

Cheltenham Borough Council

Cabinet – 19 April 2011

Budget Monitoring Report 2010/11 – position as at February 2011

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|---------------------------------------|--|
| Accountable member | Councillor John Webster, Cabinet Member for Finance and Community Development |
| Accountable officer | Paul Jones, Head of Financial Services |
| Accountable scrutiny committee | All |
| Ward(s) affected | All |
| Key Decision | No |
| Executive summary | To update Members on the council's current financial position for 2010/11 based on the monitoring exercise at the end of February 2011. The report covers the council's revenue, capital, treasury management and the housing revenue account. The report identifies any known variations to the 2010/11 revised budget and a position statement on major schemes. |
| Recommendations | <ol style="list-style-type: none">1. Note the contents of this report including the key projected variances to the revised 2010/11 budget and the projected total budget saving of £74,300.2. Note the Cabinet's intention to recommend to Council, as part of the 2010/11 outturn report to Council on 27th June 2011, that part of this projected budget saving be used to fund an interim solution relating to the Bath Road toilets (see paragraph 2.71).3. Note the Cabinet's approval, under financial rules 4G, part 8.11, to use the net underspend on new green waste schemes to fund the full rollout of plastic bottles collection across the borough in 2011/12 (estimated cost £17,000) (see paragraphs 2.55 and 2.56). |
| Financial implications | As detailed throughout this report. Contact officer: Sarah Didcote, sarah.didcote@cheltenham.gov.uk, 01242 264125 |
| Legal implications | None directly arising from this report. Contact officer: Peter Lewis, Peter.Lewis@teWKesbury.gov.uk, 01684 272695 |

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| HR implications (including learning and organisational development) | <p>Managers and HR Advisors have worked together to ensure vacancies are managed effectively. The Executive Board has considered requests for recruitment based on individual business cases. Assessments were made to see if any vacancies could be turned into permanent establishment savings.</p> <p>Contact officer: Julie McCarthy , julie.mccarthy@cheltenham.gov.uk, 01242 264355</p> |
| Key risks | <p>As outlined in Appendix 1.</p> |
| Corporate and community plan Implications | <p>Key elements of the budget are aimed at delivering the corporate objectives within the Corporate Business Plan.</p> |
| Environmental and climate change implications | <p>None.</p> |

1. Background

- 1.1 This report provides the last monitoring position statement for the financial year 2010/11. The purpose of this report is to notify members of the anticipated outturn position for 2010/11 including any known requests for budgets to be carried forward into 2011/12.
- 1.2 The budget monitoring report to the end of August 2010 projected an overspend for the year of £801,700. As a direct result of that projection, the Senior Leadership Team (SLT) (in consultation with Cabinet) instigated an immediate recruitment freeze and a rigorous approach has now been adopted for future approval for any recruitment requests. In addition, officers have been instructed to reduce spend on supplies and services to essentials for the remainder of the financial year.
- 1.3 These measures enabled the council to address the potential in year budget deficit and deliver a revised balanced budget which does not require a contribution from general balances. It is pleasing to note that the anticipated outturn position will deliver a saving of £74,300 against this revised budget.
- 1.4 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 2011/12 financial year. Where this applies, requests for carry forwards are noted in this report.

2. Net revenue position

- 2.1 The table below summarises the net impact of the variances identified on the overall 2010/11 revised budget position.

| Budget variances | (Overspend) / Underspend £ | para. ref: |
|---|----------------------------------|------------|
| | | |
| Assistant Chief Executives | | |
| Business & Economic Development | 44,300 | 2.5 |
| Neighbourhood Management | 12,500 | 2.6 |
| Community Pride | 23,300 | 2.4 |
| Cheltenham Strategy Partnership | 9,300 | 2.9 |
| Strategic Planning | 3,100 | 2.7 |
| Joint Core Strategy | (49,500) | 2.8 |
| Democratic & Civic | 17,800 | 2.12 |
| One Legal – Former employee dispute costs | (15,000) | 2.11 |
| Elections & Electoral registration | 12,700 | 2.13 |
| Human Resources & Organisational Development | | |
| Human Resources | 14,700 | 2.14 |
| | | |

| | | |
|---|----------|------|
| Customer Access & Service Transformation | | |
| Customer & Support Services | 10,300 | 2.19 |
| CAST Management | 3,200 | 2.15 |
| Housing benefits administration | 18,600 | 2.16 |
| Revenues | 14,100 | 2.18 |
| Procurement services | (4,700) | 2.20 |
| Service Development | (1,900) | 2.21 |
| ICT Infrastructure and Telecommunications | (4,500) | 2.22 |
| ICT Services | 9,700 | 2.23 |
| Financial Services | | |
| Financial Services Division | 16,500 | 2.24 |
| Gloucestershire Airport | (5,400) | 2.26 |
| Pensions back funding | (17,000) | 2.25 |
| Business Change | | |
| Sourcing Strategy | 68,700 | 2.28 |
| Government Connect | 4,600 | 2.29 |
| Working Flexibly | 18,400 | 2.30 |
| Wellbeing & Culture | | |
| Town Hall | 18,700 | 2.31 |
| Box Office | 33,400 | 2.32 |
| Pump Rooms | 3,700 | 2.33 |
| Stanton Room | 3,400 | 2.34 |
| Christmas in Cheltenham | (1,700) | 2.35 |
| Tourist Information Centre | 2,500 | 2.36 |
| Art Gallery & Museums | (600) | 2.37 |
| Everyman Theatre | (1,200) | 2.38 |
| leisure@ | 78,000 | 2.39 |
| Youth Affairs | 6,500 | 2.40 |
| Community Services | | |
| Divisional Overheads | 2,800 | 2.41 |
| Resource Centre | (1,500) | 2.42 |
| Disability Forum Grant | 900 | 2.43 |
| Built Environment | | |
| Concessionary Fares | (10,000) | 2.61 |
| Off Street car parking | (85,000) | 2.62 |
| Development Control fees | (33,000) | 2.64 |

