

REPORT TO	DATE OF MEETING
GOVERNANCE COMMITTEE	22 SEPTEMBER 2009

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SUBJECT	PORTFOLIO	AUTHOR	ITEM
BUDGET MONITORING REPORT QUARTER 1: APRIL - JUNE 2009/10	Finance & Resources	M Nuttall	6

SUMMARY AND LINK TO CORPORATE PRIORITIES

This report provides an update on the Council's overall financial position and financial strategy for the first quarter of the financial year 2009/10, as presented to the Scrutiny Committee on 25 August 2009.

RECOMMENDATIONS

That the Governance Committee note, review and comment on the contents and format of this report and appendices.

DETAILS AND REASONING

The Scrutiny Committee considered the Corporate Performance & Budget Monitoring Report for the first quarter of the financial year at its meeting on 25 August 2009. The report set out performance against the Corporate Plan, Local Area Agreement and the Council's National Indicators for April – June 2009. It included a budget monitoring and efficiency update for the same period, including analysis of any identified variances. This financial section is appended to this report (Appendix 1).

After the first quarter of the financial year 75% of the annual efficiency/savings target of £2.280 million had been achieved. Appendix 2 to this report breaks this down in more detail by showing that £0.606m has been delivered on a recurring basis, with a full year forecast of £1.143m, and a further £0.540m has been delivered in one-off savings.

Further progress has been made against the efficiency target during July and August. A restructure in the Forward Planning and Development Control teams has been approved and this will generate annual recurring savings of around £67,000 in a full year. The Office Services function has been integrated within Information Services following a CSMART review of the service which will generate further annual savings of £54,000. One-off savings from vacant posts during July and August contributed a further £150,000 to the remaining efficiency target. Taking these additional savings into account means that we have now identified 83% of the annual efficiency/savings target.

A number of other service reviews are in progress and it is anticipated that further efficiencies will be identified and reported throughout the year.

WIDER IMPLICATIONS

In the preparation of this report, consideration has been given to the impact of its proposals in all the areas shown below. The table shows the implications in respect of each of these.

FINANCIAL	As set out in the report.
LEGAL	None.
RISK	Risks are as identified within the report.
OTHER (see below)	

Asset Management	Corporate Plans and Policies	Crime and Disorder Act 1998 – Section 17	Data Protection
Fair Access	Freedom of Information Act 2000	Health and Safety	Human Rights Act 1998
Implementing Electronic Government	Staffing	Sustainability	Training and Development

BACKGROUND DOCUMENTS

Performance & Budget Monitoring Report: Quarter One: April - June 2009/10
Financial Strategy, Budget and Council Tax 2009/10 – Cabinet 11 February 2009

APPENDICES

APPENDIX 1 - Scrutiny Committee 25 August 2009 - Performance & Budget Monitoring Report
Quarter One: April - June 2009/10; Section 8 : Finance

APPENDIX 2 - Breakdown of savings to June 2009 (Appendix 3 to Scrutiny report)

APPENDIX 3 - Capital Summary (Appendix 4 to Scrutiny report)

Appendix 1

Performance & Budget Monitoring Report Quarter One: April - June 2009/10

8. Finance

8.1 Revenue performance against budget

For the period April to June, net expenditure amounted to £3.817m against a profiled budget for the period of £4.137m resulting in a current budget variation of £0.320m. The major variations contributing to this position are listed below:

Summary of major variations	£
Expenditure	
<i>Underspends:</i>	
Employee Costs	£158,000
Grounds Maintenance	£69,000
Vehicle Repairs & Maintenance	£46,000
Housing / Council Tax Benefit	£20,000
Business Rates – Industrial Units	£18,000
<i>Overspends:</i>	
Leisure Services Partnership Fee	(£39,000)
Sub Total	£272,000
Income	
<i>Additional Income:</i>	
Property Rental Income	£20,000
Grant Income	£72,000
<i>Income Shortfall:</i>	
Building Control Fees	(£25,000)
Interest Long/Short Term	(£27,000)
Sub Total	£40,000
Other under / overspends	£8,000
TOTAL NET BUDGET VARIATION AS AT JUNE 2009	£320,000

There are a number of factors that have impacted on the budget performance and resulted in the current budget variation position:

- Employee budgets are presently underspending by £0.158m This can be summarised as follows:-

EMPLOYEE COST VARIATIONS APRIL TO JUNE 2009	
Pay award not yet agreed	£59,000
Vacant Posts (after efficiency targets)	£41,000
Training	£33,000
Other	£25,000
TOTAL	£158,000

