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REPORT TO EXECUTIVE

PORTFOLIO AREA: FINANCE AND PERFORMANCE MANAGEMENT

Date of Meeting: **19 February 2007**

Public

Key Decision: **No** **Recorded in Forward Plan:** **No**

Inside Policy Framework

Title:	**REVENUE BUDGET OVERVIEW AND MONITORING REPORT: APRIL TO DECEMBER 2006**
Report of:	**THE DIRECTOR OF CORPORATE SERVICES**
Report reference:	**CORP83/06**

Summary:
This report provides an overview of the Council's overall budgetary position for the period April to December 2006 for revenue schemes only. Progress against the annual Capital Programme is subject to a separate report, which is considered elsewhere on the agenda. This report includes 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) Consider the virements identified in paragraph 8.2 for recommendation to Council
(iii) Note the actual efficiency savings being achieved against the targets set

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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

CITY OF CARLISLE

To: The Executive CORP83/06
19 February 2007

REVENUE BUDGET OVERVIEW AND MONITORING REPORT APRIL TO DECEMBER 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. However, it is the responsibility of Directors to control income and expenditure within their service areas and to monitor performance, taking account of financial information provided by the Director of Corporate Services.

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.

1.3 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 From 2006/07 the format of the budget monitoring reports has changed. In line with the Best Value Accounting Code of Practice (BVACOP), reports 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 BUDGET OVERVIEW

2.1 The following statement shows the total revenue budget as at December 2006:

2006/07 Revenue Budget	**£**
Approved Budget (Council resolution – February 2006)	16,720,700
Carry forward requests (2005/06 out-turn)	1,739,500
Non-recurring supplementary estimates (paragraph 2.2)	287,900
Revised Budget 2006/07	**18,748,100**

2.2 Supplementary estimates approved during 2006/07 are shown below:

	£
Release from Asset Investment Reserve	100,000
Planning Standards (£315,000 over three years)	55,400
Raffles Vision	32,500
Response to the White Paper	100,000
	287,900

2.3 A further amendment since the production of December's Management Information reports is in respect of the provisional notification of the LABGI allocation for 2006/07. This will reduce the revised budget for 2006/07 by a further £1,153,000 which will be allocated to the project reserve pending approval of any schemes from the allocation.

3. 2006/07 BUDGET MONITORING

3.1 The summarised budgetary position as at December 2006 is shown below:

Directorate	**Gross Expenditure Budget £**	**Gross Income Budget £**	**Net Annual budget £**	**Adjusted Variance £**
Carlisle Renaissance	481,900	(5,000)	476,900	(15,428)
Community Services	18,792,600	(7,543,300)	11,249,300	147,395
Corporate Services	33,128,400	(29,394,100	3,734,300	(307,483)
Development Services	7,221,300	(6,873,100)	348,200	(298,313)
Legal & Democratic Services	2,768,500	(540,400)	2,228,100	(66,841)
People, Policy & Performance Services	842,500	(131,200)	711,300	(124,430)
Total	**63,235,200**	**(44,487,100)**	**18,748,100**	**(665,100)**

3.2 The above underspend of £665,100 can be attributed to additional income and ringfenced grants and underspends on expenditure budgets. The flood recovery budget is underspent by £214,710 (included in Corporate Services), leaving a balance of £450,390 as the true underspend. In comparison, it should be noted that the underspend as at December 2005 was £1,230,800; the improved position reflects the enhanced budget monitoring procedures which have been put in place throughout the year.

3.3 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.

3.4 Potential carry forwards to 2007/08 for revenue schemes have been estimated at £384,800 to date: £104,800 relates to the Clean Neighbourhoods and Environment Act, £82,000 to Planning Services, £59,400 to LSP, £28,400 to Housing, £40,600 to Carlisle Renaissance, £47,900 to Property Services and £21,700 to a number of smaller items.

3.5 Within the Corporate Services directorate there are two underspends which are actually additional income. As at December, there has been a net increase in treasury management income of £44,000. The 2005/06 LABGI allocation (Local Authority Business Growth Initiative) is held within Corporate Services and to date shows an underspend of £107,200; this will be allocated during the remainder of the year as projects are identified.

3.6 Flood recovery is currently showing an underspend of £214,710. This underspend largely consists of income that has been received as part of the final insurance settlement but which has not yet been committed e.g. Bitts Park Depot, Sheepmount works etc. Some sums are also still held that were received by way of indemnity settlements.

3.7 The salary turnover target for 2006/07 was originally set at £467,600 but has since been increased and is now £489,300. Savings taken to date against this budget are currently showing a shortfall of £122,623. It is unlikely that the target will be achieved by the year-end.