| | | |
|---|----------------|------|
| Built Environment Overheads | 20,000 | 2.63 |
| Housing and Planning Delivery Grant | (5,000) | 2.66 |
| Building Control | 25,000 | 2.65 |
| Civic Pride | (6,000) | 2.67 |
| Municipal Offices | 30,000 | 2.69 |
| Depot | 8,000 | 2.68 |
| Miscellaneous Properties | 18,000 | 2.70 |
| Operations | | |
| Pest and Pollution Control | 11,500 | 2.46 |
| Licensing | (8,800) | 2.45 |
| CCTV Cameras and Crime and Disorder | (1,300) | 2.47 |
| Contaminated Land | 2,600 | 2.48 |
| Air Quality | 3,600 | 2.49 |
| Animal Welfare | 7,300 | 2.50 |
| Street Cleaning | (35,000) | 2.53 |
| Recycling Activities | 15,000 | 2.54 |
| New Green Waste schemes | 37,000 | 2.55 |
| Sports & Open Spaces | 26,500 | 2.57 |
| Non Principal Roads –Environmental Maintenance | 10,000 | 2.58 |
| GCC Schools | 20,000 | 2.59 |
| Cemetery and Crematorium | (50,000) | 2.60 |
| Environmental Maintenance overhead A/c | 8,000 | 2.51 |
| Green Environment overhead A/c | 6,000 | 2.52 |
| Strategic Directors | | |
| Civil Emergencies | 135,000 | 2.27 |
| Sub total of net savings to Service Budgets | 498,100 | |
| | | |
| Less: Vacancy management saving target | (50,000) | |
| Net increase / (decrease) in transfers from/to reserves | (75,200) | |
| Anticipated carry forward requests/slippage in schemes | (250,800) | |
| | | |
| Net savings to Service Budgets | 122,100 | |
| | | |
| Treasury Management -Interest shortfall | (47,800) | |
| | | |
| Net projected budget saving 2010/11 | 74,300 | |

- 2.2** 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 have been analysed as part of the work of the Bridging the Gap group to establish whether they are sustainable into the future and have been built into the 2011/12 approved budget where appropriate.

| | (Overspend) / Underspend £ |
|--|----------------------------------|
| Net reduction in employee costs | 22,500 |
| Net reduction in service costs / operational expenditure | 218,900 |
| Net reduction in income | (119,300) |
| Treasury Management (inclusive of Icelandic Investments) | (47,800) |
| Net projected budget saving 2010/11 | 74,300 |

Employee costs 2010/11

- 2.3** In putting together the revised budget for 2010/11 in November 2010 it was assumed that £50,000 of savings would be realised in the last 4 months of the financial year through vacancy management. This target has been exceeded by £22,500, the detail of which is identified throughout the report.

Assistant Chief Executives

2.4 Community Pride

There is a projected underspend in grant payments of £23,300 due to the 2010/11 projects only receiving formal agreements in July 2010, and having twelve months to spend their allocation. The balance remaining will therefore be requested to be carried forward into 2011/12.

2.5 Business & Economic Development

There is a projected underspend of £44,300 for 2010/11 which is made up of £37,300 under spend of LABGI funding. This is to be requested to be carried forward into 2011/12 to fund committed projects which are ongoing. The remaining under spend of £7,000 is due to an under spend on employee costs due to a staff member returning from maternity leave and reducing their hours.

2.6 Neighbourhood Management

There is a projected under spend of £12,500 for 2010/11 as some of the allocations of this grant to support community coordination of the neighbourhood management meetings will be paid over in instalments during 2011/12. A carry forward request will be made at year end.

2.7 Strategic Planning

There is a projected under spend of £3,100 for 2010/11 which is a result of £1,000 under spend on employee costs and £2,100 on supplies and services expenditure.

2.8 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 overspend of £49,500 is expected at outturn for 2010/11. The overspend can be accounted for by the additional work regarding several evidence

based studies that have been undertaken, namely the Employment Land Review and Housing Projection work. All of this overspend will be met by the Joint Core Strategy Reserve, set up for this purpose.