- The main reason for the employee budget current underspend is due to the provision made in the budget for the national pay award agreement effective from 1st April 2009. The pay award for 2009/10 has yet to be agreed and therefore no costs have been incurred to date. This underspend will therefore be used during this year to fund employee back pay when the inflationary rate has been approved. The budget variation of £158k includes severance and redundancy costs for four members of staff who left in the first quarter of the year.
- The financial position of Grounds Maintenance at the end of the first quarter is an underspend of £69k however, the vast majority of this underspend has now been committed and the budget is now back on track.
- The end of the first quarter also shows that expenditure against the vehicle repairs budget is lower than expected however, as repairs cannot be accurately anticipated in advance the demand on this budget head may increase in the remainder of the year.
- The net costs of providing Housing and Council Tax benefits is showing a favourable variation, it should be noted that this is a small variation in comparison with the annual budget in the region of £21 million and performance against this budget often fluctuates during the year.
- Business Rates for industrial units and Property Rental Income are showing a positive variation. It would appear that, at this stage in the year, the expected impact of the economic downturn has not been as adverse as previously anticipated. The variation on Property Rental Income is mainly attributable to a one-off item of backdated rent increase.
- The Leisure Service Contract states the annual fee payable to the Leisure Services Partnership. This is set out in legal documents and is composed of a number of variables one of which is fuel cost. The contract stipulates how the charges for the different components of the fee are to be calculated using agreed formulae. The expected full year variance of £153,000 is due to the fluctuation in energy costs which is beyond the Council's control. All measures are being taken by the Trust to reduce energy consumption. Although energy consumption has reduced significantly the unprecedented rise in fuel has meant increases to fuel costs.
- Additional sports grant has been received in the sum of £72k, however it should be noted that this underspend will diminish during the year as the grant is spent.
- The economic downturn has adversely affected the housing market and this is evident in the shortfall in income experienced within the Building Control budget. As this downturn started last year a reduction in income has been anticipated and income levels are being closely monitored. The Building Control Team is also actively canvassing for work in this competitive market. Fee levels are at the same or very similar level to other authorities in Lancashire, who are all facing the same pressures. Charges have been reviewed but a recent national study supported the view that increasing fees is high risk due to competition in the private sector. Savings from vacant posts and resources sharing with the Preston Council is offsetting the under recovery of the income budget. It should be noted that it is a statutory requirement for the Building Control Account to breakeven. In previous years losses have been funded from the Building Control Reserve and have not impacted on the overall financial performance of the Council, however, as the reserve now stands at only £5k any loss incurred above this level will impact on the Council's General Fund Budget at year end.
- The general fall in interest rates has impacted on the investment interest generated in the first quarter of the year resulting in a shortfall in income of £27k, if this continues at this rate for the remainder of the year this shortfall is forecast to reach £108k. This position is being mitigated however, by the repayment of three (out of four) Public Works Loans Board loans in July, which will generate interest savings in a full year of over £90k, and the agreed amendment to the treasury strategy permitting deposits in approved UK financial institutions for up to a three month maturity period.

8.2 Efficiency Savings against targets

The original Budget for 2009/10 includes an efficiency target totalling £2.280m of which £1.725m is allocated to specific services, £0.305m relating to savings for re-phasing of the Capital programme and the remaining £0.250 originally set as general efficiency for further development during the year.

As at 30th June the total recurring savings achieved is £0.606m with a full year forecast of £1.143m, equating to 50% of the total annual target. A further £0.540m in one-off savings has been delivered, giving an estimated shortfall against the overall target of £0.597m. Many services are still under review and it is anticipated that further efficiencies will be identified and reported throughout the year.

The attached Appendix 2 provides a detailed breakdown of the above. It is important to note that this position is reported as at the end of June and Budget Holders continue to make progress against targets. Nevertheless attention should be given to the fact that £0.204 million efficiency savings originally identified via the Local Strategic Partnership (LSP) funding is no longer achievable in the current year due to the revised timing of grant payments.

8.3 Budgetary Pressures

Although an overall underspend against budget for the first quarter of the year appears encouraging it is very important to note that there are a number of factors that have the potential to significantly change this position during the remaining months of the financial year:

- At this stage in the year it is recommended that the current net financial position is treated with caution as it is too early to be able to project the final out-turn position with any accuracy as factors such as seasonal variations may significantly influence the future pattern of costs incurred throughout the year.
- In addition there are also budget heads that contain a degree of uncertainty. One such budget is Concessionary Travel. Our annual budget provision for the concessionary travel scheme amounts to £1.620 million, 9.42% of our net annual spending on all council services. With effect from April this year the reimbursement rate paid to bus operators for free concessions was reduced from 63% to 50%. Allowing for inflationary cost increases and variation in the number of passenger journeys, this would suggest that, on a like for like basis, the overall costs associated with operating concessionary travel should reduce. However, a number of bus operators have submitted appeals to the Department for Transport (DfT) objecting to the reduced reimbursement rate and claiming additional costs. Whilst discussions with the bus operators regarding the level of reimbursement continue it is extremely difficult to forecast the full year cost of concessionary travel beyond the amount currently included in the budget.
- Members may also be interested to note that the DfT has recently been consulting on potential options for administering the concessionary travel scheme from April 2011. The options included transferring the responsibility to the County Council in two-tier local authority areas. As the consultation paper made no comment on the proposed funding arrangements for each of the options for change the general consensus, supported by the Local Government Association (LGA), was that it was very difficult to provide a meaningful and constructive response. That said, the LGA also commented that changing the tier of government at which the scheme is administered will not, by itself, overcome some of the fundamental problems of the current scheme.
- The current underspend includes a number of one-off items that will only benefit the overall financial positional of the Council in this year only.

- It is very likely that the current economic climate will continue to adversely affect the performance of some budget heads, for example, low investment interest rates and deficit on Building Control income which will mean the current position may deteriorate as the year progresses.
- The original efficiency target set within the budget of £2.280m assumed that all savings achieved would be effective from 1st April. Although projects continue to make steady progress it is apparent that it is not feasible for all efficiencies to achieve a full year saving this year. Therefore any underspends against budget achieved throughout the year will be utilised to offset the impact of part year efficiency savings.
- Income levels being achieved in the first quarter remain an area for concern. Examination of income generation budget heads to the end of June indicates that three budgets are currently falling short of the budget to date, namely Planning Fee Income, Building Control Income and Land Charges.

Income Budget	Annual Budget	Actual Income Received	1 st Quarter Performance
Investment Property Income	£940,000	£248,000	Above target
Bulk Containers	£350,000	£89,000	On target
Planning Fee Income	£300,000	£64,000	Below target
Building Control Income	£288,000	£47,000	Below target
Land Charges	£120,000	£28,000	Below target
Car Parking Income	£80,000	£25,000	Above target

8.4 Capital

The total Capital Budget for 2009/10, including slippage from 2008/09, currently amounts to £6.434 million. Of this £0.248 million has been spent or committed to the end of June 2009 which equates to 3.85% of the total budget. A summary of the schemes and commentary is set out in Appendix 3.

The main reasons for the current level of expenditure compared to full year budget are as follows:-

- The Capital Programme currently includes £1.597 million for the construction of joint offices at West Paddock. As the nature of this project has now changed this budget will not be spent and will be removed from the programme this year.
- Schemes are dependent on obtaining match funding from external sources therefore, expenditure can only be incurred when funding has been secured for example, £0.650 million for Cross Borough Schemes.
- Schemes obtaining approval to incur expenditure in the first quarter of the year to be spent over the remaining months of the year, for example: £0.977 million from the Regional Housing Pot for First Time Buyer Grants; £0.260 million - Disabled Facilities Grant; £0.432 million – Housing Strategy.
- Approval obtained for schemes and contracts currently out for tender before expenditure can be incurred.
- Work in progress therefore, no invoices received yet.

8.5 Financial risk management

Appendix G of the budget report to Cabinet on 11th February 2009 set out the key risks to the Medium Term Financial Strategy. It is evident that many of the risks previously identified are affecting the financial position of the Council in the early stages of the year, for example, reduced levels of anticipated income, uncertain impact on the Concessionary Travel budget preventing accurate forecasting and part year implementation of efficiency

savings. The Council continues, however to take action to mitigate the risks identified which include:

- The maintenance of adequate levels of General Reserve.
- Close monitoring of financial performance against budgets.
- Robust processes with regard to reviewing and monitoring achievement against the efficiency savings programme C-SMART.
- Continued review of relevant strategies and policies, for example, Treasury Management.
- Cautious approach to assessing future funding levels.

