

Cheltenham Borough Council

Cabinet - 27 April 2010

Budget Monitoring Report 2009/10 - position as at February 2010

Report of the Head of Financial Services

1. Executive Summary and recommendation

- 1.1 This report informs members on the Council's anticipated financial position for 2009/10, based on the monitoring exercise at the end of February 2010. The report covers the Council's revenue, capital, collection fund, treasury management and the Housing Revenue Account. The report identifies any known significant variations to the 2009/10 revised budgets.
- 1.2 I therefore recommend that Cabinet:
- 1.3 Note the contents of this report including projected variations from the revised 2009/10 budgets and the projected total budget saving of £224,800 (which equates to less than 0.25% of the Council's gross expenditure) in this financial year.
- 1.4 Note the intention to appropriate the anticipated budget saving of £224,800 to general balances in order to mitigate any further potential losses in Icelandic investments.

1.5 Summary of implications

1.5.1 Financial As outlined in this report.

Contact officer: Paul Jones

E-mail: paul.jones@cheltenham.gov.uk

Tel no: 01242 775154

1.5.2 Human Resources As outlined in this report.

Contact officer: Julie McCarthy

E-mail: julie.mccarthy@cheltenham.gov.uk

Tel no: 01242 264355

Contact officer: Nicolas Wheatley

E-mail: nicolas.wheatley@cheltenham.gov.uk

Tel no: 01242 775207

1.6 Implications on corporate and community plan priorities

1.6.1 Key elements of the budget are aimed at delivering the corporate objectives within the Corporate Business Plan.

1.7 Statement on Risk

1.7.1 A number of areas of risk within the budget, identified in the Council / Services risk registers have been referred to within the report.

2. Introduction

2.1 This report provides the last monitoring position statement for the financial year 2009/10. The report seeks to notify members of the anticipated outturn position for 2009/10 including any known requests for budgets to be carried forward into 2010/11.

2.2 Financial Services carry out a regular budget monitoring exercise for services in liaison with Assistant Directors and cost centre managers. This identifies any variations from the current approved budget that are anticipated to occur in the financial year. The current approved budget is the revised budget 2009/10 agreed by Council on the 12th February 2010, subject to any amendments made under delegated powers (for example supplementary estimates, virement, etc). Possible significant variations to revenue budgets are outlined in this report.

2.3 A number of savings are the result of delays or slippage in carrying out particular tasks which are still necessary and will need to be completed in the 2010/11 financial year. Where this applies, requests for carry forwards are noted in this report.

3. Net Revenue position

3.1 The table below summarises the net impact of the variances identified on the overall 2009/10 revised revenue budget position.

Budget variances	(Overspend) / Underspend £	para. ref:
General		
Vacancy Management	(60,000)	3.3
Chief Executives & Policy		
Business & Economic Development	13,300	3.9
Audit	(75,900)	3.6
Policy & Performance	1,300	3.12
Farmers Market	(1,700)	3.13
Equal Opportunities	1,800	3.14
Community Pride	45,700	3.8
Cheltenham Strategy Partnership	37,000	3.15
Communications	(3,000)	3.16
Joint Core Strategy	90,100	3.10
Twinning	(2,800)	3.11
Democratic & Civic	23,000	3.19
Elections & Electoral registration	(20,000)	3.20
Human Resources & Organisational Development		
Human Resources	11,000	3.21
Training & Development	15,000	3.26
Customer Access & Service Transformation		
Customer Services	10,000	3.28
Housing benefits administration	40,000	3.29
Council Tax	35,000	3.32
ICT Services & Infrastructure	70,000	3.35
Financial Services	-	3.37
Corporate Management & Administration	9,000	3.38
Business Change		
Systems Thinking	6,000	3.39
Government Connect	10,000	3.40
Invest to Save Projects	200,000	3.43
Working Flexibly	16,000	3.44
Wellbeing & Culture		

Town Hall– shortfall of income	(14,800)	3.45
Pump Rooms - expenditure savings & surplus income	16,200	3.46
Box Office – expenditure saving & surplus commission	84,100	3.47
Tourist Information Centre	(2,000)	3.48
Christmas in Cheltenham	(7,000)	3.49
Events & Tourism Management	(1,800)	3.50
leisure@ - net overspend in utilities	(59,900)	3.51
Art Gallery & Museums – shortfall of income	(8,700)	3.52
Sports & Play - cricket hall expenditure saving	13,700	3.53
Sports, Play & Healthy Lifestyles –overspend in expenditure	(3,000)	3.54
Youth Affairs – expenditure saving	13,900	3.55
Community Services		
Divisional Overheads- overspend in expenditure	(22,400)	3.56
Homelessness – expenditure savings	31,500	3.57
Community Alarms – expenditure saving	4,800	3.58
Pest and Pollution Control – net expenditure saving	2,800	3.59
Licensing –expenditure saving	6,500	3.60
CCTV – overspend in expenditure	(6,600)	3.61
Contaminated Land – expenditure saving	5,000	3.62
Air Quality – expenditure saving	6,500	3.63
Housing Standards – net expenditure saving	6,000	3.64
Built Environment		
Development Control fees – income	60,000	3.65
Housing and Planning Delivery Grant	493,200	3.66
Civic Pride	77,000	3.67
Building Control fees – shortfall of income	9,400	3.68
Land Charges – surplus income	15,000	3.69
Property Services Overhead A/c	20,000	3.70
Municipal Offices	16,000	3.71
Miscellaneous Properties – net additional income	(12,000)	3.72
Operations		
Off Street car parking – shortfall of income	(230,000)	3.74
Street Cleaning – saving in expenditure	35,000	3.76
Env Maintenance overhead A/c – saving in expenditure	15,000	3.75

