

REVENUE BUDGET - MONITORING REPORT 2009/10 (Quarter Two)

EXECUTIVE MEMBER: Cllr E Woodburn, Leader
LEAD OFFICER: Julie Crellin, Head of Finance and Management
Information Systems
REPORT AUTHOR: Alison Clark, Accountancy Services Manager

Summary:

The report provides the Executive with the summary budget position for the Revenue Budget 2009/10 at 30th September 2009, and, a forecast year-end outturn position at this half year stage.

Recommendations:

The Executive is asked to;

- (i) Approve the use of General Fund Balances of £18,291 for South Whitehaven Neighbourhood Management (SWNM) (para 2.8).
- (ii) Confirm the revised net revenue budget of £14,460,214 (para 2.2, table 1 section 2).
- (iii) Note the forecast position at the year end of a net underspending of £103,369 against the Revised Revenue Budget (para 1.5, table 2 section 3). However, it is expected that £81k of this will be earmarked to support the development of Revenues and Benefits Shared Service as set out in para 3.7.
- (iv) Note the projected year-end position of £103,369 net under spending is subject to monthly review and there are a number of key variables which may impact upon the projection.

1 INTRODUCTION

- 1.1 In accordance with Council's Financial Regulations, the Head of Finance and Management Information Systems (MIS) 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. It is the responsibility of Corporate Team and individual

- 1.2 All budget managers 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 The report summarises the forecast year-end position drawing on the returns from budget holders for the period to 30th September. The budget monitoring process considers the current position against current profiled budget together with the projections of income and expenditure to be incurred for the remainder of the year and compares this to the current budget.
- 1.4 As it is half way through the budget year, it is important that key trends and possible areas of budget variation are identified to enable action to be taken if necessary, and revisions to budget approvals to be approved, including for example, the redirection of resources to meet emerging priorities and pressures funded from underspendings. Budget monitoring is an active process.
- 1.5 In summary, the projected position is a net underspending of £103,369 at the year-end against the Revised Revenue Budget (table 2, para 3.1). Section 3 sets out the significant variances reported by Service area.
- 1.6 It is important to recognise that there are a number of key variables which may impact upon the projection and the projection will be revised throughout the year. *(Throughout the report, the use of brackets indicates a credit or income budget, and the term underspend also relates to additional income generated).*

2. REVENUE BUDGET 2009/10

- 2.1 Council approved the Revenue Budget 2009/10 at its meeting held on 24th February 2009. The Original Net Revenue Budget for 2009/10 of £14,093,958, is supported by earmarked reserves for specific items (the most significant items being the Regeneration Delivery Plan and the Local (Planning) Development Framework.
- 2.2 Table 1 shows the movement on the annual revenue budget in the first six months. The current net revenue (approved) budget is £14,460,214 and it is set out as follows:-

| Table 1 - 2009/10 Approved Budget | £ |
|---|-------------------|
| Net Budget Requirement 2009/10 to be funded from Council Tax and Government Grant | 12,344,958 |
| Net Budget Requirement 2009/10 funded from reserves | 1,749,000 |
| Net Revenue budget 2009/10 (Council resolution - February 2009) | 14,093,958 |
| Carry forward requests (2008/09 out-turn - 30th June Executive) | 601,060 |
| <i>Carry forward requests planned utilisation in future years</i> | <i>(151,430)</i> |
| Net Current Revenue budget 2009/10 | 14,543,588 |
| Drawdown of earmarked reserves already agreed:- | |
| Audit - IT computer audit | 5,000 |
| Beacon - Rates revaluation | 18,000 |
| RBS Shared Service Project | 32,200 |
| Equality & Diversity AWAZ | 5,042 |
| Human Resources - Professional Services | 35,000 |
| Performance Improvement Team - Place Survey | 8,865 |
| Development Strategy - future projects | 22,500 |
| Development Control - new projects | 6,050 |
| Working Neighbourhood Fund (WNF) | (346,013) |
| West Cumbria Rural Touring Scheme - funding future projects | 63,079 |
| Total Net Return to Earmarked Reserves | (150,277) |
| Earmarking of general fund in 2009/10 to fund specific items agreed at Executive meetings to date:- | |
| Audit Shared Services (Exec 26 May) | 10,000 |
| Public Buildings - NNDR Ginns Site (Exec 21 April) | 16,005 |
| Choosing to Change Programme (CBC support) (Exec 25 08 09) | 100,000 |
| Total Earmarking of General Fund Reserves | 126,005 |
| Total Drawdown of Earmarked Reserves and Earmarking of General Fund Balances to 30th September 2009 | (24,272) |
| Salaries and Superannuation Adjustment (net) | (77,393) |
| Current Net Revenue (Approved) Budget 2009/10 | 14,441,923 |
| Request for earmarking of the general fund at this meeting | |
| South Whitehaven Neighbourhood Management c/fwd | 18,291 |
| Proposed Net Revenue (Approved) Budget 2009/10 | 14,460,214 |

