

REPORT TO	DATE OF MEETING
GOVERNANCE COMMITTEE	26 NOVEMBER 2009

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SUBJECT	PORTFOLIO	AUTHOR	ITEM
BUDGET MONITORING REPORT MID YEAR: APRIL – SEPTEMBER 2009/10	FINANCE & RESOURCES	M Nuttall	

## SUMMARY AND LINK TO CORPORATE PRIORITIES

This report provides an update on the Council's overall financial position and financial strategy for the first six months of the financial year 2009/10, as presented to the Scrutiny Committee on 24 November 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 six months of the financial year at its meeting on 24 November 2009. The report set out performance against the Corporate Plan, Local Area Agreement and the Council's National Indicators for the period April – September 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 (Appendices 1-3) to allow the Committee to consider it in more detail in line with the draft protocol elsewhere on the Committee's agenda.

## 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.

<b>FINANCIAL</b>	As set out in the appendices to this report.
<b>LEGAL</b>	None.
<b>RISK</b>	Risks are as identified within the report.
<b>OTHER (see below)</b>	

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**

- Governance Committee, 22 September 2009
  - Budget Monitoring Report, Quarter 1: April – June 2009
- Scrutiny Committee 24 November 2009
  - Performance & Budget Monitoring Report: Mid Year April - September 2009/10
- Cabinet 11 February 2009
  - Financial Strategy, Budget and Council Tax 2009/10

## **APPENDICES**

- APPENDIX 1 - Scrutiny Committee 24 November 2009 - Performance & Budget Monitoring Report  
April - September 2009/10; Section 6: Finance
- APPENDIX 2 - Breakdown of savings April to September 2009
- APPENDIX 3 - Capital Expenditure Summary

## Appendix 1

### 6. Finance

#### 6.1 Revenue performance against budget

For the period April to September, net expenditure amounted to £7.359m against a profiled budget for the period of £7.637m resulting in a current positive net budget variation of £0.329m. The major variations contributing to this position are listed below:

Summary of major variations	Ref	£
<b>Expenditure</b>		
<i>Underspends:</i>		
Employee Costs ( after efficiency target )	<b>a</b>	£312,000
Premises Repair & Maintenance	<b>b</b>	£55,000
Utility Costs	<b>c</b>	£28,000
Business Rates – Industrial Units	<b>d</b>	£19,000
Vehicle Running Costs	<b>e</b>	£54,000
Grounds Maintenance ( after efficiency target )	<b>f</b>	£90,000
Concessionary Travel Scheme	<b>g</b>	£137,000
Housing / Council Tax Benefit – net	<b>h</b>	£19,000
Waste Management	<b>i</b>	£35,000
Community Safety Schemes	<b>j</b>	£42,000
IT Strategy / Action Plan & Computer Equipment	<b>k</b>	£42,000
<i>Overspends:</i>		
Leisure Services Partnership Fee	<b>l</b>	(£77,000)
Sub Total		£756,000
<b>Income</b>		
<i>Additional Income:</i>		
Property Rental Income	<b>m</b>	£40,000
Licence Fees ( after efficiency target )	<b>n</b>	£20,000
<i>Income Shortfall:</i>		
Building Control Fees	<b>o</b>	(£37,000)
Interest Long/Short Term	<b>p</b>	(£54,000)
Sub Total		(£31,000)
Efficiency targets to be achieved as at Sept 2009		(396,000)
<b>TOTAL NET BUDGET VARIATION AS AT SEPT 2009</b>		<b>£329,000</b>

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

(a) Employee budgets are presently underspending by £0.312m - summarised as follows:-

<b>EMPLOYEE COST VARIATIONS APRIL TO SEPT 2009</b>	
Pay award not yet agreed	£129,000
Vacant Posts (after efficiency targets)	£165,000
Training	£47,000
Other	(£29,000)
<b>TOTAL</b>	<b>£312,000</b>

One of the main reasons for the current underspending of the employee budget is due to the provision made for the national pay award agreement effective from 1 April 2009. The pay award for 2009/10 has now been agreed with payments being made in October backdated to April. These payments will be accounted for in the next quarterly report. The agreed settlement was for just over 1% compared with the budget provision of 2.5% and will result in a full year saving of c£150,000. The budget variation of £312,000 also includes severance and redundancy costs for four members of staff who left in the first quarter of the year.