2.9 Cheltenham Strategic Partnership

There is an estimated under spend of £9,300 for the year, of which £8,900 has been committed to be spent in 2011/12 for the children and young people's partnership, to support the Inspiring Families project. The base budget for CSP expenditure has been reduced by £10,000 to £5,000 in 2011/12 and a request will be made to carry £8,900, to enable this project to go ahead.

2.10 One Legal

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 2010/11 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.

2.11 Former employee dispute costs

There is estimated expenditure in respect of the settlement of the court case legal costs for the year of £15,000. This will be funded by general reserves at the year end.

2.12 Democratic and Civic budgets

There is a projected net under spend of £17,800 in democratic and civic expenditure budgets for the year, made up of £12,700 underspend in members allowances, training and conference fees and £5,100 underspend in various civic expenses and events due to a reduction in expenditure during the year.

2.13 Elections and Electoral Registration

There is a projected net under spend of £12,700 in the cost of elections and electoral registration for the year. This underspend will be transferred back into the elections reserve, which will be drawn upon to fund any non-reimbursable costs of the AV Referendum in May 2011, and future unexpected elections.

Human Resources and Organisational Development

2.14 Human Resources Division

There is an expected net underspend within the Human Resources Division of £14,700 made up as follows:

There is a projected net under spend of £3,500 in employee costs, mainly arising from staff vacancies and reduced hours occurring after the revised budgets were prepared in October 2010.

The budget of £9,000 for occupational health (which covers staff medicals, eye tests and health referrals) is projected to be over spent by around £7,700 for the year. This is as a result of the focused activity of managing attendance and tackling sickness absence levels. The care counselling budget of £4,600, however, is forecast to be £3,000 underspent, resulting in a net over spend of £4,700. A projected underspend of £4,000 in other supplies and services within the service will result in a net overspend of £700. A request will be made at the year end to carry forward £600 of this underspend to meet training commitments in relation to defibrillator equipment, ensuring there are adequate trained first aiders on site in the case of a medical emergency.

Income of £11,900 was received in February 2011 to contribute towards the backfilling of the post holder that has been recruited into the GO Programme. This funding has not been able to be utilised in 2010/11 and a request will be made to carry this forward into 2011/12 to support the payroll function and ensure service resilience, which is a high corporate risk to the council and

Customer Access & Service Transformation (CAST)

2.15 CAST Management

There is an estimated underspend of £3,200 in supplies and services budgets, mainly due to a saving in professional training budgets for the year.

2.16 Housing Benefits administration

There is an expected underspend of £18,600 for the year. This is made up of £11,600 employee savings as a result of a mid-year vacancy and non-utilised vacant hours, and £7,000 from a temporary reduction in court work and printing costs during the year.

2.17 Housing Benefits – net cost of benefits

The cost of rent allowances, rent rebates and council tax benefit's 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 or 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 the demand-led service.

2.18 Revenues

There is an expected under spend of £14,100 on Revenue Services for the year, made up of £6,500 on business revenues/property inspection salaries arising from staff turnover and long term sick leave; £9,100 on supplies and services (mainly on printing and postages); and £1,500 net underachievement of legal fee income as a result of referring fewer cases to court.

2.19 Customer & Support Services

There is a projected underspend of £10,300 in customer services budgets, made up as follows:-

There is an expected under spend of £4,200 across supplies and services budgets, including a saving of £1,000 from reducing the courier service from 5 to 3 collections per week since December 2010.

There is an underspend in employees budgets of £6,100, from savings in Customer & Support Services, totalling £1,400 and £4,700 in Car Park Income Collection and Custodians overtime and temporary staff budgets.

2.20 Procurement

There is forecast to be an over spend of £4,700 for the year. This is due to additional salary payments, which have been incurred due to additional work commitments and reduced resource capacity in the team arising from maternity and sickness absence.

2.21 Service Development

There is an overspend of £1,900 for the year as a result of additional website maintenance commitments required during 2010/11.

2.22 ICT Infrastructure and Corporate Telecommunications

There is a projected overspend on private circuits within the Corporate Telecommunications cost centre of £10,700, partially offset by an underspend within the ICT infrastructure budget of around £6,200. There is therefore a net overspend across these functions of £4,500.

2.23 ICT Services

There is an estimated net underspend of £9,700 within ICT division for the year. The salaries

budget is expected to be underspent by a net £8,700 as a result of staff reduction in hours, the overtime freeze and a post holder moving to a permanent position within the GO programme. There is a net overspend on supplies and services of £800, and additional income of £1,800 has been generated from providing project management services to Gloucestershire County Council.

Financial Services

2.24 Financial Services Division

Financial services division is anticipated to generate a £16,500 under spend in 2010/11, the majority of which relates to income received under the 'gifting arrangements' for the GO Partnership with the balance relating to prudent control of supplies and services. A carry forward request of £10,000 will be made to continue back-filling members of staff that have been seconded to the GO Programme in lieu of the income received from other members of the GO Partnership, to ensure service resilience.

2.25 Pension costs

There is an estimated overspend in pension back funding contributions for the year of £17,000, against a budget of £1,335k. This fluctuation will be met from the pensions reserve, set up for this purpose.

