

## REPORT TO EXECUTIVE



<b>DATE</b>	<b>19<sup>th</sup> August 2008</b>
<b>PORTFOLIO</b>	<b>Resources</b>
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## Revenue Budget Monitoring 2008/09

## PURPOSE

1. To report the latest position on revenue spending and income for 2008/09 and show any significant variations from the approved revenue budget.
2. To recommend any changes to the approved revenue budget which are considered necessary
3. To highlight areas where further information has been requested from Heads of Service
4. To determine any areas where Members require further information in addition to that already requested and supplied.

## RECOMMENDATION

5. (1) That the Executive:
  - a) approve the proposed budget transfers as shown in Appendix 1
  - b) approve the net salary savings as shown in Appendix 2
  - c) note the forecast of revenue budget savings required shown in Appendix 4 and the revised position on net revenue spending as shown in Appendix 5
  - d) indicate the preferred action to eliminate the estimated additional net spending on the revenue budget; and
- (2) That the Executive seek the approval of Full Council for the net increase in budgets funded from earmarked reserves as shown in Appendix 3

## REASONS FOR RECOMMENDATION

6. To give consideration to the level of revenue spending and income in 2008/09 and to ensure that the budget is revised where appropriate to reflect changing circumstances

## SUMMARY OF KEY POINTS

### 7. Revenue Budget Monitoring Process

There are 4 reports on revenue budget monitoring during the course of the financial year. A timetable for producing these reports has been compiled and the next 3 reports are due to be presented to your Committee in mid October 2008, late November/early December 2008 and early March 2009. In addition to these 4 reports there is a final report to consider the actual spending at the end of the financial year compared with the revised revenue budget.

### 8. Revenue Budget Preparation and Variation

The Council's revenue budget is approved each year prior to the start of the financial year. There is a report to each meeting of full Council showing proposed changes to the revenue budget. Changes to the budget overall can only be made through one of the following:

- a) a decision of the Executive
- b) a decision by the Executive Member for Resources and the Director of Resources under delegation on establishing a budget where all the spending is to be externally funded
- c) an emergency expenditure approval

9. Other changes to the budget by means of transfers, or "virements" as they are more usually referred to, can be made by Heads of Service within service budgets up to £10k. But any virements in excess of £10k or from one service to another need Member approval.

10. It should be noted that an assumed savings figure of £375k relating to unfilled posts during the financial year was included within the original approved 2008/09 revenue budget. This amount is not allocated to service units but is shown as a corporate saving. However, when savings in service unit salaries budgets are identified during the financial year then these should count against the £375k allocation.

### 11. Service Unit Budgets

All Heads of Service have been asked to consider their budgets and provide information and details of any actual or anticipated significant variations between spending/income and budgets.

12. Appendix 1 shows the requests for virements exceeding £10k. Appendix 2 shows the savings on salaries towards the £375k target referred to in paragraph 9 above. Appendix 3 shows proposed changes to budgets where funding is available in earmarked reserves. Appendix 4 shows the forecast of revenue budget savings required as a result of estimated changes to existing approved budgets. Appendix 5 summarises the latest

position overall on the 2008/09 revenue budget.

13. Members are asked to consider Appendix 1 which, as previously referred to, contains proposed virements exceeding £10,000 but which do not affect either the net budget of the spending area concerned or the overall Council revenue budget. **Subject to any comments Members may have it is recommended that these proposed transfers are approved.**
14. Appendix 2 shows that there are net salary savings of £75k recorded in this revenue monitoring cycle (which count towards the £375k corporate salary savings target). This leaves a further £300k to be found in the rest of the year.
15. Appendix 3 shows that there is an estimated increase in net budgets of £314k and that this is matched by a similar net contribution from earmarked reserves.
16. Appendix 4 shows that in this monitoring cycle there are increases in estimated non-salary spending of £163k. The major changes are:
  - e) Elevate Income – Final allocations of funding have been received which are less than predicted when setting the 2008/09 budget by £25k. Other budget amendments have been made totalling £4k.
  - f) Land Charges Income – due to the downturn in the housing market and the numbers of personal searches the income from land charges is falling and a £50k shortfall in the income target is being predicted.
  - g) Green Spaces Income – the latest indications are that there will be a shortfall in income of £77k. Members may recall that the October 2007 monitoring report included a short paper from the Head of Green Spaces and Amenities which outlined the reasons for the decline in income compared with the budget figures. The level of income included in the 2008/09 budget has been reduced to take into account these changes but the final outturn figure was worse than expected and the latest monitoring figures reflect this. Appendix 1 shows that savings have been identified in equipment and contractors budgets of £39k to meet the balance of the original saving target (£19k) and to provide £20k to partially offset the anticipated shortfall. This still leaves a balance of £57k additional net spend as a result. The Head of Green Spaces and Amenities has produced a note which is included at Appendix 4a.
  - h) Leisure Income – the figures in Appendix 4 give a net reduction in costs of £18k. However, there is a continuing shortfall in income of £49k on Spirit of Sport (see paragraph 18) and £15k at the Mechanics. These have been offset by incorporating the £82k (including £52k salaries) budget savings in 2008/09 identified by the Head of Service as part of his report on the overspends in the 2007/08 final accounts process. These have not been included in the salary savings in appendix 2 because they are being used to offset the loss of income.
  - i) Energy Costs – the level of budget provision has been adjusted following a review of estimated liabilities and the revised forecast is estimated to give a £50k reduction in overall spending. This is based on a comparison of the period April to

June with the same period last year and the outturn figures for 2007/08. However, officers are carrying out further work to investigate whether there is a risk of increased costs resulting from the increased rates in the current market.