2.3 Executive at its meeting of 30th June 2009, approved carry forward requests totalling £601,060. Further work on the re-profiling of the carry

- 2.4 In addition, there has been a net return to earmarked reserves of £150,277, involving drawdowns and returns to earmarked reserves for specific purposes agreed previously by Executive. The most significant item relates to the decision taken by Executive at its meeting of 22 September 2009 to revise the spend profile and extend the application of the Working Neighbourhood Fund reserve over a four year period.
- 2.5 Drawdown from the general fund to fund specific items in the year totalling £126,055 is also included in the revised budget and a further adjustment of a reduction of £77,393 has been made to reflect the actual pay settlement for 2009/10 which was less than originally budgeted. This item was discussed in the Quarter One monitoring report.
- 2.6 Members are requested to formally approve £18,291 from the general fund balances for South Whitehaven Neighbourhood Management. This is as a result of grant received in advance in 2007/08 that was not utilised during 2008/09 and as a consequence was included in general fund balances at the year-end. Planned expenditure for SWNM for 2009/10 is £260,000, funded from earmarked reserves of £241,709 and the carry forward of £18,291 is consistent with the current approved medium term financial plan.
- 2.7 The current net revenue budget for 2009/10 of £14,460,214 is funded by £12,267,565 (£12,344,958 original budget) from Council Tax and Government Grants and £2,192,649 (£1,749,000 original budget) from revenue reserves.
- 2.8 Appendix A sets out the movement in the revenue budget and it also shows budget adjustments between departments which reflects the ongoing restructuring of the management accounting code base, ensuring cost centres are aligned with management responsibility e.g. Health and Safety, Grants to CAB etc, these adjustments have a nil effect upon the revenue budget in its totality, but it is important they are clearly set out for monitoring and audit trail purposes.

3 FORECAST OUTTURN POSITION 2009/10

- 3.1 Table 2 sets out the summary of the forecast outturn for 2009/10 and reports this position against the approved revenue budget for the Council (ignoring roundings).

| Table 2 - Summary Forecast Net Revenue Outturn 2009/10 | | | | |
|--|-----------------------------------|----------------------------------|-------------------------|------------------|
| Department | Original Annual Net Budget | Revised annual Net Budget | Forecast Outturn | Variance |
| | £ | £ | £ | £ |
| Chief Executive | 801,239 | 928,195 | 921,629 | (6,566) |
| Customer Services | 516,517 | 513,618 | 432,224 | (81,394) |
| Finance and Management Information Systems (MIS) | 2,146,667 | 2,110,346 | 2,017,738 | (92,608) |
| Legal and Democratic Services | 890,032 | 907,205 | 915,339 | 8,134 |
| Policy and Performance | 1,488,375 | 1,554,980 | 1,557,114 | 2,134 |
| Development Strategy | 2,535,810 | 2,343,460 | 2,347,774 | 4,314 |
| Development Operations | 1,570,599 | 1,719,167 | 1,711,286 | (7,881) |
| Leisure and Environmental services | 4,344,720 | 4,398,886 | 4,404,845 | 5,959 |
| Public Services Delivery | (1) | (1) | 64,538 | 64,539 |
| Vacancy Savings (nb) | (200,000) | (15,642) | (15,642) | 0 |
| Total | 14,093,958 | 14,460,214 | 14,356,848 | (103,369) |
| <i>(nb vacancy savings of £184k are included in Departmental returns and not against the corporate budget)</i> | | | | |

- 3.2 Appendix A shows the forecasted position at the year-end by managers, indicating gross expenditure and income, by main service area and also shows the current net position against net budget for Quarter Two.
- 3.3 Savings from vacancy management projected for the full year have been reflected in the departmental budgets, and as a consequence their cash limits have reduced.
- 3.4 The net actual net expenditure position at 30th September 2009 is £4,136,363 compared to profiled budget of £4,304,227. Variances against profile may indicate areas requiring further detailed review and these have been used by budget managers and Finance as reference points when reviewing the forecasts at the year end. It may also indicate a need to revise the assumptions upon which profiles are based where necessary. Budget Managers are forecasting an overall underspend on the Council's revenue budget of £103,369. This represents (0.7%) of the net approved budget.

- 3.5 A net underspending of £103,369 is forecast at the year end, detailed explanations of the key variations are set out in paras 3.6 to 3.20.