Recycling fees – surplus income	25,000	3.77
GCC Schools – shortfall of income	(15,000)	3.78
Cemetery and Crematorium – shortfall of income	(27,000)	3.79
Environment Management & Administration		
Civil Emergencies – saving in expenditure	150,000	3.80
Sub total of net savings to Service Budgets		
Net increase / (decrease) in transfers from/to reserves	(700,500)	
Anticipated carry forward requests/slippage in schemes	(614,300)	
Net savings to Service Budgets		
Treasury Management -Interest shortfall	(127,600)	4.1
Icelandic banks	500,000	4.5
Net projected budget saving 2009/10	224,800	

- 3.2** The table below provides a further initial breakdown of the projected net saving against revised budget to assist Members in the analysis of where the budget savings have occurred. As the table demonstrates, there are areas of activity where there is additional income or savings. These will be analysed as part of the work of the Bridging the Gap group to establish whether they are sustainable into the future and can therefore contribute to meeting future funding gaps.

	(Overspend) / Underspend £
Reduction in Income	(215,100)
Employee costs savings	29,600
Treasury Management (inclusive of Icelandic Investments)	372,400
Other expenditure savings	37,900
Net projected budget saving 2009/10	224,800

General

3.3 Employee costs

In putting together the revised budget for 2009/10 in November 2009 it was assumed that £60,000 of savings would be realised over the last 4 months of the financial year through vacancy management. This target was exceeded by £29,600, the detail of which is identified throughout the report.

3.4 Insurance – Claims budgets

This is expected to outturn on budget.

Chief Executives & Policy

- 3.5 Chief Executives Group:** There is a projected net underspend within the Chief Executives group of £108,800 for the year including the following significant variances:
- 3.6 Audit Partnership – Cheltenham and Cotswold**
On the 1st October 2009 Audit & Assurance Services for Cheltenham Borough Council joined with Internal Audit from Cotswold District Council as a formal partnership. The business case for this partnership identified costs and savings for Cheltenham over three years with the first year costs being higher due to the flexible retirement costs of one officer.
- 3.7** The business case for the partnership detailed that Cotswold would contribute indirectly to the flexible retirement costs by permitting Cheltenham to secure a larger proportion of the forecast savings until the costs of retirement are recovered over a three year period. Once these costs have been recovered forecast savings revert to a 50:50 split. The estimated outturn figures for 2009/10 identify that the contribution from Cotswold DC has been made. The new arrangements have created an estimated saving of £19,300 before the retirement costs of £95,200 resulting in an estimated overspend of £75,900.
- 3.8 Community Pride**
There is a projected underspend of £45,700 due to the 2009/10 projects only receiving formal agreements in July 2009, and having twelve months to spend their allocation. The balance remaining will be requested to be carried forward into 2010/11.
- 3.9 Business & Economic Development**
There is a projected underspend of £13,300 for 2009/10 which is all LABGI funding. The Business Rent Grant Scheme was allocated £20,000 and £10,000 still remains which is committed to be spent in 2010. A further project was not fulfilled and the saving of £3,300 is now earmarked for Business Start-Up Scheme which is committed to be paid in 2010. A carry forward request for both projects will be made at the year end.
- 3.10 Joint Core Strategy (JCS)**
This budget head has been set up for the joint sharing of costs on JCS with Gloucester City Council and Tewkesbury Borough Council. A underspend of £90,100 is expected at outturn for 2009/10 which is shared by all three Councils. This underspend will be requested to be carried forward into 2010/11 for committed consultation costs on studies on flood risk, retail, and population and employment.
- 3.11 Twinning**
There is an anticipated overspend of £2,800 which relates to the Big Party visit from Gottingen in the summer of 2009. This overspend will be appropriated from the Twinning reserve in 2009/10.
- 3.12 Policy & Performance**

There is a projected underspend of £1,300 for 2009/10. This is after some early retirement costs which have been funded from an underspend within supplies and services.

3.13 Farmers Market

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There is a project overspend of £1,700 for 2009/10 as one market had to be cancelled at short notice due to the inclement weather in January 2010.

3.14 Equal Opportunities

There is a projected underspend of £1,800 for 2009/10 due to an underspend on supplies and services.

3.15 Cheltenham Strategy Partnership

There is an estimated underspend of £37,000 for 2009/10. £5,000 was funding awarded from CSP to Stronger Communities partnership to support neighbourhood management. Given the delay in agreeing an approach, cabinet members gave a public commitment that funding would be carried forward into 2010/11. There is a underspend of £11,000 which was funding to support Low Carbon Partnership work. This funding has been allocated to support an energy efficiency development worker appointed by Vision 21 of which £7,500 is required to fund the second payment in 2010, £1,500 for energy monitor project and a further £2,000 for an operational budget for the development officer. Carry forward requests for all under spends will be made at year end. A further £21,000 will be requested to be carried forward into 2010/11 which is LAGBI funding committed to projects that will deliver energy and carbon reduction savings but will not be completed until the summer of 2010/11.