- (b)** Premises repair and maintenance is currently showing an underspend of £55,000 at the end of quarter 2, although £17,000 of this relates to the landlord responsibilities on the leisure centre sites that will be spent in accordance with the asset management plan.
- (c)** Utility Costs are currently showing a total underspend of £28,000 with the main variances relating to the Gas and Electric at the Civic Centre, Moss Side Depot and the Market. These underspends are expected to be absorbed by increases in the new contract rates and usage throughout the rest of the year, during the autumn and winter months.
- (d)** Business Rates for industrial units and Property Rental Income are showing a positive variation. Due to the proactive efforts of our Asset Management team, 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.
- (e)** Vehicle Costs are showing positive variances. Since the preparation of the current year estimates there has been a reduction in fuel costs. Additionally, there has been a reduction in short hiring expenses following decisions to acquire the vehicles/equipment.
- (f)** The financial position of Grounds Maintenance at the end of quarter 2 shows an underspend of £120,000. The vast majority of this underspend has now been committed, with £30,000 of this figure having already been offered up to meet the overall budget efficiency savings.
- (g)** The Concessionary Travel scheme is currently showing a positive variance to date. The estimates for the scheme are based upon the 3 year county-wide pooling arrangement which takes account of the transition from using a historic formula to more accurate smart-card data. However, there is still significant uncertainty on operator costs associated with the scheme that may result in additional charges in the current year. Additionally the Government has just published proposals that may result in the Council's grant being reduced by £150,000 next year.
- (h)** 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.
- (i)** Waste Management is currently showing a positive variance although it is expected that this underspend will be utilised over the remainder of the financial year.
- (j)** Community Safety schemes are currently showing an underspend although this is around the timing of scheme funding and will be fully utilised in year.
- (k)** ICT shows an underspend against supplies & services and this relates to the timing for delivery of the ICT strategy / plan and is to be fully utilised within the year.

- (l) 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.
- (m) See (d) above. The increase in property rental income is due to backdated rent in relation to previous years and higher occupancy levels than budgeted.
- (n) Licensing income has increased against the profiled budget for the period over and above the efficiency target set.
- (o) This issue was explained in full in the report covering the first quarter of the financial year. Subsequently, the Cabinet Member for Regeneration & Planning appeared at the Scrutiny Committee meeting held on 13 October to explain the steps being taken to address the difficult trading position being faced by the Building Control service. The Building Control team have indicated that August saw a slight upturn in income received and this has been sustained through September and October. On this basis the forecast deficit for the end of the financial year may be less than forecast.
- (p) The general fall in interest rates has impacted on the investment interest generated up to the 2nd quarter of the year resulting in a shortfall in income of £54,000, if this continues at this rate for the remainder of the year this shortfall is forecast to reach £108,000. 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 of c£50,000 this year and over £90,000 in a full year, and the agreed amendment to the treasury strategy permitting deposits in approved UK financial institutions for up to a three month maturity period.

## **6.2 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 30 September, the total efficiencies identified amounted to £1.922m in a full year, equating to 84% of the total annual target. Of this total £1.212m will have a year on year recurring benefit, with £0.71m relating to efficiencies benefiting the current year only. A number of services are still under review as part of the C-SMART programme. This was the subject of a separate monitoring report to a recent Scrutiny Committee, with the outstanding reviews anticipated to deliver further recurring efficiencies once implemented.

The attached Appendix 3 provides a detailed breakdown of the above. It is important to note that this position is reported as at the end of September and Budget Holders continue to make progress against targets.

Nevertheless, as previously reported, it should be noted that £0.204 million efficiency savings originally identified (9% of the overall target) via the Local Strategic Partnership (LSP) funding is no longer achievable in the current year due to the revised timing of grant payments. That said, a number of the underspends against budget referred to in section 6.1 above are expected to have a full year benefit which will then contribute to balancing the overall budget.