- j) NNDR Costs – Within appendix 4 are additional costs of £33k due to savings targets not being achieved and the effect of a change in legislation. There are a number of appeals that are due to be considered. Where additional costs have been incurred, refunds will be used to offset these. All other refunds as a result of successful appeals will be treated as a corporate resource.
- k) Waste Cleaning Contract – this contract is subject to an annual increase which is 1% below the Retail Price Index. In the current economic climate, it is estimated that RPI of 4% will cost an additional £29k
- l) Property Consultancy – Service charge income relating to 2006/07 and 2007/08 for Princess Way Depot of £5k and the Network 65 properties of £17k are likely to be written off because there was no written agreement with the tenants. At this stage, it is also believed that the income for Network 65 of £15k in 2008/09 is still doubtful.

17. Reserves Transfers

Included within Appendix 3 is the amount required to fund certain items within Service Unit budgets from reserves. The amount required for these one-off items (redundancy costs, training, local plan costs and local housing allowance costs) totals £314k – this amount is available from reserves as they currently stand. However, it is being recommended that the planning delivery grant reserve be utilised to finance the planning revenue budget by £176k due to the reduction in grant available. The balance of this reserve would be £48k as at 31<sup>st</sup> March 2009, which is not sufficient to continue the same level of funding in 2009/10.

18. 2008/09 Savings Targets

As part of the 2008/09 budget setting process, it was agreed to make savings of nearly £1.5m in order to reach a balanced budget. Heads of Service have confirmed that nearly all of these savings will be achieved with the exception of the following :-

Savings Target Description	2008/09 Target £000	Current Saving not achieved per appendix 4
Prairie play football development	17	9
NNDR revaluation appeals	20	5
Legal services additional income	28	6
Padiham town hall office rentals	30	8
Valuation team fee income	14	9
<b>Total</b>	<b>109</b>	<b>37</b>

All of these have been included within appendix 4. However, it must be noted that should these savings continue to not be achieved, the impact on the council's revenue finances will be more detrimental in 2008/09 and future years as the full year savings are not made. In addition, a 2007/08 savings target for rental of land at William Thompson car park has not been achieved and is currently costing £23k. It is recommended that Heads of Service identify alternative savings for all non-achieved savings.

These savings are important in demonstrating that the Council is complying with National Indicator 179 in achieving value for money. Value for money issues are being developed within the Council and regular consideration of the analysis of savings proposals and ensuring they are delivered is an integral part of this process.

19. Other Specific Areas of Concern – There are a number of other areas of concern that need to be raised:
  - Spirit of Sport – This is a County Council facility and the Borough Council agreed to operate it on the basis that it would be self financing. As can be seen in appendix 4, due mainly to insufficient income of £49k, the predicted net cost for 2008/09 is now £59k compared with an original budget of £29k. In 2007/08 the net cost was £86k compared to an original budget of £12k.
  - Other Income targets – A thorough review of fees and charges is planned as part of the 2009/10 budget setting process in light of the large sums involved and the substantial shortfall resulting from last year's outturn position.
  
20. Revised Revenue Budget Position

After incorporating the estimated variances to the budget proposed in Appendices 1, 2, 3 and 4 the overall current position on the revenue budget is as shown in Appendix 5. Members are asked to approve the revised budget under the "to be approved" column which incorporates the virements, salary savings and use of earmarked reserves as shown in appendices 1, 2 & 3. A sum of £75k has been contributed through net salary cost savings towards the corporate savings target of £375k leaving a further sum of £300k required during the remainder of 2008/09.
  
21. Savings requirements from revenue budget overall are now estimated to be £163k. This is in addition to the £300k of net salary savings still required during the remainder of 2008/09. There is also the potential full year effect of the savings targets mentioned in paragraph 17 above that are not being currently achieved. If this situation is not rectified during the remainder of the financial year there will be a significant additional amount of overspending at year end. Heads of Service have been instructed to identify efficiency savings as part of the budget exercise for 2009/10, and wherever possible, these will be implemented at an early date in order to maximise the potential for savings in the current year. The implications of this are that the Council will have to use General Balances to fund any overspending. However, as the minimum level of General Balances has been prudently set at £1.1 million, and that the current level is £915,000, any such use of General Balances to support overspending would need to be incorporated into the following year's budget requirement.
  
22. As substantial overspending was expected in 2007/08 (actual £185,000) it was deemed to be necessary to include provision for some of this in the 2008/09 budget. A figure of £100k contribution to general revenue balances has been included. The overspend of £85,000 in excess of the £100,000 will need to be a first call on the 2008/09 budget and at this stage it is unlikely to be addressed in this year and therefore will need to be included in the 2009/10 budget setting process along with any potential overspend in 2008/09. As the grant settlement for next year only gives a 0.5% increase, this adds further to the budget pressures.

## **FINANCIAL IMPLICATIONS AND BUDGET PROVISION**

23. As shown in the body of the report and appendices

## **POLICY IMPLICATIONS**

24. The revenue budget determines the extent to which the Council's strategic objectives can be pursued and achieved.

## **DETAILS OF CONSULTATION**

25. None.

## **BACKGROUND PAPERS**

26. Revenue Budget 2008/2009

## **FURTHER INFORMATION**

**PLEASE CONTACT:**

**Phil Moore - Head of Finance**

**ALSO:**

**Nick Aves - Director of Resources**

[Appxs 1/2/3/4/5](#)

[Appx 4A](#)