3.16 Communications

There is a projected overspend of £3,000 forecast for 2009/10. This was as a result of supplies and services being overspent such as copyright licences and Style Guidelines being more than the base budget for 2009/10. A review of the copyright licences is currently underway with the costs in future to be split where services are using publications in their reports.

3.17 Legal Practice

As members will be aware the Legal Practice is now a shared service with Tewkesbury BC, which commenced on 30th November 2009. Tewkesbury BC maintain the Practice's accounts and recharge Cheltenham on a quarterly basis. The final bill for the year 2009/10 has not yet been received from Tewkesbury, however at this stage it is not anticipated there will be any significant variation from the revised budget.

The shared service is projected to accrue savings, which were taken into account in setting the 2010/11 budget, however in 2009/10 these are required to help meet the set up costs of the service (see Business Change-Shared Services below).

3.18 CBC v. Laird Costs

Currently expenditure in relation to the High Court case totals around £91,000 in 2009/10 against a budget of £130,000, which includes £80,000 for the external audit work (budgeted to be met from the general fund balance). It is anticipated the spend will outturn on budget.

3.19 Democratic and Civic budgets

There is a projected net under spend of £23,000 (before anticipated carry forwards) in democratic and civic expenditure budgets for the year, made up of:

- £9,000 in democratic services budgets, mainly on staff salaries (due mainly to

maternity pay credits and savings in the temporary staff budget).

- £5,000 under spend in members' allowances, training and conference expenses. It is anticipated that £3,000 of this will be requested to be carried forward to fund commitments in relation to members' complaints and new members training. The £2,000 under spend in 2008/09, carried forward to 2009/10 to cover ongoing commitments for the Standards Committee, was spent during the year.
- £3,000 under spend in the hire of outside services budget.
- £6,000 in various civic expenses and events.

3.20 Elections and Electoral Registration

There is a projected net overspend of around £20,000 in the cost of elections and electoral registration, due to the local by-election and the effect of recent changes in legislation and regulations. £15,000 of this overspend can be met from the elections reserve, which is used to spread the cost of elections across election and non-election years, and which was increased by an overall under spend on these budget heads of £15,000 in 2008/09.

Human Resources

3.21 There is a projected net under spend within the Human Resources Division of around £26,000 (before anticipated carry forwards), including the following significant variances:

3.22 Human Resources employees

There is a projected net under spend of around £4,000 in salaries, mainly arising from staff vacancies and reduced hours occurring since the revised budget was prepared in October 2009.

3.23 Members will be aware of the shared service with Tewkesbury BC, which is now planned to go live in the summer of 2010, and the under spend will be requested to be carried forward to the new year to help mitigate the risk to service disruption during the transitional period.

3.24 Occupational health and hire of outside services

The budget of £15,000 for occupational health (which covers staff medicals, eye tests and health referrals) is projected to be under spent by around £3,000. This amount will be requested to be carried forward to fund further occupational health enhancements from the new provider (IMAS).

3.25 The hire of outside services budget of £14,600, which includes £10,000 carried forward from 2008/09 to fund one off enhancements in the occupational health service, is projected to be under spent by around £4,000. To relieve pressure on the Health & Safety training budget, which is insufficient to meet the Council's requirement for health and safety training, the base hire of outside services budget of £4,600 will therefore be vired to this budget from 2010/11.

3.26 Corporate Training

There is a projected under spend in the corporate training budget of around £15,000, however all of this is required in 2010/11 to meet commitments in relation to supporting staff in the organisational development strategy, service commissioning,

issues in the public interest report and member working groups development and will be requested to be carried forward. All of the £14,000 carried forward from 2008/09 for the Leadership Development Programme has been spent.

Customer Access & Service Transformation (CAST)

3.27 There is a projected net under spend within Customer Access and Service Transformation (CAST) of £155,000 (before anticipated carry forwards), including the following significant variances:

3.28 Customer Services

There is a projected under spend of £10,000 in customer services budgets - £7,000 in the custodians overtime and temporary staff budgets and £3,000 in mail room equipment and repairs.

3.29 Housing benefits – Local Housing Allowance Grant

There is a projected under spend of £35,000 in the implementation of the Local Housing and Employment and Support allowances budget for 2009/10. This budget, totalling £48,600, was made up of ring-fenced government grant carried forward from 2007/08 and 2008/09. Any unspent grant can be recalled by the government; however given costs are still being incurred in the implementation (as existing customers are still moving to the scheme), a carry forward request will be made for this under spend. In addition, in 2010/11 the government are intending to review the new scheme and it may be expanded, the cost of which may need to be funded from the grant already received.

3.30 Housing benefits – net cost of benefits

The cost of rent allowances, rent rebates and council tax benefits paid out is funded by government subsidy. In addition, subsidy may also be paid on overpayments made due to changes in claimant's circumstances. The final subsidy due for the year will not be known until calculated early in the new financial year. Any resulting net credit or cost over and above that budgeted will be transferred to or from the rent allowances equalisation reserve. The reserve exists to cover any unexpected increases or reductions in subsidy due to the unpredictability of this demand-led service.

3.31 Housing benefits – Benefits administration costs

There is a projected under spend of around £5,000 in the salaries budget for benefits administration.

3.32 Council Tax – employee costs, supplies and services costs and grant income

There is a projected under spend of around £15,000 on these budgets, made up of £5,000 on council tax/business rates salaries arising from staff turnover; £5,000 on supplies and services (mainly on postages); and £5,000 additional government grant received to help meet the costs of changes to the Council Tax demands notices.