### 6.3 Budgetary Pressures

Although an overall underspend against budget for the first half 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 factors such as seasonal variations may significantly influence the future pattern of costs incurred throughout the year.
- There is considerable uncertainty of concessionary travel funding in the current year and 2010/11. Additionally, potential Government changes to the administration of concessionary travel post April 2011 may significantly change the distribution of grant funding.
- The current underspend includes a number of one-off items that will only benefit the overall financial position 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 1 April. Although projects continue to make good 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 quarter 2 remain an area for concern. Examination of income generation budget heads to the end of September indicates that two budgets are currently falling short of the budget to date, namely Building Control, Land Charges and Car Parking Income.

Income Budget	Annual Budget	Actual Income Received	1 <sup>st</sup> Half Year Performance
Investment Property Income	£940,000	£510,000	Above target
Bulk Containers	£350,000	£177,000	On target
Planning Fee Income	£300,000	£163,000	Above target
Building Control Income	£288,000	£107,000	Below target
Land Charges	£120,000	£54,000	Below target
Car Parking Income (including efficiency target)	£120,000	£49,000	Below target

## **6.4 Capital**

The total Capital Budget for 2009/10, including slippage from 2008/09, currently amounts to £4.837 million. Of this £0.847 million has been spent or committed to the end of September 2009 which equates to 17.5% of the total budget. A summary of the schemes and commentary is set out in Appendix 4. The Capital Programme included £1.597 million for the construction of joint offices at West Paddock. As explained within the notes at Appendix 4, the nature of this project has now changed and therefore this budget has been removed from the programme.

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

- 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.
- Seasonal expenditure such as energy grants and boiler replacements, the majority of which is incurred later in the year.
- Approval obtained for schemes and contracts currently out for tender before expenditure can be incurred.
- Work in progress therefore further payments to be made.

## **6.5 Financial Risk Management**

Appendix G of the budget report to Cabinet on 11<sup>th</sup> 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, 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

	Total Savings Target 2009/10 £	Forecast Full Year (recurring) Saving 09/10 £	Temporary savings in 2009/10 £	Total Forecast Savings 2009/10 £	Savings Target Remaining 2009/10 £
Legal & Democratic Services/Scrutiny	97,000	68,000	15,000	83,000	14,000
Area Working/Enforcement	112,000	89,000	23,000	112,000	0
Revenues, Benefits & BEU	100,000	0	132,000	132,000	(32,000)
ICT/Office Services	113,000	36,000	78,000	114,000	(1,000)
Planning/Building Control, including Customer Service	120,000	53,000	67,000	120,000	0
Housing	40,000	0	40,000	40,000	0
Commercial Services/Caretaking/Cleaning	193,000	84,000	30,000	114,000	79,000
Finance & Assurance Shared Services Partnership	70,000	50,000	0	50,000	20,000
Parks Development/Grounds Maintenance/Nursery	55,000	42,000	13,000	55,000	0
Community Safety Partnership	23,000	23,000	0	23,000	0
Policy & Community Engagement	70,000	53,000	17,000	70,000	0
General admin/secretarial support	66,000	20,000	0	20,000	46,000
Emergency Planning	37,000	22,000	15,000	37,000	0
Clerical trainees	45,000	48,000	0	48,000	(3,000)
Anchor Staying Put	5,000	5,000	0	5,000	0
Women's Refuge	9,000	9,000	0	9,000	0
Area Committee Grant Funding	46,000	46,000	0	46,000	0
General Grants	12,000	12,000	0	12,000	0
SLEAP	13,000	13,000	0	13,000	0
Victim Support	5,000	5,000	0	5,000	0
Arts Council	7,000	7,000	0	7,000	0
SR4/Community Website	5,000	5,000	0	5,000	0
CIPFA Better Governance Forum - Subs	3,000	3,000	0	3,000	0
North of England Excellence - Subs	1,000	1,000	0	1,000	0
Local Futures - Subs	4,000	4,000	0	4,000	0
LGIU Subs - Subs	2,000	2,000	0	2,000	0
Publicity	12,000	12,000	0	12,000	0
Member and employee training budgets	25,000	25,000	0	25,000	0
Contaminated Land - contingency sum	28,000	28,000	0	28,000	0