2.26 Gloucestershire Airport

There is an expected overspend in legal fees payable for Gloucestershire Airport of £5,400, as a result of additional legal costs incurred during 2010/11 due to the delays and complexities of the Runway Safety Project.

Strategic Management

2.27 Civil Emergencies

It is anticipated that there will be an underspend of £135,000 on this cost centre due to project slippage following delays caused by the severe winter conditions. This underspend will be transferred to the Flood Alleviation Reserve to fund the continuation of works in the financial year 2011/12.

Business Change

2.28 Business Change – Sourcing Strategy

The Revenues & Benefits, Customer Services and ICT Sourcing Strategy budgets are forecast to be £68,700 underspent. The work streams have now been completed, although a carry forward request will be prepared in due course for the systems thinking works outstanding.

2.29 Business Change - Government Connect

There is a forecast underspend of £4,600, against the budget of £46,500 for the year. Further work may be needed in this area and therefore a carry forward request will be reviewed in due course.

2.30 Business Change –Working Flexibly

This budget of £25,700 is expected to be under spent by £18,400. It is the intention of the Working Flexibly project to procure a replacement access gateway in 2011/12. The gateway acts as the secure 'door' which customers face before access is given to the Citrix remote access infrastructure. A request will therefore be made to carry forward the full amount of the underspend to support the business change initiative and ensure project delivery.

Wellbeing & Culture

2.31 Town Hall

There is a projected underspend of £18,700 for the Town Hall in 2010/11. Employee costs generated a saving of £13,700 as less casual staff were used for supporting events than originally budgeted.

Income is projected to generate a surplus of £5,000 against the revised income targets for 2010/11. Due to the success of attracting big star names and having sell out audiences, this has resulted in achieving a higher income.

2.32 Box Office

There is a projected underspend of £33,400 for the year, made up as follows:-

Employee costs produced a saving of £18,600 due to the freeze on vacant posts put into place in the latter part of the financial year.

Ticket commission income is projected to be £14,800 above target as many of the Town Hall events whether held by CBC or by outside agents has surpassed ticket sale expectations.

2.33 Pittville Pump Rooms

The Pump Rooms is projected to generate an underspend of £3,700 for the year. This is due to catering commission income exceeding expectations and the success of wedding events held at the Pump Rooms.

2.34 Stanton Room

The Stanton Room is estimated to underspend by £3,400 for 2010/11. There has been an increase in charges for lettings in line with inflation, resulting in lettings income over achieving by £2,500. The remaining £900 underspend has been achieved by savings on expenditure within supplies and services budgets.

2.35 Christmas in Cheltenham

There is a projected overspend of £1,700 on this budget cost centre for 2010/11. Costs for electricity and maintaining the lights exceeded the budget as health and safety regulations needed to be adhered to.

2.36 Tourist Information Centre (TIC)

There is an expected shortfall in trading income from the TIC shop and programme advertising of £12,500 for the year against a revised budget of £44,800. There is also an expected shortfall in banners income for the year of £2,000, bringing the total income shortfall to £14,500.

There is an estimated underspend of £9,000 in employee costs for the year due to the management of vacant posts and staff restructures during the latter part of the year.

There is also a net underspend in general expenditure of £8,000, including £5,000 estimated saving in franking machine postage.

The overall net position for the TIC is therefore estimated to be underspent by £2,500 for the year. Should the actual trading position detailed above be less than expected, an appropriation will be made from the AG&M and TIC shop trading reserve.

2.37 Art Gallery & Museum

There is an expected shortfall in the shop trading income of £2,500 against the revised budget of £12,500 for 2010/11. The level of trade has been reduced significantly during the year and stock replenishment has been kept to a minimum, pending the temporary closure of the museum for redevelopment on 31st March 2011.

There is also an expected shortfall in commission of £4,600 against the £10,100 income target and a shortfall in lettings income of £1,000 for the year.

There is an expected net underspend of £7,500 in expenditure budgets for the year, including an overspend of £5,200 in employee costs due to the recruitment of staff for an off-site exhibition in March 2011, previously to be manned by permanent staff following the original planned closure date for the museum.

The overall net position for the Art Gallery & Museum division is therefore estimated to be a minimal overspend of £600 for the year. Should the actual trading position detailed above be less than expected, an appropriation will be made from the AG&M and TIC shop trading reserve.

2.38 Everyman Theatre

There is an expected overspend of £1,200 against the response maintenance budget of £1,700 for the Everyman Theatre for the year.

2.39 leisure@ Cheltenham

There is an expected net underspend of £78,000 in leisure@ for the financial year, made up as follows:-

There is an expected net underspend in employee costs of £16,300 due to the management of vacant posts and staff restructuring in the second half of the financial year. A request will be made at the year end for £5,000 of this underspend to be carried forward, to cover the backfilling costs associated with planned systems thinking work within leisure @ in 2011/12.

There is an expected underspend of £32,800 in premises budgets, including £16,200 in the NNDR budget due to an unexpected refund relating to 2008, and an estimated underspend in the utility budgets of £23,000 for the year.

There is an expected underspend of £5,000 in the hire of outside services budget, set aside to fund a feasibility study on options for the future provision of new leisure facilities, as part of the Leisure and Culture commissioning review. This feasibility study is expected to be undertaken in 2011/12 and a request will be made at the year end to carry the money forward for this purpose.