APPENDIX 2 – BREAKDOWN OF SAVINGS (TO JUNE 2009)

	Total Savings Target 2009/10 £000	Savings Achieved To Date (recurring) 2009/10 £000	Forecast Savings July to March £000	TOTAL Forecast Full Year Saving 09/10 £000	Savings Target Remaining 2009/10 £000	Temporary savings offset in 2009/10 £000
Legal & Democratic Services/Scrutiny	97	15	47	62	35	0
Area Working/Enforcement	112	13	65	78	34	0
Revenues, Benefits & BEU	100	0	0	0	100	132
ICT/Office Services	113	0	36	36	77	48
Planning/Building Control, including Customer Service	120	6	19	25	95	56
Housing, including Customer Service	40	0	0	0	40	30
Commercial Services/ Caretaking/Cleaning	193	24	60	84	109	30
Finance & Assurance Shared Services Partnership	70	10	40	50	20	0
Parks Development/Grounds Maintenance/Nursery	55	9	46	55	0	0
Parking Management	0					
Community Safety Partnership	23	4	19	23	0	0
Policy & Community Engagement	70	31	22	53	17	13
General admin/secretarial support	66	3	17	20	46	0
Emergency Planning	37	19	0	19	18	0
Clerical Trainees	45	12	36	48	(3)	0
Anchor Staying Put	5	5	0	5	0	0
Women's Refuge	9	9	0	9	0	0
Area Committee Grant Funding	46	46	0	46	0	0
General Grants	12	12	0	12	0	0
SLEAP	13	13	0	13	0	0
Victim Support	5	5	0	5	0	0
Arts Council	7	0	7	7	0	0
SR4/Community Website	5	5	0	5	0	0
CIPFA Better Governance Forum - Subs	3	3	0	3	0	0

	Total Savings Target 2009/10 £000	Savings Achieved To Date (recurring) 2009/10 £000	Forecast Savings July to March £000	TOTAL Forecast Full Year Saving 09/10 £000	Savings Target Remaining 2009/10 £000	Temporary savings offset in 2009/10 £000
North of England Excellence - Subs	1	1	0	1	0	0
Local Futures - Subs	4	4	0	4	0	0
LGIU Subs - Subs	2	2	0	2	0	0
Publicity	12	2	10	12	0	0
Member and employee training budgets	25	0	25	25	0	0
Contaminated Land - contingency sum	28	28	0	28	0	0
Mystery Shopping	5	5	0	5	0	0
Worden Craft units - additional rental income	8	0	0	0	8	0
Property Portfolio - additional rental income	10	0	0	0	10	0
Car Parking charges - Leyland Railway Station	10	3	9	12	(2)	0
Car Parking charges - General	30	2	10	12	18	0
Licensing - fees and charges	17	0	0	0	17	0
Pest Control income	10	5	0	5	5	0
Court Costs recovered	8	0	8	8	0	0
Planning Delivery Grant	74	0	0	0	74	74
External contributions - regeneration	31	0	0	0	31	16
South Ribble Partnership funding	204	0	0	0	204	0
General Efficiencies	250	5	61	66	184	141
Capital Programme	305	305	0	305	0	0
GRAND TOTAL	2,280	606	537	1,143	1,137	540

APPENDIX 3 – CAPITAL SUMMARY

Portfolio	Cost Centre Name	£000 Full Year Budget	£000 April to June Actuals	£000 April to June Commitments	£000 Capital Variance	NOTE
Capital-Corporate & Support						
	BENEFIT FRAUD CASE MGMT SYSTEM	10	(7)	7	10	
	COMMITTEE MANAGEMENT SYSTEM	2			2	
	CRM SYSTEM	30			30	Currently undergoing feasibility study to ensure that this expenditure will generate efficiency savings in the future
	ELECTRONIC DOCUMENT AND RECORDS MGMT SYS	17	(2)	14	5	
	ELECTRONIC LANDLORD SCHEDULE & PRO-PRINT	24		24		
	GOVERNMENT CONNECT	15			15	Expenditure will be incurred between July and September to ensure the Council meets the requirements of the Government Connect programme
	IT REPLACEMENT PROGRAMME	140		7	133	This includes a budget for the renewal of the Council's website which is currently under review
	IT WORK PROGRAMME	78	3		75	
	MEMBERS SUPPORT	11		2	9	
	MICROSOFT LICENCES	45	23		22	This variation will be transferred to 20010/11 when the payment is due
	REPLACEMENT HR SYSTEMS	50			50	The current contract with LCC was extended this year to enable a review, later in the year, of the system requirements to support the HR function
	TELEPHONY SERVICE	24	3		21	Development of the new telephony system as part of shared services arrangements with Chorley Council
Capital-Corporate & Support Total		446	20	54	372	
Capital-Finance & Resources						
	ASBESTOS REMOVAL CIVIC CENTRE	6			6	
	ASSET MANAGEMENT PLAN-INVSM PROPS	53			53	Currently undergoing Tender process
	ASSET MANAGEMENT PLAN-LEISURE	40			40	Currently undergoing Tender process
	ASSET MANAGEMENT PLAN-PUBLIC BLGS	58			58	Consists of three schemes currently work in progress
	BBLC EXTERNAL PAINTING	5			5	
	BOILER-BAMBER BRIDGE COMMUNITY CENTRE	3			3	
	CCTV CIVIC CENTRE	3			3	
	ENERGY IMPROVEMENT PROGRAMME	4			4	
	HEATING CONTROLS CIVIC SUITE	10			10	
	KITCHEN EQUIPMENT	6			6	
	KITCHEN TILING	1			1	
	LAND AT WEST PADDOCK	1597			1597	This budget was included in the original Capital Programme to fund a joint office venture with LCC at the West Paddock site. As the nature of the project has changed and will now comprise of a County Council office development only this budget will be removed from the Capital Budget.
	MUSEUM ROOF REPAIRS	4			4	
	NEW FINANCIAL SYSTEM	300			300	Proposals to replace the Council's Financial Information Systems will be reported to Cabinet in the next couple of months
	REMOVAL OF HOT WATER STORAGE VESSELS	4			4	
	REPAIRS TO PARAPET WALL CIVIC CENTRE	35			35	Work has now started
	SRTC REPLACEMENT PLAYING SURFACE	21			21	The replacement of the playing surface at South Ribble Tennis Centre is almost complete
	SUSTAINABLE MEASURES WORDEN ARTS	25			25	Feasibility Study currently underway
	WORDEN ARTS HEATING RENEWAL	1			1	
Capital-Finance & Resources Total		2176			2176	