	Total Savings Target 2009/10 £	Forecast Full Year (recurring) Saving 09/10 £	Temporary savings in 2009/10 £	Total Forecast Savings 2009/10 £	Savings Target Remaining 2009/10 £
<b>Mystery Shopping</b>	5,000	5,000	0	5,000	0
<b>Worden Craft units - additional rental income</b>	8,000	3,000	1,000	4,000	4,000
<b>Property Portfolio - additional rental income</b>	10,000	0	10,000	10,000	0
<b>Car Parking charges - Leyland Railway Station</b>	10,000	14,000	0	14,000	(4,000)
<b>Car Parking charges - General</b>	30,000	4,000	0	4,000	26,000
<b>Licensing - fees and charges</b>	17,000	17,000	0	17,000	0
<b>Pest Control income</b>	10,000	10,000	0	10,000	0
<b>Court Costs recovered</b>	8,000	8,000	0	8,000	0
<b>Planning Delivery Grant</b>	74,000	0	74,000	74,000	0
<b>External contributions - regeneration</b>	31,000	15,000	16,000	31,000	0
<b>South Ribble Partnership funding</b>	204,000	0	0	0	204,000
<b>General Efficiencies</b>	250,000	66,000	179,000	245,000	5,000
<b>Capital Programme</b>	305,000	305,000	0	305,000	0
<b>GRAND TOTAL</b>	2,280,000	1,212,000	710,000	1,922,000	358,000

## Appendix 3 – Capital Expenditure Summary

Portfolio	Cost Centre Name	£ Full Year Budget	£ April to September Actuals	£ Capital Variance	NOTE
	BENEFIT FRAUD CASE MGNT SYSTEM	10,000	0	10,000	
	COMMITTEE MANAGEMENT SYSTEM	2,000	2,000	0	Scheme complete
	CRM SYSTEM	30,000		30,000	Currently undergoing feasibility study to ensure that this expenditure will generate efficiency savings in the future
	ELECTRONIC DOCUMENT AND RECORDS MGMT SYS	17,000	12,000	5,000	
	ELECTRONIC LANDLORD SCHEDULE & PRO-PRINT	24,000	24,000	0	Scheme complete
	GOVERNMENT CONNECT	15,000	8,000	7,000	Expenditure will be incurred to ensure the Council meets the requirements of the Government Connect programme
	IT REPLACEMENT PROGRAMME	140,000	1,000	139,000	This includes a budget for the renewal of the Council's website which is currently under review
	IT WORK PROGRAMME	78,000	22,000	56,000	
	MEMBERS SUPPORT	11,000	2,000	9,000	
	MICROSOFT LICENCES	45,000	23,000	22,000	This variation will be transferred to 2010/11 when the payment is now due
	REPLACEMENT HR SYSTEMS	50,000		50,000	The current payroll 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	24,000	3,000	21,000	Development of the new telephony system as part of shared services arrangements with Chorley Council
	<b>Capital-Corporate &amp; Support Total</b>	<b>446,000</b>	<b>97,000</b>	<b>349,000</b>	
	ASBESTOS REMOVAL CIVIC CENTRE	6,000		6,000	
	ASSET MANAGEMENT PLAN-INVESTMENT PROPS	53,000		53,000	Currently undergoing Tender process
	ASSET MANAGEMENT PLAN-LEISURE	40,000	14,000	26,000	Work in progress – Leyland Leisure Centre
	ASSET MANAGEMENT PLAN-PUBLIC BUILDINGS	58,000	10,000	48,000	Consists of three schemes currently work in progress
	BBLC EXTERNAL PAINTING	5,000		5,000	
	BOILER-BAMBER BRIDGE COMMUNITY CENTRE	3,000		3,000	
	CCTV CIVIC CENTRE	3,000	1,000	2,000	
	ENERGY IMPROVEMENT PROGRAMME	14,000		14,000	
	KITCHEN EQUIPMENT/TILING	7,000		7,000	
	LAND AT WEST PADDOCK	0		0	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 has been removed from the Capital Budget as it will require no funding from the Council.
	MUSEUM ROOF REPAIRS	4,000	4,000	0	
	NEW FINANCIAL SYSTEM	300,000		300,000	Proposals to replace the Council's Financial Information Systems in partnership with Chorley Borough Council is now expected to commence in 2010/11
	REMOVAL OF HOT WATER STORAGE VESSELS	4,000		4,000	
	REPAIRS TO PARAPET WALL CIVIC CENTRE	35,000		35,000	Work has now started
	SRTC REPLACEMENT PLAYING SURFACE	21,000	26,000	(5,000)	The replacement of the playing surface at South Ribble Tennis Centre is almost complete
	SUSTAINABLE MEASURES WORDEN ARTS	25,000		25,000	Feasibility Study currently underway