4. HIGH RISK BUDGETS

4.1 A number of high-risk budgets have been identified which require detailed monitoring throughout the year. These include income, budgets carried forward from last year, and recurring and non-recurring bids approved in the 2006/07 Council Resolution.

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

Budget Area	Annual Budget	Budget to date	Actual to date	Variance	Note
Car parking income	(1,597,500)	(1,244,736)	(1,167,713)	77,023	4.3
Bereavement Services income	(907,900)	(649,227)	(584,262)	64,964	4.4
Civic Centre income	(98,300)	(73,736)	0	73,736	4.5
Concessionary Fares	1,513,900	1,333,266	1,350,933	17,727	4.6
Talkin Tarn	109,300	59,584	46,671	(12,913)	4.7

4.3 Income from penalty charge notices and car park ticket sales continues to be under budget. Budgets have been reduced by £80,000 as part of the 2007/08 budget process. However, a further shortfall is predicted and an additional bid has been proposed from 2007/08 onwards to reduce budgets by a further £100,000. The situation is monitored closely to ensure that any shortfall in 2006/07 can be met from within existing budgets.

4.4 Likewise, income from Bereavement Services is below budget as at December. The current shortfall is £64,000. As always prediction of income levels is subject to external factors and inherently difficult to forecast; current projections are that the year end shortfall will be £40,000. The position will be closely monitored and reported to the Executive as necessary.

4.5 A budget is included within the Civic Centre section for 2006/07 of £98,000 for letting income. This was set in anticipation of attracting third parties to rent space within the Civic Centre for 2006/07. Currently there has been no take up of this facility and the budget will be removed but offset by additional income received during the year (see paragraph 8.1).

4.6 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 4.3 to 4.5). The largest item is £858,000 for Concessionary Fares. As part of the 2007/08 budget process this budget has been increased by £100,000 to cover increased ridership (which is now projected at 50% instead of 30%). Other expenditure budgets are broadly in line with profile.

4.7 A revised set of car park charges for Talkin Tarn was considered by the Executive at its meeting on 22nd January 2007. However, current budget projections are still based upon the original business plan and it was agreed that the budget position be monitored carefully and any financial implications reported to a future meeting of the Executive.

4.8 Contained within the non-recurring spending pressures in the 2006/07 budget was the Job Evaluation scheme with a budget of £189,000. This was underspent in December by £49,200. The estimated total cost of the Job Evaluation process of £1m has been included as a budget pressure in CORP 51/06. Work will be carried out to firm up the projected recurring and non-recurring costs as early in 2007 as possible.

5. BALANCE SHEET MANAGEMENT

5.1 In line with suggested best practice, information relating to significant items on the Council's balance sheet is being provided to Members. CIPFA issued a good practice framework on balance sheet management in November 2006 which will be used as a basis to develop this section. The information below concentrates on those items that may have a material impact on the Council if not reviewed on a regular basis.

5.2 Treasury Management

- Outstanding Investments – as at 31st December 2006 the Council had £30.4m (£20.7m 31 March 2006) on short-term deposit, mainly with Building Societies. The anticipated return on these investments is estimated at £1,556,000 for 2006/07 with current projections (based upon financial information as at December 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 December 2006 (£15.1m 31 March 2006). The cost of managing this debt, in terms of interest payable, is budgeted at £1,324,000 in 2006/07 with costs currently on target. There are currently no proposals for any further 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 £1.7m at the end of December (£2.1m at 31 March 2006) of which £493,000 relates to the Highways Claimed Rights function and discussions are taking place to resolve this outstanding debt. 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 December are 85.3% and 87.8% 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 £510,000 as at the end of December (£1,272,800 as at 31 March 2006). The PI target (BV8) for the payment of undisputed invoices is 98% for 2006/07 with current progress against this target being 98.8%.

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 £1.9m will be required from the Council's Revenue Reserves to fund revenue expenditure in 2006/07 (including £1.7m of 2005/06 carry forwards). The balance of the Pensions Reserve (£361,000) has been transferred into the Projects Reserve. Any under or overspend at the year end will adjust the balance transferred to or from the reserve.

6 PERFORMANCE

6.1 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, and work continues to develop the links with financial reporting.

6.2 Corporate Performance Monitoring Reports have been presented to the Executive linking budgets and performance indicators.

7 GERSHON EFFICIENCY SAVINGS ACTION PLAN MONITORING

7.1 This section gives an explanation of the "Gershon" requirements and illustrates the specific efficiency items identified to date by Carlisle City Council, giving particular reference to the 2006/07 Efficiency Measures.