3.33 Business Rates – Discretionary Rate Relief

This £37,100 budget, made up of £12,100 ongoing base budget plus £25,000 one-off from LABGI for hardship relief, is likely to be under spent by around £20,000. Since all of the under spend relates to the temporary hardship element, all of it will need to be carried forward to fund new applications in 2010/11.

3.34 Procurement and Service Development

These budgets are currently expected to outturn on budget. The carry forward of £2,500 from 2008/09 for an enhancement to the website system is likely to be spent.

3.35 ICT Infrastructure

There is a projected under spend in the ICT infrastructure budget of around £30,000, of which £25,000 is required in 2010/11 to cover the cost of hardware and software purchases, delayed due to resources being diverted on other projects and in ensuring all purchases meet government connect compliance. The £25,000 required in 2010/11 will be transferred to the ICT renewals and replacement reserve, which is then available in 2010/11 when the purchases are made.

3.36 ICT Services

Within ICT Services the salaries budget is expected to be under spent by a net £30,000 as a result of charging staff time to the Legal, Human Resources and GO7 shared service project budgets, which are part funded externally by other authorities. In addition there is an anticipated under spend on staff training of around £5,000 (which will be requested to be carried forward) and £5,000 on miscellaneous hardware, software and repairs and maintenance, resulting in a current estimated under spend of around £40,000.

Financial Services

- 3.37** These budgets include the Financial Service Division, Insurances, Treasury Management and Pensions Backfunding, and overall are projected to outturn on budget.

Corporate Management & Administration

- 3.38** There is a projected net under spend within the cost centre of around £9,000, mainly on training for the corporate services division (£4,000) and on the hire of outside services (£4,000). The training budget included £4,000 carried forward from 2008/09, of which £3,700 has been spent.

Business Change

3.39 Systems Thinking

There is a one-off budget in 2009/10 of £45,000 (comprising £29,000 carried forward from 2008/09 LABGI money and £16,000 received from other Gloucestershire districts) for systems thinking training and implementation. It is anticipated this budget will be under spent by around £6,000, which will not be requested to be carried forward again. Further systems thinking work will be undertaken in 2010/11, however this will be funded from the Invest to Save/shared services budgets (see below).

3.40 Government Connect

The budget for this in 2009/10 is £24,000, comprising an annual £13,000 (base budget) plus £11,000 carried forward from 2008/09. Although work has been continuing on Government Connect, this budget is expected to be under spent by around £10,000 this year, due to the need to ensure all equipment purchases comply with the new standard. Given the need to continue with this essential work, a carry forward request of this amount will be submitted in due course.

3.41 Organisational Development Programme

The budget for this in 2009/10 is £46,500, comprising a one-off amount of £43,500 for work on the holistic support / shared services review and £3,000 carried forward from 2008/09. This budget is currently expected to outturn on budget.

3.42 Shared Services budgets (GO7, Legal Services)

These budgets, together with the Legal Practice budget (see above) are currently expected to outturn on budget.

3.43 Invest to Save Projects

The budget for this in 2009/10 is £200,000, which Council agreed in June 2009 to earmark for set up costs for the Sourcing Strategy (comprising the GO7, Human Resources, Revenues and Benefits, customer services, ICT and procurement work streams), subject to agreeing the final business case. This budget is currently expected to be under spent by the full £200,000, due to delays in the approval of the business case, however as the funds are required for ongoing work the budget will be carried forward to 2010/11.

3.44 Working Flexibly

This budget of £16,000 in 2009/10 is expected to be under spent by the full amount, however as the funds are required for ongoing work, it is anticipated it will need to be carried forward to 2010/11 to help fund the purchase of a Citrix solution to provide remote access to business systems (see comment on capital budget for working flexibly).

Wellbeing & Culture

3.45 Town Hall

There is a projected shortfall of income at the Town Hall of £12,100 for 2009/10 due to several events failing to achieve the ticket sales forecast. This provides clear evidence of the continued uncertainty of the current financial climate and the impact it has on the Town Hall events. There was a further overspend of £2,700 on expenditure across salary and wages, premises costs and supplies and services.

3.46 Pittville Pump Room

The Pittville Pump Room is projected to generate an income surplus of £9,800 for 2009/10. This is mainly due to catering commission income exceeding expectations and the success of wedding events held at the Pump Rooms. This income achievement comes after the Pump Rooms had its income budget increased by £20,000 within the revised budget. There is also projected savings within supplies and services of £6,400.

3.47 Box Office

The budget of £70,000 carried forward from 2008/09 to fund the purchase of a new box office system will not be spent in 2009/10. The procurement of this system is currently in progress and a request will be made to carry forward this committed budget at the year end, to be spent in 2010/11. Ticket commission for all events whether held by CBC or by outside agents has surpassed expectations and a surplus of £14,100 is projected.

3.48 Tourist Information Centre (TIC)

The projected outturn for 2009/10 is forecast to be £2,000 over spent. Income from the TIC shop and trading activities was down by £6,000 for the year, this shortfall will

be offset by an appropriation of £6,000 from the TIC shop reserve. The £4,000 saving was a result of under spends on a number of supplies and services budgets.