Portfolio	Cost Centre Name	£000 Full Year Budget	£000 April to June Actuals	£000 April to June Commitments	£000 Capital Variance	NOTE
Capital-Public Health& Housing						
	DISABLED FACILITIES GRANTS	370	27	83	260	The vast majority of the expenditure on this scheme is incurred later in the financial year
	HOUSING STRATEGY	470	9	29	432	The vast majority of the expenditure on this scheme is incurred later in the financial year
	HOME PURCHASE ASSISTANCE	977			977	Additional grant received from the Government's regional housing pot approval awarded in July to provided grants to first time buyers
Capital-Public Health& Housing Total		1817	36	112	1669	
Capital-Regeneration & Planning						
	BAMBER BRIDGE SHOP FRONTS	7			7	
	BANNISTER BROOK REGENERATION	12			12	
	CONSERVATION AREA ENHANCEMENTS	20			20	
	CROSS BOROUGH SCHEMES	650			650	Delivery of this scheme is dependent on obtaining external funding
	DESIGN & DEVELOPMENT	90			90	
	ENV IMPROVEMENTS CHURCHILL WAY	305		17	288	
	HOPE TERRACE PEDESTRIANISATION	4			4	
	HOUGH LANE	10		5	5	
	HOUGH LANE ENVIRONMENTAL	10			10	
	LEYLAND TOWN CENTRE	151	1	2	148	
	SIGNAGE STRATEGY	47			47	All expected to be spent this year
	STATION IMPROVEMENT SCHEME	1	(1)	1	1	
	REGENERATION BUSINESS SUPPORT	60			60	
Capital-Regeneration & Planning Total		1367	0	25	1342	
Capital-Streetscene						
	BIRCH AVENUE PLAY AREA	7			7	Budgetary provision for payment of retention
	COMMUNITY WOODLAND PROJECT PH2	3			3	
	DOB LANE PLAYING FIELD PHASE 1	55			55	
	FARINGTON PARK PLAY AREA	205			205	This scheme is due to start before October 2009
	FOOTPATH & FOOTBRIDGE HOLME RD PLAYFIELD	6		1	5	
	FOOTPATH/CYCLEWAY HILL ROAD	14	12	2	0	
	HIGHER WALTON PLAYING FIELDS	5			5	Budgetary provision for payment of retention
	KINGSFOLD DRIVE PENWORTHAM PLAY AREA	16	24		(8)	
	MOSS SIDE VILLAGE CENTRE	7			7	
	PANEL VAN	0	(2)		2	
	RIVER LOSTOCK PARK - BRIDAL WAY	2			2	
	TARDY GATE PLAY AREA	33			33	Lighting scheme to be spent in 09/10
	VEHICLE & PLANT REPLACEMENT PROGRAMME	197	1	12	185	Procurement planned to take place later in this financial year
	WEIGH BRIDGE MOSS SIDE	20			20	
	WITHY GROVE PARK Phase 1	14			14	Budgetary provision for payment of retention
	WITHY GROVE PARK PHASE 2	44	(50)		94	This project is substantially complete with an interim payment due in August
Capital-Streetscene Total		628	(15)	15	628	
Grand Total		6434	42	206	6186	