7.2 Background

All Local Authorities have been set an annual efficiency target based on 2.5% of their 2004/05 baseline, and a target for cashable efficiency gains each year based on 1.25% of their 2004/05 baseline. Thus, by the end of 2007/08, each Authority should have achieved total efficiency gains equal to or greater than 7.5% of their baseline and cashable gains of at least 3.75%.

7.3 It should be noted that Local Authorities are not required to reduce their expenditure by 7.5% (the required total efficiency gains) or 3.75% (the required cashable efficiency gains) over the years to 2007/08. The DCLG advise that there is no one-to-one relationship between efficiency gains and expenditure because cashable efficiencies will sometimes be redirected to frontline services and sometimes used to hold down Council Tax, and in any case non-cashable gains would not always be clearly visible.

7.4 The guidance determines that targets set are cumulative ones. Local Authorities therefore need not make exactly 2.5% efficiency gains each year, so long as they have met or exceeded their target position for each year. Thus, it is permissible to make 3% gains in the first year and then only 2% in the second year.

7.5 Efficiency Savings

Appendices B1 and B2 have been drawn up following a review of all proposals for 2006/07 and illustrate:

- Changes arising from guidance received from the Government, which has resulted in some new efficiencies being included and others withdrawn because of eligibility.
- Revisions to existing proposals where more up-to-date information has been provided.
- Cashable – Recurring Efficiencies
- Non-Cashable
- New proposals.

7.6 Evidence requirements

For the first time the Audit Commission will be checking the Council's Backward Looking Annual Efficiency Statement (AES) and therefore every efficiency proposal will need to be backed up by evidence that the cash value of the efficiency has been delivered and that performance has been maintained or improved. This evidence is crucial to the Gershon process and it must be noted that should any of the efficiency proposals fail to meet the necessary criteria, then it will be necessary to exclude them from the efficiency statement.

7.7 2006-07 Update

The attached appendices are presented in a revised format. Appendix B1 identifies actual progress against the 2006/07 budget resolution and Appendix B2 groups each efficiency measure in the AES category and illustrates a number of revisions. A brief explanation of these is as follows: -

AES Group 1
Capital receipts – improvements to investment returns arising from treasury management activities can not be counted as efficiency gain. However, additional interest earned from capital receipts generated from the disposal of surplus non-operational assets can be classed as an efficiency gain. The relevant totals on the schedule have been changed to reflect an increase to the 2006/07 position by £80,000 due in the main to sale of land.

Rationalisation of Depots
Efficiency target reduced by £15,000. Activity now delayed to 2007/08.

Staff turnover
Original statement incorporated the sum of £110,000. This has been reviewed following monitoring of expenditure for the period April to December 2006.

Energy Efficiency
This has been reviewed in light of the increase in the overall cost of supply. Original £20,000 cashable and £5,000 non-cashable savings in 2006/07 have been reduced to £15,000 and subsequently deferred to 2007/08. A project team has been set up to identify alternative procurement and efficiency measures.

AES Group 3
Central Mail and Document Image Processing – Project has not yet commenced therefore efficiency deferred to 2007/08.

AES Group 4
Reduced Overtime Working
Unlikely to be achieved during 2006/07. Instructed to defer to 2007/08.

Rationalisation of Grounds Contract
Original efficiency for 2006/07 to be split over two years. i.e. £10,000 in 2006/07 and 2007/08.

7.8 Summary
Corporate Directors should note that the majority of efficiency savings are identified and incorporated into the base estimates as part of the annual budget process. Therefore any savings not achieved or deferred to a future year will have an impact

on the budgetary position of the authority. The situation needs to be closely monitored and addressed through the budget monitoring/performance management process adopted by the Council and reported to the Executive.

8 PLANNED ACTIONS

8.1 As a result of the analysis contained within this report, it is proposed to fund the additional expenditure incurred by the additional income received to date as follows:

Additional Expenditure	£
• Unachievable income on Civic Centre	98,000
• Legal costs of Public Inquiry	32,000
• Revenue costs of GIS equipment	35,000
• Savings required as part of the 2007/08 budget process	153,000
	318,000
Proposed Funding	
• Additional income received from Industrial Estates	213,000
• Additional investment income	44,000
• Additional Development Control income	33,000
• Additional Corporate Properties income	28,000
	318,000

8.2 **The Executive is asked to consider the virements detailed above for recommendation to Council**.

9. CONSULTATION

9.1 Consultation to Date.
SMT have considered the issues raised in this report.

9.2 Consultation proposed.
Corporate Resources Overview & Scrutiny Committee will consider the report on 22nd February 2007.

10 RECOMMENDATIONS

The Executive is asked to:

(i) Note the contents of the report.
(ii) Consider the virements identified in paragraph 8.2 for recommendation to Council
(iii) Note the actual efficiency savings being achieved against the targets set

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
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