3.49 Christmas in Cheltenham

There is a projected overspend of £7,000 on this budget cost centre. This is due to a new supplier awarded the contract, highlighting several health and safety issues regarding electricity sockets on lampposts. These issues had to be addressed at extra cost before the lights could be erected.

3.50 Events & Tourism Management

The projected outturn is expected to be £1,800 overspent due to a one off redundancy payment of £5,000, but due to under spends of £3,200 on supplies and services this helped reduce the outturn for 2009/10. This cost centre will now be merged with the Town Hall from 2010/11.

3.51 leisure@Cheltenham

Based upon current forecasts it is expected that there will be a shortfall of £38,600 in overall income against a revised budget of £1,384,500, representing a shortfall of 2.7% for the year. This is mostly offset by an expected net underspend in supplies and services and transport budgets of £37,600 for the year.

There is a forecast overspend in employee costs of £15,400, due to higher than budgeted wages expenditure in the earlier part of the year. Current staffing arrangements in place are expected to be within budget for 2010/11.

There is an expected net overspend in premises costs within leisure@ of £43,500, including a net overspend in gas and electricity budgets of £54,500.

There is therefore a forecast net overspend of £59,900 in leisure@, including the overspend in the revised utility budgets for the year.

Leisure@ has performed well in terms of some key objectives engaging in physical activity. In the last year we have seen the provision of 45,000 under 16's free swims, 29,000 Active Life (50+) attendances, 16,000 £1 swims and a growth in the database by 51%. The attendances on the targeted sessions have exceeded expectation by over 100%. This has helped set firm foundations as we go into the next financial year.

3.52 Art Gallery & Museum – Trading income

The 2009/10 budgeted café income of £8,100 is not expected to be achieved, due to a short term contract having been put in place pending the temporary closure of the Art Gallery & Museum for redevelopment in the Autumn 2010. This contract ensures continuity of the café service, but the terms are not expected to generate the target commission income for the year.

There is expected to be a shortfall in the shop trading income of £7,000 against a budget of £22,100 for 2009/10. The level of trade has reduced in recent years and stock replenishment is now being restricted, pending the temporary closure of the Museum later this year.

The shortfall of income in these areas will be partially offset by an appropriation of £8,700 from the Art Gallery & Museum shop reserve in 2009/10, set up for this purpose. The remaining shortfall of £6,400 will be absorbed by other net expenditure

savings within the Art Gallery & Museum division.

3.53 Sports & Play Management – Cricket Hall access arrangements

The budget of £13,700 carried forward from 2008/09 to fund feasibility work on the access arrangements for the cricket hall, under the Disability Discrimination Act has not been needed as the completed study has been funded from within the 2009/10 programmed maintenance budget. This will therefore be unspent at the year end.

3.54 Sport, Play and Healthy Lifestyles

The Sport, Play and Healthy lifestyles service is predicting a collective overspend of approximately £3,000 for 2009/10. This is primarily as a result of increases in casual staff linked to the Summer of Sport initiative and annual leave payments for casual staff that had previously not been factored into budgets. LABGI funding had been secured to support the Summer of Sport programme over a three year period, but it was agreed that this funding would be used to support a project expansion during 2010, 2011 and 2012, linked to the London 2012 Olympics.

3.55 Youth Affairs

There is an expected underspend of £13,900 in LPSA grant money carried forward from 2008/09 for the provision of youth facilities / grants in Cheltenham. A request will be made at the year end to carry forward this underspend, to be spent in 2010/11.

Community Services:

3.56 Community Services Overheads

There is an overspend of £22,400 on the overheads cost centre, including an overspend of £21,900 against the budget of £14,000 for the division's professional training. This is as a result of the commitment in 2009/10 to "grow our own" professional training to develop staff into 'hard to recruit' posts – mainly Environmental Health officers. There is an economy here through not having to pay market supplements or advertising costs for posts to which applicants were not responding. The team are now back to the required level of capacity and the training costs required in 2010/11 will be within budget.

3.57 Stronger Communities – Homelessness

There is a forecast total net underspend of £31,500 in the Homeless budgets, made up of the following:-

There is a forecast underspend in the supplies and services budget of £9,000 for the year as a result of lower than expected expenditure.

There is a forecast net underspend of £9,500 in the cost of provision of bed & breakfast accommodation for the year as a result of effective preventative work with individuals and their families and efficient use of furnished temporary accommodation.

The Choice Based Lettings system has now been implemented. The annual revenue budget of £13,000 was not needed in 2009/10 as the software costs for the first year of operation were included in the initial contract price. There is therefore an overall underspend at the year end.

3.58 Stronger Communities – Community Alarms

There is a forecast underspend of £4,800 in the supplies and services budgets for community alarms as a result of expedient procurement.

3.59 Safer Communities – pest control and pollution control income

There is a projected shortfall in fee income for the year of £2,200 as a result of a reduction in the number of domestic treatments and fewer contracts in 2009/10.

This shortfall is offset by a forecast saving in supplies and services budgets for the year of £5,000, resulting in an estimated net underspend in these services of 2,800 for the year.

3.60 Safer Communities – Licensing Expenditure

There is a forecast saving on general supplies and services expenditure of £6,500 for the year.

3.61 Safer Communities – CCTV Cameras

There is an expected overspend of £6,600 in the budgets for CCTV / Community Safety for the year as a result of the payment of electricity charges not previously charged for and a shortfall of £2,000 in the sponsorship income budget. The new contract negotiated in 2009/10 has delivered savings in this area which have been included in the approved 2010/11 original budget.

