

**REVENUE BUDGET – SUMMARY MONITORING REPORT 2010/11 (Period 11 to 28 February 2011)**

**EXECUTIVE MEMBER:** Cllr E Woodburn, Leader  
**LEAD OFFICER:** Joanne Wagstaffe, Corporate Director of Resources and Transformation

**REPORT AUTHOR:** Barry Williams, Interim Technical Accountant

**Summary:**

This report indicates the management year end forecast against the current approved 2010/11 revenue budget, based on the financial position for the 11 months to 28 February 2011. The final out-turn position for 2010/11 will be reported to the Executive on 26 May 2011.

**Recommendations:**

The Executive is asked to;

- (i) note the projected year-end underspend of £460,311, against the current approved revenue budget of £16,164,560.

## **1 INTRODUCTION**

- 1.1 In accordance with Council's Financial Regulations, the Chief Finance Officer (Corporate Director of Resources and Transformation) is required to report to the Executive on the overall budget position, and, the monitoring and control of expenditure against budget allocations. It is the responsibility of Senior Leadership Team and individual budget managers to control income and expenditure within their service areas and to monitor performance, taking account of financial information provided by the CFO.
- 1.2 Full reports are produced quarterly and reported to Executive. This report is based on a new system of reporting significant variances that are identified between monthly budget monitoring reports, with a summary of the key budget figures. This will ensure that Members are kept informed on a timely basis of all significant financial issues affecting the Council. This report provides information on the movement on the budget monitoring forecast for 2 months between period 9 to 31 December 2010, the last report considered by the Executive, and period 11 to 28 February 2011.

- 1.3 The budget monitoring report to the end of February 2011 will be the last one produced for the 2010/11 financial year, as the next report will relate to the final out-turn position following the closure of the accounts. Work however, will continue during March and through the closure of accounts process to identify significant variances from the current approved budget to enable a full out-turn report to be produced for members in May 2011.
- 1.4 Budget monitoring arrangements have recently changed to improve the overall process to ensure accuracy and completeness. It has become apparent however that, given the continuing ongoing significant movement in the budget monitoring forecasts, greater input into the process is required from budget managers to improve the reliability of the forecasts provided. A further review of the involvement of budget managers in the process will therefore be carried out over the next 2 months to ensure that when the first budget monitoring report is issued for 2011/12 that budget managers have a much greater input into the process than has been the case in the past.
- 1.5 This will ensure that Members are kept informed on a timely basis of all significant financial issues affecting the Council.
- 1.6 Based on the latest financial position for the 11 month period to 28 February 2011, the year end forecast of £15,704,249 indicates an under spend £460,311 against the current approved revenue budget of £16,164,560. This includes proposed carry forwards of £537,947, which will be passed to the Executive for approval in May 2011 as part of the 2010/11 out-turn report.
- 1.7 This projected year-end under spend position of £460,311 against current approved budget shows an increase of £219,470 from the £240,841 reported in Period 9.

## 2 DETAILS

- 2.1 Table 1 below summarises the current budget position by department.

Department	Original Budget	Current Approved Budget	Year-end Projection	Variance between Year-end Projection and Current Approved Budget	Period 9 Executive Reported Projected Variance to Current Approved Budget	Movement in Variance between Periods 9 and 11
	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive	1,646	1,791	1,670	(121)	(86)	(35)
Customer Services	865	806	718	(88)	(74)	(14)
Finance	1,612	1,610	1,591	(19)	4	(23)
Legal & Democratic Services	885	880	910	30	36	(6)
Policy & Performance	1,122	1,067	940	(127)	(104)	(23)
Development Strategy	2,853	3,314	3,362	48	51	(3)
Development Operations	2,450	2,542	2,373	(169)	(144)	(25)
Leisure & Environmental Services	4,692	4,404	4,140	(264)	(174)	(90)
<b>Sub-total</b>	<b>16,125</b>	<b>16,414</b>	<b>15,704</b>	<b>(710)</b>	<b>(491)</b>	<b>(219)</b>
Vacancy Management	(250)	(250)	0	250	250	0
<b>Total</b>	<b>15,875</b>	<b>16,164</b>	<b>15,704</b>	<b>(460)</b>	<b>(241)</b>	<b>(219)</b>

2.2 Although the current budget remains unchanged at £16.164m, there have been some amendments to departmental responsibilities with respect to budgets;

- The Nuclear New Build budget (£50,000) has been transferred to the Chief Executives from Development Strategy.
- The Emergency Planning budget (£20,114) has been transferred to Leisure and Environmental Services from Legal & Democratic Services.

2.3 The forecast underspend represents just under 3% of the current approved budget, or 6% if carry forwards are excluded. This is broadly in line with the tolerance limit of 5% included in the Finance Service Plan for 2010/11. This target is currently under review for 2011/12.