Leisure@ income has continued to grow and it is pleasing to report that there is an expected over-achievement of income of £23,000 at the year end. It should be noted that this is in addition to the £30,000 additional income that was incorporated into the revised budget 2010/11 and original budget 2011/12 due to increased activity at that time. A decision was made not to pass on the VAT rate increase in prices to customers (statutory increase to 20% effective 4th January 2011) until 1st April 2011. This has resulted in approximately £5,000 of lost income being absorbed by the service, included in the £23,000 surplus income above.

2.40 Youth Affairs

There is an underspend of £6,500 in the youth affairs grant budget. This is committed to support the St. Pauls' child poverty initiative and a request will be made at the year end to carry forward this money, to be spent by June 2011.

Community Services

2.41 Community Services Overheads

There is an estimated net underspend in expenditure budgets of £2,800, including a budget of £3,000 for legal expenses and court costs, which has not been needed in 2010/11.

2.42 Resource Centre

There is an expected overspend in the Sandford Road Resource centre of £1,500. This is made

up of a shortfall in rental income of £3,500, and a saving in response maintenance budgets of £2,000. This office has been vacated by two of the tenants during the year. A new lease is currently being drawn up with the remaining leaseholder, Third Sector Services, and the arrangements will be such that the total rental budget of £5,500 will be achieved in the future.

2.43 Disability Forum

There is a saving in the grant payable to the Cheltenham Disability Forum for the year of £900. This group disbanded during the year and returned their accumulated unspent grants to the Council at that time.

2.44 Homelessness

B&B expenditure is expected to be in line with budget as a result of continued successful efforts in preventing homelessness, in particular, through housing households at risk of homelessness into the private rented sector or assisting them in accessing social housing via Gloucestershire Homeseeker's Choice Based Lettings allocations scheme. This approach in minimising time spent in B&B for all, by seeking more appropriate alternatives, helps to keep our costs down in the context of homeless acceptances remaining low. The service is currently focussed on assessing the risks that the changes to the welfare benefit system may have on this area.

Operations

2.45 Licensing

There is an expected overspend of £8,800 in general supplies and services budgets, including an overspend of £5,300 in professional training for licensing officers for the year.

Licensing income is expected to outturn in line with the revised budget 2010/11.

2.46 Pest Control and Pollution control

There is an expected underspend of £6,500 in expenditure budgets, including £2,700 in the seagull protection budget and £2,700 in equipment and purchases. There is also surplus income on the fees for services budgets of £5,000 for the year, bringing the total underspend in these services to £11,500.

2.47 Crime and disorder and CCTV Cameras

There is an expected shortfall in CCTV cameras advertising income for the year of £2,300. This is partially offset by a net underspend in supplies and services budgets of £1,000, resulting in an estimated net overspend of £1,300 for the year.

2.48 Contaminated Land

There is an expected underspend of £2,600 in the budget for fee expenditure for the year, as the total budget of £5,000 has not been needed in 2010/11.

2.49 Air Quality

There is an expected underspend in the equipment budget of £3,600 for the year. A request will be made at the year end to carry this budget forward to cover increased air quality monitoring within the Air Quality Management Area in 2011/12.

2.50 Animal Welfare

There is an estimated underspend for the year of £7,300, made of savings of £4,000 in supplies and services budgets and surplus income of £3,300 for fees for services and fixed penalty notices.

2.51 Environmental Maintenance overheads

This cost centre is anticipated to be under spent by £8,000 represented by savings on ICT costs. This is requested to be carried forward into 2011/12 to fund future ICT for Waste related projects ongoing at the Swindon Road Depot.

2.52 Green Environment overheads

This cost centre is anticipated to be under spent by £6,000 represented by savings on ICT costs

2.53 Street Cleaning

This cost centre is anticipated to be overspent by £35,000 which is represented by additional employee costs of £25,000 relating to overtime payments and £10,000 relating to agency labour.

2.54 Recycling Activities

New contract negotiations have resulted in increases in the price of recyclate and hence the level of recycling credits. The increases in income anticipated at revised budget have not been fully realised and income levels are anticipated to be £55,000 under recovered against these revised budgets. Expenditure on handling charges is also suppressed and is anticipated to show a saving of £30,000 in the financial year 2011/12. The hire of outside services budget is anticipated to show a year end saving of £40,000 against revised budgets. The overall position is therefore anticipated to be £15,000 under spent.

2.55 New Green Waste Schemes

Incorporated in the net budgeted position for the introduction of the Garden Waste scheme is an assumed level of 5,000 sales that will occur before the financial year end. The anticipated number of sales at the year end is 8,400 which will result in additional income of £123,000. This additional level of demand has resulted in a further call on resources. It is anticipated that an additional £26,000 for bin deliveries will be required and an additional £24,000 has been spent on employee costs (Agency labour). The net additional underspend is therefore anticipated to be £73,000. The delivery of garden waste bins will incur one-off costs in the year of delivery which will reduce in future years.