3.62 Safer Communities – Contaminated Land

The budget of £5,000 for fees payable has not been needed for the year, resulting in an underspend in the Contaminated Land budgets for 2009/10.

3.63 Safer Communities – Air Quality

There is a forecast saving in Air Quality expenditure of £6,500 for the year, including an underspend of £7,400 in the equipment budget used for the annual maintenance costs of an air quality machine, that is no longer needed as the machine has been withdrawn from use.

3.64 Safer Communities – Housing Standards

There is a forecast net underspend in the housing standards budgets of £6,000 for the year, including a surplus of £3,600 on NAA Burials, an underspend of £4,400 in the hire of outside services budget and a shortfall of £2,300 in the fee income budget.

Built Environment

3.65 Development Control fees

The anticipated level of fee income at year end is £55,000 in excess of the budgeted target. Expenditure on legal costs in support of planning appeals is currently showing an anticipated underspend for the full financial year of £5,000, due to a reduced level of appeal activity, particularly in relation to major applications. The net underspend across this cost centre is therefore anticipated to be £60,000 at the year end.

3.66 Housing and Planning Delivery Grant

Project slippage is likely to result in an underspend of £10,900, however this residual funding will be requested to be carried forward to help fund staffing and project costs in future years. The HPDG settlement for 2009/10 has now been determined and as a result the 2009/10 payment of £482,300 has been received. This additional underspend will be transferred to the HPDG reserve for utilisation on future staffing and scheme project costs.

3.67 Civic Pride

This cost centre is anticipated to be £77,000 under spent at the year end. This is

primarily due to works that have been commissioned but not yet invoiced. It should also be remembered that given the global financial position certain planned project works will have to be put on hold temporarily. This underspend will be transferred to the Civic Pride reserve to meet the cost of future projects in the next financial year.

3.68 Building Control

As at the end of the financial year the level of income is anticipated to be £15,000 behind the budgeted target. This is again as a result of the lower level of activity resulting from the recession. This is anticipated to be offset by an underspend on supplies and services of £24,400. It is therefore anticipated that this cost centre will be under spent by £9,400 in 2009/2010. It is requested that this underspend be carried forward into 2010/11 to fund joint on-going ICT requirements.

3.69 Land Charges

The income figures to the end of March show a positive variance against budget of £15,000. It is hoped that this signals the start of a sustained recovery in housing sales activity.

3.70 Property Services Overhead a/c

There is anticipated to be an underspend on this cost centre of £20,000 at year end due to savings on supplies and services This is due to a saving on consultancy work for the Asset Management Planning project of £16,000 and ICT project costs undertaken in-house of £4,000.

3.71 Municipal Offices

This cost centre is anticipated to be underspent by £16,000 which is primarily due to a reduced level of spend on reactive repairs and maintenance further to the accommodation strategy review and civic pride initiatives.

3.72 Miscellaneous Properties

Income from Miscellaneous Properties is anticipated to fall short of the budgeted figure by £12,000 for the financial year 2009/10. This is a direct result of slow take up on general fund properties at Priors Road and Enterprise Way.

3.73 Concessionary Fares

The Council is a member of the Gloucestershire County Council's countywide concessionary travel scheme for 2009/10. The cost allocations for the countywide scheme are controlled by the consultants (JMP) providing the administrative support for the County Council acting in its capacity as the administering authority. A series of annual financial deals with the major operator, Stagecoach, have been provisionally finalised. A total package of payments totalling £15m covering all of the districts for the financial years 2008/09 to 2010/11 has been negotiated. This will ensure a greater degree of certainty surrounding the cost base for the major operator for the duration of the deal. The costs for the other operators have increased due to a greater than anticipated increase in the demand for concessionary journeys. However, it is anticipated that the revised budget will be sufficient to fund the actual costs for other operators in 2009/10.

3.74 Off-Street Car Parking

Income from off-street parking is composed of two elements – fines and fees. In assessing fine income level it is necessary to include the actual income paid and also the potential income that could result from bailiff action to recover unpaid fines. The combined figures from both paid and recovery sources suggest that the overall level of fine income is anticipated to be £3,000 in excess of revised budget for 2009/10. This level of income is, however, £125,000 short of the historic budget. Officers are working to address this long term deficit position. Off-street fee income is £96,000

behind the long term budget position as at the end of March 2010. This shortfall in income is primarily due to the severe winter period post Xmas. The overall combined level of fine and fee income is anticipated to be £218,000 behind the revised budget for the full financial year 2009/10. Expenditure on security costs is £12,000 overspent due to additional closure requests resulting from an increase in anti-social behaviour throughout the year. The net position on this cost centre is therefore anticipated to be £230,000 overspent.

3.75 Environmental Maintenance overhead A/c

At the year end it is anticipated that this cost centre will be under spent by £15,000 due to savings on ICT projects uncompleted in year. It is requested that this underspend of £15,000 be carried forward into 2010/11 to facilitate completion of these ICT projects.

3.76 Street Cleaning

This cost centre is anticipated to be under spent by £35,000 at the year end. This is due to a saving on employee overtime costs.

3.77 Recycling fees

Income from the sale of recyclable materials has increased this year from the low values experienced throughout the previous financial year due to an increase in prices for recycle. At year end recycle income is greater than the budgeted target by £25,000. This figure includes one-off income of £23,000 from the sale of large domestic appliances for the previous financial year.