Budget Monitoring 2009/10 (Q2) – Significant Estimated Variances

Chief Executive

- 3.6 A net underspend of £6,566 is forecast at the year-end. This is despite increased Audit Commission fees and charges for 2009/10 in the region of £30,000. This was reported by the Audit Commission to the Audit Committee on 23rd September 2009, and relates to the additional work the Auditors undertook in relation to the Audit of 2008/09 Accounts, Use of Resources assessment, and Value for Money conclusion. The additional work is a reflection of the 2006/07 and 2007/08 Accounts process. Overspending is partially offset by a salary related saving as a result of long term absence.

Customer Services

- 3.7 A net underspending of £81,394 is forecast at the year-end as a result of managed vacancies (after virement of the Service's element of the £200,000 Corporate vacancy management) and additional grant income (not expected when the budget was prepared) within the Service. It is intended that, at year end, this will be ring fenced to support the development of shared services for the Revenues and Benefits Service, as indicated to Executive at its meeting on 29th October.

Finance and Management Information Systems (MIS)

- 3.8 An underspending of £92,608 is forecast at the year end. It consists of three main elements:-
- The treasury management budget is subject to detailed monthly review and revised estimates have been undertaken given the turbulence of the market. Members will remember this budget is supported by earmarked reserves as the potential for variability was recognised during the budget process. Forecast Interest from cash deposits is less than budgeted by £43,000. However, this is an improvement on the Q1 forecast which indicated a deficit of £72,000 for the year. The (apparent) short term stability in Bank of England borrowing rates (albeit at a historic low of 0.5%) has contributed to this improvement in projection.
 - The corporate insurance contract has been re-negotiated and a new contract has been let. The new contract will provide a significant cost saving over the life of the (five year) contract – of annual savings of around £130,000 and a part-year saving in 2009/10 of £96,000, before virement of £10,000 to fund the SIMALTO budget consultation

- The concessionary fares budget has experienced variation in usage over the last three years, making budget predictions difficult. Usage statistics to 30th September 2009, compared to last year's profile would indicate a potential underspending at the year-end of £53,000. This has increased since last quarter because of a fall in average usage during the second quarter. This has been included in the Quarter Two projection.

Legal and Democratic Services

- 3.9 There is an overspending of £8,134 forecast for this Department at the year-end. Land Charges income forecast is £9,000 less than budget. This represents a prudent estimate pending a court ruling affecting all local authorities. A virement has been made between Members Allowances and Legal Services as a result of Executive approving in August the utilisation of £12,500 of this projected underspending to support Legal and Democratic Services' objective of voluntarily registering title to the Council's land holdings.

Policy and Performance

- 3.10 The Policy and Performance budget contains a full year allocation of £450,000 to fund the implementation of Pay and Grading Review i.e. raising the baseline for 2009/10 (the backdated element for 2008/09 has been provided for). A detailed analysis of the proposal prior to submission to Council in June showed that the implementation of the Pay and Grading Review can be funded from within existing budgets and earmarked reserves for the period of the life of the current medium term financial strategy until 31st March 2012 (ignoring pay awards and any other changes to statutory payments). £292,000 of this permanent budget would be required for 2009/10 and the remaining £158,000 would be needed to be earmarked for carryforward to fund incremental increases related to the new JE scales for the third year of the Medium Term Financial Strategy (MTFS). The ballot of Union Members will take place in November and hopefully, the results will be available to be reflected in Q3 monitoring.

Development Strategy

- 3.11 Development Strategy is forecasting a net underspend at the year-end of £4,314. Further to the August report, the cash limit has been reduced by £346,013, in relation to the re-profiling of use of the Working Neighbourhoods reserve to fund the Regeneration Delivery Plan.
- 3.12 Homelessness has received an additional £30,000 government grant for the Repossession Fund. However, there may be a request to earmark this underspending at the year-end to support housing activity next year. In addition, we need to be mindful that the emergency accommodation budget (supported by an earmarked reserve from 2008/09 to fund a specific requirement), is by its nature, difficult to predict and may cause variability. The team have reported a marked increase in emergency bed and breakfast in Quarter 2 and have now surpassed the number of bed and breakfast placements days in this one quarter than in the full 2008/09 year. We continue to monthly monitor demand in this service area.
- 3.13 There is a forecast underspending within Development Strategy of £48,704 and this in the main, relates to the Local Development Framework. The majority of this will be required to be carried forward at the year-end to meet commitments and this will be reflected in the Q3 monitoring report. Some may relate to activity funded from earmarked reserves and the cash limit will need to be amended accordingly. The forecast overspending on Nuclear Activity of £49,581 is a result of the ending of previous external funding arrangements and this will be reflected in the budget build process for 2010/11.

Development Operations

- 3.14 The year-end projection for this department is of a total net underspending of £7,881.