In addition a further £35,000 of agency labour and £16,000 on hire of outside services has been incurred in respect of Food Caddy and Recycling Box deliveries. Also, a further £5,000 has been incurred on Administrative support for the in-house customer services team based at the Swindon Road depot.

The effect of the above scheme activities results in a net under spend of £17,000.

A budget of £20,000, funded from reserves, identified to fund the purchase of composters, has not been spent. It is requested that this under spend is transferred back into reserves to fund the acquisition in 2011/12.

2.56 Plastic Bottle Collection

The medium term financial strategy provides for the roll-out of plastic bottle collection across the borough during 2011/12 and 2012/13. The Cabinet approves, (under Financial Rules 4G, part 8.11) that the £17,000 underspend in new green waste schemes in paragraph 2.55, be used to enable this programme to be brought forward, with the roll-out of the full scheme in 2011/12. Should the overall net underspend not be realised, the Cabinet will look to fund this from other sources, as part of the Outturn report to Council on 27th June 2011.

2.57 Sports and Open Spaces

This cost centre is anticipated to be under spent by £26,500. £9,000 is due to savings on premises related costs, £7,000 of which is requested to be carried forward to 2011/12 to fund bridge repair works at Pittville Park. £7,500 relates to savings in supplies and services costs which is requested to be carried forward to 2011/12 to fund contractual commitments relating to the Dry Stone Walling project at Leckhampton Hill. Income is £10,000 over recovered due to additional sponsorship and lettings receipts.

2.58 Non Principal Roads – Environmental Maintenance

This cost centre is likely to be underspent by £10,000 at the year end, further to additional income from Gloucestershire County Council relating to additional works undertaken on this contract.

2.59 GCC Schools contract

Income levels from this contract are higher than anticipated for the year 2010/11. This is due to additional successful tenders for other schools and grounds maintenance works. It is anticipated therefore that this contract will be under spent by £20,000.

2.60 Cemetery and Crematorium

Income from Burials and Cremations are likely to show an under recovery against revised budget of £40,000. This is due to a reduction in the number of burials accounting for £15,000 of this shortfall and a worse than anticipated period of activity for cremations during February 2011 accounting for £25,000 of this shortfall. Expenditure is anticipated to be over spent by £10,000 which is represented by additional costs associated with cremator maintenance. The net over spend on this cost centre at year end is therefore anticipated to be £50,000.

Built Environment

2.61 Concessionary Fares

Cheltenham Borough Council is a member of the Gloucestershire County Council's countywide concessionary travel scheme. The cost allocations for the countywide scheme are controlled by the consultants (JMP), who provide administrative support for the County Council as the administering authority. A financial settlement with the major operator, Stagecoach, covering all of the districts for the financial years 2008/09 to 2010/11 is in place. However the Council is likely to be left with a funding shortfall in the region of £10,000 in 2010/11 to fund the increased journeys undertaken by concessionaires on bus services provided by other operators. This reflects fare increases and continued growth in use of the scheme, despite the Government's recent announcement to phase in an increase in the age of eligibility for bus passes.

2.62 Off-street Car Parking

Income from off-street parking is composed of two elements – fines and fees. In considering fine income we need 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 sources suggest that fine income is likely to fall short of the profiled revised budget, resulting in an anticipated annual shortfall of £8,500. The number of ticket sales compared with the same period last year remains lower and this combined with the adverse weather conditions during December 2010 is likely to result in an annual fee income shortfall against revised budget of £66,500. The overall shortfall in income at the year end is therefore £75,000. Expenditure is likely to be over spent by £10,000 due to greater than anticipated costs of security at Regent Arcade. The overall over spend on this cost centre is therefore anticipated to be £85,000.

2.63 Built Environment overheads

This cost centre is anticipated to be under spent by £20,000 represented by £10,000 savings on employee costs and £10,000 on supplies and services.

2.64 Development Control

Despite significant activity and pre-application discussions on several major applications, planning fee income has fallen below the budgeted profile, with an anticipated shortfall against the revised budget of £53,000. This is countered by estimated savings on supplies and services of £20,000, resulting in a net estimated budget shortfall of £33,000.

2.65 Building Control

Savings on supplies and services of £10,000 and additional income of £20,000 is likely to result in cost centre savings of £30,000. £5,000 of the supplies and services under spend is due to Tewkesbury Borough Council as a result of the shared service arrangement leaving a net under spend on this cost centre of £25,000.

2.66 Planning Delivery Grant

It is anticipated that this cost centre will be overspent following employee redundancy and payment of Statutory Maternity Pay totalling £5,000. This overspend will be financed from the

Planning Delivery Grant reserve.

2.67 Civic Pride

This cost centre is expected to be overspent by £6,000 due to advertising costs incurred above budget. This overspend will be financed from the Civic Pride reserve.

2.68 Depot

This cost centre is anticipated to be under spent by £8,000 due to saving in premises costs relating to routine repairs and maintenance.

2.69 Municipal Offices

Savings on general repairs and maintenance amount to £20,000. Other premises related costs are likely to be under spent by a further £10,000. The net underspend on this cost centre is therefore anticipated to be £30,000.