Portfolio	Cost Centre Name	£ Full Year Budget	£ April to September Actuals	£ Capital Variance	NOTE
	WORDEN ARTS HEATING RENEWAL	1,000		1,000	Budgetary provision for payment of retention
Capital-Finance & Resources Total		579,000	55,000	524,000	
	BANNISTER BROOK REGENERATION	12,000	1,000	11,000	
	CONSERVATION AREA ENHANCEMENTS	20,000		20,000	
	CROSS BOROUGH SCHEMES	650,000		650,000	Delivery of this scheme is dependent on obtaining external funding
	DESIGN & DEVELOPMENT	85,000		85,000	
	ENV IMPROVEMENTS CHURCHILL WAY	305,000	17,000	288,000	Scheme planned to be implemented March 2010
	HOPE TERRACE/WATKIN LANE IMPROVEMENTS	16,000		16,000	
	HOUGH LANE	10,000	7,000	3,000	
	HOUGH LANE ENVIRONMENTAL WORKS	10,000		10,000	
	LEYLAND TOWN CENTRE	151,000	3,000	148,000	
	SIGNAGE STRATEGY	47,000	1,000	46,000	All expected to be spent this year
	STATION IMPROVEMENT SCHEME	1,000		1,000	
	REGENERATION BUSINESS SUPPORT	60,000		60,000	
	DISABLED FACILITIES GRANTS	370,000	178,000	192,000	On target
	HOUSING STRATEGY	470,000	116,000	354,000	Some work is seasonal and therefore will be incurred in second half of year (e.g. boiler replacements, insulation works)
	HOME PURCHASE ASSISTANCE	977,000	290,000	687,000	Additional grant received from the Government's regional housing pot approval awarded in July to provided grants to first time buyers
Capital-Regeneration & Planning Total		3,184,000	613,000	2,571,000	
	BIRCH AVENUE PLAY AREA	7,000		7,000	Budgetary provision for payment of retention
	COMMUNITY WOODLAND PROJECT PH2	3,000		3,000	
	DOB LANE PLAYING FIELD PHASE 1	55,000		55,000	Scheme slipped into 2010/11 – bid in place for additional funding which, if awarded, cannot be spent until April 2010 onwards
	FARINGTON PARK PLAY AREA	205,000		205,000	This scheme is due to start November 2009
	FOOTPATH & FOOTBRIDGE HOLME RD PLAYFIELD	6,000	1,000	5,000	
	FOOTPATH/CYCLEWAY HILL ROAD	14,000	14,000	0	
	HIGHER WALTON PLAYING FIELDS	5,000		5,000	Budgetary provision for payment of retention
	KINGSFOLD DRIVE PENWORTHAM PLAY AREA	16,000	24,000	(8,000)	Additional costs to be funded from playground refurbishment revenue budget
	MOSS SIDE VILLAGE CENTRE	7,000		7,000	
	RIVER LOSTOCK PARK - BRIDAL WAY	2,000		2,000	
	TARDY GATE PLAY AREA	33,000		33,000	Lighting scheme due to be spent in 09/10
	VEHICLE & PLANT REPLACEMENT PROGRAMME	197,000	12,000	185,000	Procurement planned to take place later in this financial year
	WEIGH BRIDGE MOSS SIDE	20,000		20,000	No longer required due to changes in service
	WITHY GROVE PARK Phase 1	14,000	7,000	7,000	Budgetary provision for payment of retention
	WITHY GROVE PARK PHASE 2	44,000	24,000	20,000	This project is substantially complete with an interim payment paid in August
Capital-Streetscene		628,000	82,000	546,000	
<b>Grand Total</b>		<b>4,837,000</b>	<b>847,000</b>	<b>3990</b>	