3.78 Gloucestershire CC Schools

Following the loss of a number of schools from local authority control the level of net income for this contract has reduced by £15,000 per annum. It is therefore anticipated that this cost centre will be overspent by £15,000 at the year end.

3.79 Cemetery and Crematorium

It is anticipated that this cost centre will be £27,000 overspent at the year end. This is as a result of a net reduction in income from burial and cremation memorials and associated fees of £5,000. Also there has been a £12,000 increase in employee costs relating to overtime relating to security issues. A further £10,000 overspend has occurred on supplies and services relating to general maintenance issues.

Environment Management & Administration

3.80 Civil Emergencies

This cost centre is anticipated to be underspent by £150,000 at year end. This is primarily due to project slippage following the severe winter weather of January 2010. It is anticipated that the underspend of £138,000 will be transferred to the Flood Alleviation reserve for utilisation in future years. Also, a £12,000 underspend has occurred on the provision of works to the Holy Apostles Fountain, it is requested that this be carried forward into 2010/11 to complete the works.

4 Treasury Management

4.1 There is a predicted shortfall of interest of £25,800 to report on Treasury Management for 2009/10. However the General Fund is £127,600 adverse against the 2009/10 revised budget while the Housing Revenue Account (HRA) is £101,800 favourable against the revised budget.

4.2 The primary reason for the shortfall in the General Fund is that the calculation for the HRA Item 8 Credit at revised budget estimated the consolidated rate of interest to be

3.32% on all borrowing, but this is now likely to be lower at 2.81%. This has resulted in the HRA paying £95,900 less interest to the General Fund for 2009/10.

4.3 HRA revenue balances are expected to be higher than estimated at revised budget time due to higher rental income being achieved and also lower revenue balances required for capital financing. This has resulted in the HRA receiving £5,900 more in interest from the General Fund.

4.4 Lending interest is also forecast to be down by £22,000 as a £2m callable deposit achieving 6.01% was recalled by the bank. The monies were deposited with another bank at the much lower rate of 1.82%.

4.5 Icelandic banks

The Council has £11 million invested in the collapsed Icelandic banks. In the outturn report to Cabinet and Council in June 2009 it was reported that the potential loss to the Council in irrecoverable loans and interest due was, based on the latest information at the time, around £1.75 million. In addition interest would not be received on the recoverable amount for the period in which it remained unpaid. This resulted in likely lost interest of around £1.1 million, resulting in the 'impairment' loss shown in the Statement of Accounts for 2008/09 of £2.9 million.

As the interest of £1.1 million had not been budgeted for in 2008/09, 2009/10 and future years, and the loss was therefore already accounted for, the potential unbudgeted impact on reserves and balances at the time remained around £1.75 million.

In September 2009 further guidance issued by CIPFA, based on updated information released by the receivers and administrators of the banks, indicated a possible reduction in the percentage of the Landsbanki loans likely to be recoverable. Under recent changes to Icelandic law, the period of the loans for which interest is payable for the Landsbanki and Glitnir loans was however extended and the interest rates payable increased to a penalty rate.

In December 2009, however, the winding up board at Glitnir bank announced that local authority claims in the bank will be treated as general unsecured, rather than priority, claims. This reduces the percentage likely to be recoverable from 100% to an estimated 30%, *increasing* the impairment charged to the Income & Expenditure account by £2.1 million (after taking into account penalty interest).

Recent further information provided by the relevant administrators of Kaupthing, Singer & Friedlander Ltd (K&SF) has indicated a recovery rate of 60p to 75p in the £ (up from the original estimate of 50p in the £), of which 20p in the £ was received in July 2009, and 10p in the £ in December 2009. A third distribution of 5p in the £ is expected to be received in April 2010. Assuming a recovery rate of 60%, the increase from 50% *reduces* the impairment charge by £0.3 million.

Recent further information regarding Landsbanki Islands Hf has indicated a recovery rate of 89p in the £ (down from the original estimate of 95p in the £). This *increases* the impairment charge by £0.3 million (after taking into account penalty interest).

The overall impairment loss on the basis of current information is currently therefore estimated to be around £5 million (the original £2.9 plus an additional £2.1 million for Glitnir). However this includes lost interest from the date of the claims until repayment of the money (of around £1.1 million), which is already accounted for since it has not been budgeted. The potential unbudgeted impact on reserves and balances is

currently therefore around **£3.9 million** (£5m less £1.1 million).

In January 2010 the Council was successful in its application to the Government for a capitalisation direction of **£4.43 million** for 2009/10. This will allow the Council to treat the impairment charge, which must be charged to the general fund balance by 31st March 2011, as capital expenditure in 2009/10. On current estimates, use of this direction will result in an under spend of around **£0.5 million** (£4.43 less £3.9 million) which, it is recommended, is transferred to the general fund balance to cover any further possible losses in future years.

It is important to stress that the receivership and administration process in relation to the banks is still ongoing and that there are still a number of uncertainties as regards the amount and timing of repayments and the penalty interest rates that will apply. This means the potential loss is likely to change as the position becomes clearer.

Cabinet and Council will be kept updated as and when further information becomes available.