2.70 Miscellaneous Property rents

Income from General Fund property rentals is likely to exceed revised budgeted expectations by £6,000 due to better than anticipated take up of vacant commercial properties, following successful marketing activity e.g. Berkeley Mews shops and Enterprise Way industrial units. Further, expenditure on energy efficiency is expected to be £12,000 under spent at the year end. The net underspend on this cost centre is therefore estimated to be £18,000.

2.71 Public Conveniences

The budget for 2011/12, approved in February 2011, includes a saving from the closure of some public toilets, included the Bath Road facilities. A subsequent public petition was received in respect of these toilets and it is the Cabinet's intention to recommend to Council, as part of the 2010/11 outturn report on 27th June 2011, to use some of the reported underspend to fund an interim solution relating to the Bath Road toilets in 2011/12.

3. Treasury Management

3.1 Icelandic Banks

The Council has outstanding loans with the Icelandic owned banks Glitnir, Landsbanki and Kaupthing, Singer & Freidlander (KSF). The situation as at November 2010 was reported in the previous budget monitoring report.

3.2 The situation with regards to money outstanding with both Glitnir and Landsbanki has progressed since the budget monitoring report in November 2010. A decision was made by the Icelandic District Court on 1st April 2011 that Local Authority wholesale depositors are considered preferential creditors.

3.3 This Judgement means that the UK Local Authorities wholesale depositors claims have been recognised as deposits with priority status over other creditors' claims and will be at the front of the queue when it comes to getting their money back. However, this is subject to any appeals which may be taken to the Icelandic Supreme court.

3.4 The council has impaired its investments with Glitnir Bank hf to reflect the likely amounts to be recovered. However it was assumed in the 2009/10 Statement of Accounts that local authority deposits with Glitnir do not have preferential creditor status under Icelandic law. The securing of preferential creditor status will have a significant impact upon the amount of the deposit that is recoverable and the impairment charge to the Income and Expenditure account. However, the capitalisation direction we received in 2009/10 allowed us to treat the losses on the Icelandic banks as capital expenditure, in effect borrowing the money and spreading the cost over 20 years. As a result, the Council's annual repayment of this borrowing (known as the Minimum Revenue Provision) should reduce. Due to the method of calculation, this saving should

materialise from 2011/12 onwards, subject to the outcome of any appeals, as outlined in paragraph 3.3 above.

- 3.5** It should be noted that the actual method of accounting for the changes is subject to review by CIPFA. Further details will be provided as part of the June 2011 outturn report.
- 3.6 Treasury Management Activity**
There is a predicted surplus of interest of £11,500 to report on Treasury Management for 2010/11. The General Fund (GF) is £47,800 adverse against the 2010/11 revised budget while the Housing Revenue Account (HRA) is £59,300 favourable against the revised budget.
- 3.7** The primary reason for the shortfall in the General Fund is that the calculation for the HRA Item 8 Debit at revised budget estimated the consolidated rate of interest to be 3.08% on all borrowing for the financial year, however due to the council's weighted average of total borrowing for 2010/11 being lower than the Capital Financing Requirement (CFR), which is a measure of the authorities underlying need to borrow for capital purposes, a different formula is required to calculate the HRA Item 8 Debit than what has been used previously. This has reduced the consolidated rate of interest to 2.80% to recharge HRA borrowing, compared with 3.13%, the council's overall average borrowing rate for the financial year. This has resulted in £53,700 less interest being payable by the HRA to the GF for 2010/11.
- 3.8** HRA opening revenue balances are expected to be higher than estimated at revised budget time due to a slippage in capital expenditure. This has resulted in the HRA receiving £5,600 more in interest from the GF.
- 3.9** Lending interest is forecast to be favourable by £6,700. As mentioned in paragraph 3.8 the HRA revenue balances are higher than expected which resulted in the Council having more to invest for a longer period by utilising the Bank of Scotland Call Account.

4. Capital expenditure

- 4.1** Possible significant variances to the 2010/11 revised capital budgets and a position statement on major capital schemes are detailed below:

4.2 Section 106 Play Area Refurbishments

In 2010/11 an allocation of £50,000 was made for section 106 Play area refurbishments, to be funded from developer contributions. The forecasted outturn results in a £26,500 under spend, as focus has been placed on spending Playbuilder funds which are time limited, resulting in a delay to other planned works. The remaining funds will be used to continue these refurbishments in 2011/12.

4.2 Pittville Park Boathouse Bridge

There is a budget of £72,000, funded by the Severn Trent Community Fund, for improvements to the Pittville Park Boathouse Bridge. This has been delayed until 2011/12 as, although contracts are currently being let, they will not be completed until July 2011.

4.3 CCTV in Car Park

A budget of £84,000, which included £34,000 carried forward from 2009/10, has had £29,000 spent against. However, further work is required in the strategic management process associated with CCTV. Car Parks and Community Protection will be working on linking the various CCTV facilities including operation and monitoring, which will include the need for investment in Automatic Number plate recognition (APNR) technology. The current year under spend will be needed in 2011/12 to support this investment.