The Admin buildings budget is projecting an underspend of £58,052. This in large part, is due to the rental income from Moresby Parks being in excess of budget due to a change in the short term arrangements with tenants. An upgrade to the Copeland Centre's unlimited power supply connection has been provisionally funded from this budget; pending the outcome of negotiations with the PFI provider. This is essential to resolve the management of power outages (if they occur) in the IT server room, with the aim of minimising damage to the hardware in the event of power supply disruption.

Of the £13,460 overspend projected for the Beacon & Tourist information centre, £11,417 relates to repayment of an overstated rates rebate from 2006/07. Members will recall this overpayment of rebate and the appropriation of £18,000 of the Beacon's Earmarked Reserves to meet

likely repayment of this in 2009/10 was set out in the 2008/09 outturn report to Executive on 30 June 2009. The current balance on this reserve is circa £120,000.

Building control is also showing an overspend of £16,266 due to the projected under achievement of income against budget, which reflects the current economic downturn, and a prudent estimate of income receipts.

An overspend of £30,414 is projected in Public Buildings as a result of increased routine maintenance on the authority owned premises and necessary health and safety work and the maintenance of the cremators.

There are a number of services, including those above, within this service area and some rely upon external income (planning fees, building control fees etc) which may be further affected by recessionary impacts.

Leisure and Environmental Services

- 3.15 Leisure and Environmental Services are predicting an overspending of £5,959 at the year end. This is a complex budget area and a number of variables impact upon it.
- 3.16 Open Spaces is forecasting a year-end underspend of £84,592 as a result of increased income from crematorium services, and, increased net income from contracts secured. Outturn income and expenditure is significantly higher than budget due to the successful award of external contracts awarded since agreement of the budget, and reflects this increased turnover of activity providing opportunities for cost savings from economies of scale and flexible purchasing.
- 3.17 The Waste Management budget is particularly complex. Income from grants associated with recycling activities is forecast to be less than budget target, although recycling performance rates are above target. In addition, two invoices were received in August which related to 2008/09 and these were not fully accrued for in 2008/09. Members will remember Waste Services achieved an underspending at the end of 2008/09 (benefitting general reserves) from which the accruals could have been met. A request from general fund reserves could be proposed in relation to these invoices, however this has not been put forward at this stage. This service is projecting a net overspend of £82,019, and this will be closely monitored during the year.
- 3.18 Environmental Health is projecting an overspend of £13,104 due to increased salary related costs and car allowances based on increased level of activity.

Community Partnerships

- 3.19 This budget area is predicting an overspend of £64,538. However, discussions are on-going with partners to address this area of predicted overspending.

Other

- 3.20 Of the £200,000 corporate vacancy management, £184,358 has been vired by reducing departmental budgets. It is necessary to offset the full year saving from vacancy management activities in this way to prevent double counting as the vacancy savings have been included in Service projections. If all vacancy savings are achieved by 31st March, there will be no variance against this budget line.
- 3.21 It is intended the full target will be achieved as represented by the £15,642 forecast of total savings against this line, as the other £184,358 is reported on Service lines. Caution must be exercised, as this is subject to staffing changes and decisions regarding replacement and recruitment, in the future i.e. an unknown.

4 CONCLUSION

- 4.1 This report has set out in summary, the current revenue budget for 2009/10 and the forecast position at the year end. Members are requested to confirm the current net revenue budget of £14,460,214.
- 4.2 Members are asked to note the the projected position at the year end of a net underspending of £103,369 against the current net revenue budget.
- 4.3 Any underspend against budget for the year will be credited to the general fund balance at year end.

5 FINANCIAL AND HUMAN RESOURCES IMPLICATIONS (INCLUDING SOURCES OF FINANCE)

- 5.1 The report sets out the current revenue budget for 2009/10 and the forecast year end position and this is summarised in section 4.

6 PROJECT AND RISK MANAGEMENT

- 6.1 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.

6.2 Budgets are monitored during the year with exceptions reported through Corporate Team and Executive during the year on a quarterly basis. At the year- end, the draft outturn 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.

7 IMPACT ON CORPORATE PLAN

7.1 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

Appendix A 2009/10 Management Projected Year End Financial Position

List of Background Documents

2009/10 Period 6 Management Accounts Reports
Revenue Budget Reports 2009/10

List of Consultees

Corporate Team

CHECKLIST FOR DEALING WITH KEY ISSUES

Please confirm against the issue if the key issues below have been addressed. This can be by either a short narrative or quoting the paragraph number in the report in which it has been covered.

| | |
|---|----------------------------|
| Impact on Crime and Disorder | None |
| Impact on Sustainability | None |
| Impact on Rural Proofing | None |
| Health and Safety Implications | None |
| Impact on Equality and Diversity Issues | None |
| Children and Young Persons Implications | None |
| Human Rights Act Implications | None |
| Section 151 Officer Comments | No further comments to add |
| Monitoring Officer Comments | None |

Please say if this report will require the making of a Key Decision YES/NO