides an explanation of the Council Annual Efficiency Statement requirement and further illustrates the progress of the efficiency projects originally identified for the year ending 31st March 2011.

8.2 Efficiency Savings

The Comprehensive Spending Review (CSR07) has identified that Local Government is expected to achieve at least 3% per annum net cash-releasing value for money (VfM) gains over the 3 year period which commenced in 2008/09. (This figure was subsequently revised in 2010/11 by an additional 1%). The target is now multiplicative (i.e. 3%, 6.1%, 10.3%) and by using the baseline expenditure figure, as prescribed by DCLG, this identifies the value of efficiencies required to be found by the Council over the 3 year period.

The basis of the DCLG calculation is as follows: -

		£
2007/08 Baseline	Total Net Service Expenditure	23,363,000
	Total Capital Expenditure	9,309,000

	Total Baseline =	32,672,000
2008/09 Target	3.00%	980,160
2009/10 Target	6.10%	1,992,992
2010/11 Target	10.30%	3,365,216

The CSR07 VfM delivery plan states that, unlike the previous efficiency programme under Gershon, there will be no mandatory VfM target for all Councils. However, the Council has calculated its own efficiency target as a means to accurately monitor its progress and to identify a number of projects for review throughout this period.

- 8.3 The 2010/11 monitoring report can be found at **Appendix C** and provides comparative information regarding the target set by DCLG and the City Council's programme of actual savings achieved. The table illustrates that the Council has exceeded the 10.3% efficiency target by 0.4% or £140,000 approximately which is a significant achievement during a period of continuous change throughout the organisation. These results will be submitted to the DCLG in July as National Indicator 179.

9. CONSULTATION

9.1 Consultation to Date.

Portfolio Holders and SMT have considered the issues raised in this report.

9.2 Consultation proposed.

Resources Overview & Scrutiny Panel considered the report on 16th June 2011.

10. RECOMMENDATION

The Executive is asked to:

- (i) Note the net underspend as at 31 March 2011 of £245,697 after committed expenditure totalling £1,758,700 (£991,500 to be met in 2011/12, £644,100 in 2012/13 and £123,100 in 2013/14) which has been approved by the Assistant Director (Resources) under delegated powers;
- (ii) To consider supporting carry forward requests for new items of expenditure totalling £119,200 (noted as category “B” in Appendix B, of which £116,700 to be met in 2011/12 and £2,500 in 2012/13), and make recommendations thereon to Council on 19 July.
- (iii) Make recommendations to Council to approve the transfer of the Job Evaluation reserve into the Transformation reserve, as detailed in paragraph 3.3.
- (iv) Make recommendations to Council to approve the provision of £74,400 set aside to cover potential refunds of personal search fees as detailed in paragraph 3.4.

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 – Risk to future years budget and development of ongoing impact of issues identified will be monitored carefully in budget monitoring reports and appropriate action taken

- 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 summarises the 2010/11 provisional out-turn for the General Fund revenue budget and gives reasons for variances and has no negative impact on the above.

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