External costs of nearly £23,000, comprising payments to the LGA and consultants, have so far been incurred in 2009/10 in relation to preparing and submitting the claims for the amounts outstanding from the banks. These costs have been met out of the revised Treasury Management budget.

5 Capital Expenditure

- 5.1** Possible significant variances to the 2009/10 revised capital budgets and a position statement on major capital schemes are detailed below:
- 5.2** The budget allocation for Multi Use Games Areas of £13,000 has been fully committed and will be spent in full during 2010/11. A contract has been awarded in respect of Agg Gardners and work will commence in due course.
- 5.3** A revised budget of £71,000 was allocated to CCTV in Car Parks, £37,700 of which has currently been spent. The balance remaining of £33,300 is being held back pending an audit review as a result of contractual issues and will be required in 2010/11.
- 5.4** Construction works in respect of the Depot Rationalisation are underway, but due to adverse weather conditions earlier in the year and supplier issues the project is currently around 6 weeks behind schedule. The remainder of the budget, totalling £114,000 will be fully spent in the early part of 2010/11.
- 5.5** A budget of £23,000 was set aside for Re-jointing the High Street/Promenade pedestrianised area. The majority of this work has been completed in association with Gloucestershire County Council and the estimated cost of the works is circa £18,000. The balance will be required to complete the re-jointing works in the new financial year.
- 5.6** In 2006/07 a successful capital bid of £94,500 was supported for a Business Change programme. This programme included works in respect of attendance recording and payroll processing, CRM Phase 2, Library Drive and internet search engine and Government Connect. As at 31st March 2010, £34,000 of this budget remains unallocated as a number of the work-streams now fall under the remit of the 'Sourcing Strategy' which has been separately costed. It is proposed that a request will be made for £20,000 of this sum be vired to support additional funding requirements in the preparation of proposals to host and support the GO7 ERP system with the

remaining £14,000 being put back to the capital reserve for future allocation.

- 5.7** In the 2009/10 Working Flexibly business case, £12,800 capital and £6,200 revenue was allocated to purchase ICT equipment for users (e.g. laptops, mobiles, printers etc.) and home office requirements (desks, broadband, utilities, insurance etc.) In consultation with SLT the decision was made that the project should not incur user equipment or home office costs, and the funds should be reallocated to part fund the purchase of a Citrix solution to provide remote access to business systems. The remainder of the Citrix purchase is to be funded by capital of £49,000 provided in 2010/11. Work is currently progressing to procure a Citrix solution and the budget allocation for 2009/10 of £67,000 will be spent in the first two quarters of 2010/11.
- 5.8** A budget of £20,000 was allocated for the replacement of the Committee Web System. The system is now ordered and work has commenced on installation. However, it will not be fully implemented until training has been received in June/July 2010 and therefore the budget will need to be carried forward to 2010/11 as payment is not due until implementation has been completed.
- 5.9** The rationalisation and maintenance of street furniture has been deferred to 2010/11 as a result of Civic Pride. The budget of £12,000 will need to be carried forward in full.

6 Programme Maintenance Expenditure

- 6.1** The majority of work planned for completion in 2009/10 remains scheduled. However, £60,000 has been identified as no longer being required in 2009/10 and will be returned to the planned maintenance reserve for redistribution. This is partly due to the extension at the Art Gallery & Museum meaning £19,000 of work is no longer required. Additionally, a roof re-inspection at Pittville Pump Room has reduced the remedial works required resulting in a £27,000 saving. Further to this, £10,000 has not been required at the Municipal Offices pending the outcome of Civic Pride and the irrigation system at the Prince of Wales Stadium costing £4,000 was funded from fire insurance, resulting in a saving to the council.
- 6.2** However, it will be necessary to carry forward £25,000 to 2010/11. This is partly as a result of slippage in the installation of CCTV at Pittville Pump Room (£5,000) and various works at Leisure@ (£5,000). The remaining £15,000 relates to professional fees for pre-contract works at the Crematorium as part of their scheme for replacement. This will be needed in 2010/11 as the scheme progresses.

7 Housing Revenue Account (HRA)

7.1 Housing Revenue Account

As a result of the reduction in interest payable and an increase in the interest receivable due to changes in the consolidated rate of interest and an increase in revenue balances, the HRA is projected to be £101,800 favourable to the revised budget.

7.2 Housing Capital Programme

There is an projected saving on the HRA capital programme of £200,000 primarily due to a lower than anticipated need to spend on major void refurbishment.

7.3 Summary

The above favourable variations will result in an additional £300,000 in revenue balances at 31st March 2010.

8 Council Tax and NNDR Collection

- 8.1** The monitoring report for the collection of council tax and NNDR income is shown in Appendix 1. This shows the projected outturn for 2009/10.

9 Conclusion

- 9.1** The net effect on the General Fund of the variances reported above is that there may be a net saving against the revised budget of £224,800 for 2009/10. It will be for the Cabinet and Council to decide in June 2010, when outturn is finalised, how to apply this saving, bearing in mind the need to keep the level of reserves robust and the uncertainty surrounding Icelandic investments.

10 Consultation

- 10.1** The work undertaken to produce this report has involved consultation with a wide number of services and cost centre managers.

Background Papers	Detailed budget monitoring exercise
Report Author	Paul Jones, Head of Financial Services, 01242 775154, paul.jones@cheltenham.gov.uk
Accountability	Cabinet Member for Finance and Community Development
Scrutiny Function	All Overview and Scrutiny committees