2.4 The significant reasons for the movement in this position are as follows:

- Within the Chief Executive's;
  - The pay and workforce strategy of £140k has been deducted from the budget as it is no longer needed.
  - Within Management Information Systems there are salary savings amounting to £63k as two posts have been vacant for the whole of 2010/11.
  - Provision has been made in the budget for the repayment of £75k to West Cumbria Development Fund following clawback of grant paid to Whitehaven RLFC, for which the Council acted as Accountable Body.
  - There has been a delay in recruitment to the new posts within the Nuclear budget, which had been expected to be in post by February 2011. This delay has resulted in a saving of £16k.
- Within Customer Services
  - Copeland Direct is showing an under spend of £36k due to staff vacancies
  - Cash Collection is showing a £46k over spend on the annual licences for the new hosted service arrangements at various outlets for collection of cash and other income. This is due to the front loading of costs in year 1, which was not correctly identified at the time the budget was set.
  - The cost of housing benefits administration is forecast to reduce by £219k following the introduction of the Shared Service in July 2010. Just over half of this (£114k) relates to a provision for redundancy costs, which is no longer needed. £18k of this saving has arisen from the receipt of grant to fund changes to the way benefits administration is carried out following the government's decision to introduce new benefits going forward. This money will ultimately be required by the Shared Service and they intend to initiate this work in 2011/12 and therefore this sum will need to be carried forward at the year-end.
  - The net cost of Council Tax and Housing Benefits is forecast to increase by £157k for the year based on mid-year forecasts. This forecast may

change based on information provided in January 2011 – see paragraph 2.6 below.

- An additional £15k has been received in the year in respect of additional recession subsidy from the government. Unlike the grant mentioned earlier this grant will be retained by the Council.
  
- Within Finance;
  - There has been a reduction of £37k in the costs within the service area due to staff vacancies.
  - Insurance is showing an under spend of £84k due to windfall income received from a very old insurance claim that which the Council was found to be only part liable for. This sum needs to be placed in an earmarked reserve on the advice of our solicitors as this claim is subject to court proceedings that are due to start in December 2010.
  - The forecast returns on investments are expected to be £165k less than forecast.
  - The cost of concessionary travel has reduced due to a reduced take up of NoW cards and reduced administrative costs, giving an overall saving of approximately £59k for the year.
  
- Within Legal & Democratic Services;
  - Income from taxi, private hire and liquor licensing is forecast to yield an extra £15k by the year end. Previous forecasts assumed income yields to be at approximately the same level as budget.
  - Central Printing and photocopying is showing an over spend of £45k due to payment of invoices relating to previous years that had not been accounted for in 2009/10.
  
- Within Policy & Performance;
  - Staff training costs are forecast to be £150k for the year, a reduction of a £130k on the current approved budget.
  
- Within Development Strategy;
  - Forecast spending on LSP budget has dropped by £37k due to a reduction in the redundancy provision for Copeland Local Strategic Partnership staff.
  - Spending on Working Neighbourhoods is forecast to drop by £40k by the year-end. This saving is subject to a carry forward bid and if approved this sum will be transferred into the Working Neighbourhoods earmarked reserve.
  - The saving identified in the delivery of the Local Development Framework in period 8 has proved to be excessive. £25k will be required to fund staffing changes and associated set-up costs to be implemented in February and March 2011. The balance on this budget needs to be carried forward to meet funding requirements in 2011/12 due to re-phasing of the delivery plan.

- Spending on homelessness is forecasted to be underspent by around £56k by the end of the year due to the prevention approach taken by the council, increased income from housing benefits and a reduction in the cost of emergency accommodation as a result of the continued use of two rented properties rather than bed and breakfast accommodation. The current economic climate makes this area volatile to demand changes and will therefore be closely monitored to the year-end.
  - The current budget for Sustainability includes £22k for climate change which is being used to underpin local development framework sustainability activity.
  - Payments on conservation activity in support of planning is now in line with our original budgeting for the year, spend is forecast to be £40k for the year, an increase of £20k over the period 9 forecast.
- Within Development Operations;
    - Development Control fee income is expected to exceed the budget forecasts by £82k. This is £18k more than reported at period 9. There has however been a small increase of £3k in running costs since period 9, which reduces this overall improvement to £35k.
    - Repair and maintenance costs associated with buildings leased to North Country Leisure are forecast to be £41k below forecast. A carry forward request has been received to spend this budget in 2011/12.
    - Overall there is a forecast under-spend on repair and maintenance of other public buildings of £12k.
    - Income from property leases within Land Management is forecast to increase by £47k due to the completion of a number of outstanding lease reviews.
    - The Council has incurred costs of £28k in marketing land and buildings for disposal. This work generates capital receipts for the Council to help finance its capital programme and at the year-end some of these costs may be offset against the income received from land sales. At the moment however all these costs are being contained within the revenue budget for Land Management.
    - The net costs for the Beacon and Tourism Information Centre are forecasted to reduce in total by £32k, due to a combination of reduced running costs of £14k and additional income from various sources totalling £18k.
    - In Building Control, forecast spending on dangerous structures will increase by £31k in the year. This cost will be reimbursed by Britains Energy Coast (West Cumbria) in due course and that there will be no overall cost against the Council's budget.
  - Within Leisure and Environmental Services;
    - Income from the Crematorium continues to exceed target with an additional £85k expected to be received by the end of March 2011. Offset against this is a forecast shortfall of £22k from income at the Cemeteries,

which reflects a change in emphasis in the use of the facilities within the borough.

- Within Open Spaces and General Landscaping there is a total saving of circa £80k arising from salary savings (£40k) and additional income from the Home Housing contract (£20k) and work for parish councils (£20k).
- Income from car parks is forecast to be £33k less than budget due to the current economic climate. This forecast is marginally better than the previous forecast shortfall of £40k.
- In Environmental Health there is a forecast £30k saving in staff salaries as vacancies have not been filled.
- In the Waste budget the forecasted cost has reduced by £143k due to reduced salary costs (£120k), increased income from the sale of recyclable materials (£80k), offset by a reduction in income from bulk and commercial waste due to a loss in contracts (£40k) and an increase in processing costs for garden waste (£17k).

2.6 The Housing Benefits Shared Service has provided details of likely subsidy to be received to 31 January 2011. Based on these figures the percentage recovery of subsidy against housing benefits paid is approximately 98.7% of the cost. The current budget assumes a recovery rate of 98% based on previous experience. If the forecast provided by the shared service proves to be correct then the net cost to the Council will reduce by circa £130k in the year. This sum has not been included within the projections at this stage because until the final figures to the end of March 2011 are finalised, there could yet be significant movements in the subsidy calculations. The final subsidy form is also subject to external audit, which has in the past resulted in the repayment of significant amounts to the Department of Work and Pensions. The position will be kept under review and re-assessed as part of the 2010/11 closure process. Any underspend will be transferred into general reserves at the year end.

### **3 FURTHER IMPROVEMENTS TO THE REPORTING PROCESS**

3.1 The current reporting process has been in place for 4 months. The aim of reporting more frequently to Members was to improve members understanding of the financial position of the council and to enable more timely discussions to be undertaken.

3.2 The proposed further improvements to the budget monitoring process strives to provide better financial information through improved relationships between budget holders and the finance team. The primary objectives are to ensure that information is accurate and up to date and to this end in-year processes need to be improved.

3.3 The proposed changes may take time to develop fully, particularly given the current restructuring proposals that are underway and during that time there may be some movement in year-end projections due to the difficulty in predicting year end positions for some of our more complex budgets. In particular works needs to

take place to improve budget profiling and to reduce the number of transactions carried out solely at year-end to ensure more accurate in-year monitoring

#### **4 CONCLUSION**

The overall position is projecting a year-end underspend of £460,311 against the current approved revenue budget of £16,164,560.

All under-spends will be transferred to General Fund balances once realised at financial year end, and will only be transferred to ear-marked reserves for future use based on the current exercise being carried out by Corporate Leadership Team to identify future requirements.

#### **5 STATUTORY OFFICER COMMENTS**

5.1 The Monitoring Officer's comments are:

No additional comments.

5.2 The Section 151 Officer's comments are:

No additional comments.

5.3 Other consultee comments, if any:

Included within the report as appropriate.

#### **6 FINANCIAL AND HUMAN RESOURCES IMPLICATIONS (INCLUDING SOURCES OF FINANCE)**

6.1 The summary report sets out the current revenue budget for 2010/11 and the forecast year end position and this is summarised in section 2.

#### **7 PROJECT AND RISK MANAGEMENT**

7.1 The budget monitoring process is carried out on a monthly basis. Management and finance staff work together to ensure financial reports are accurate and timely to assist the decision making process of the Council as a whole.

7.2 Budgets are monitored during the year with exceptions reported through Corporate Leadership Team and Executive during the year now on a monthly basis, with a more detailed monitoring report produced on a quarterly basis. At the year- end, the draft outturn position prior to the external audit process must be reported formally. It is also good financial practice to report the year-end position on revenue reserves as a consequence of the outturn.

#### **8 IMPACT ON CORPORATE PLAN**

8.1 The budget and monitoring process is fully integrated into the planning process of the Council embracing all the objectives of the Council.

**List of Appendices**

None

**List of Background Documents**

2010/11 Period 9 Management Accounts Reports  
Revenue Budget Reports 2010/11

**List of Consultees**

Senior Leadership Team, Budget Managers