4.4 Re-jointing of High Street/Promenade pedestrianised area

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. However, the Highways Authority have yet to confirm dates for the remaining works to be undertaken and so the balance of £7,700 will be required to complete the re-jointing works in the new financial year.

4.5 Burial Chapel

The building works to the burial chapel are underway and will be completed in 2011/12. The project budget of £110,000 has been mostly spent, although £10,100 will need to be carried forward to fund the balance of the outstanding works.

4.6 Business Change – Working Flexibly

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, and £67,000 brought forward from 2009/10. Around £88,200 has currently been spent and the balance of £27,800 will be needed in 2011/12 to support the procurement of a replacement remote application access gateway, licences and professional services as a result of the current supplier's imminent decommissioning of the gateway in current use. This is necessary to continue delivery of the remote working functionality.

4.7 Storage Area Network

The SAN replacement project has enabled the council to update its corporate data storage at the Municipal Offices, plus a secondary storage device at the depot site. This will be used to reduce the time to restore business critical systems in the event of a major catastrophe. The budget allocated for this work was £155,000 with £144,200 currently having been committed. It is requested that the balance of £10,800 be carried forward to enable additional servers to be in scope for continual improvement, software and professional services.

4.8 Allotments

The remaining budget for this works for 2010/11 was £16,600. The forecasted outturn stands at £6,400. The balance remaining of £10,200 is to be used to purchase a compost toilet at the Alma Road site when the location becomes available, and thus the balance of the funds will need to be carried forward into 2011/12 to support this.

4.9 Depot Rationalisation

Further improvements to the Household Recycling Centre, and safety improvements and building works to accommodate Tewkesbury Borough Council staff in the main office buildings will be required and so the remainder of the budget, totalling £27,200 will be fully spent in the early part of 2011/12.

4.10 Replacement of Committee web system

The committee web system has been procured and installed for £15,000 against a budget of £20,000. This has resulted in £5,000 saving to be returned to the capital reserve.

5. Programme maintenance expenditure

- 5.1** The majority of work planned for completion in 2010/11 remains scheduled. However, £89,500 has been identified as no longer being required in 2010/11 and will be returned to the planned maintenance reserve for redistribution. This is made up of a number of variances; the most significant being a saving of around £60,000 on works to the Honeybourne Line, due to prudent project management and careful review of costings. Further to this, £22,000 of works have been

put on hold pending Youth Services combined extension project at Naunton Park, which has now been postponed by Gloucestershire County Council. Around £22,000 of savings were generated from careful project management across various different projects. Planned works at the Cemetery and Central Nursery were reviewed and re-prioritised resulting in £16,500 to be returned to the planned maintenance reserve. However, offsetting these savings were £31,000 of additional critical works required on the council's investment property to enable them to be let out.

5.2 However, it will be necessary to carry forward £303,550 to 2011/12. The majority of this relates to the replacement of the cremators, due to pre-contract procurement complexities the project commencement has been delayed and the full 2010/11 allocation of £200,000 will need to be carried forward into the next financial year.

5.3 There has been slippage in works to the Central Nursery whilst a strategic review has been ongoing; £22,000 allocated for kitchen and bathroom refurbishments will be required in 2011/12. Certain works have had to be delayed due to additional pressures on Property Services resulting in the re-prioritisation of efforts. As such, the following projects have been postponed until 2011/12 and budgets will have to be carried forward:

- Consultancy fees for track replacement at Prince of Wales Stadium £5,000
- Electrical 5 yearly tests at various sites £21,000
- Electrical testing and Fire Risk assessment works at Berkeley Mews £8,000
- Communal area redecoration at Berkeley Mews £8,750
- Condition survey / report for Neptune's Fountain £5,000

5.4 Works planned for the Pump Rooms have also been delayed pending the appointment of a new building manager, and as such £5,000 for the CCTV upgrade and £6,000 for chair store alterations will be needed in 2011/12.

5.5 As joint works with Youth Services at Naunton Park pavilion have been postponed, £11,300 will need to be carried forward into 2011/12 to cover the emergency works required to other pavilions to prevent service failure.

6. Housing Revenue Account (HRA)

6.1 HRA income and expenditure

As a result of changes to the calculation of the item 8 debit interest chargeable to the HRA, there is expected to be a surplus of £53,700 against the revised 2010/11 budget. There will also be additional interest receivable of £5,600, arising from higher HRA revenue reserves. These two items produce corresponding negative variances within the general fund, as detailed in paragraphs 3.7 and 3.8.

There are no other known significant variances to the HRA revised budgets.

6.2 HRA Capital Programme

A delay in progress of the transformational improvement programme at St Pauls and also the Neighbourhood works programme at Scott and Edward Wilson Houses will result in a slippage of £790k, reducing overall HRA capital expenditure to £3,061,000 (revised estimate £3,851,000). Substantive works are now anticipated to start in April 2011 and funding for these schemes will be carried forward into 2011/12.

6.3 HRA Reserves

The impact of the variances described in 6.1 and 6.2 above will be to increase the balance of the HRA revenue reserves at 31st March 2011 to £3,838,000 (revised estimate £2,989,000).

7. Council tax and Business rates collection

7.1 The monitoring report for the collection of council tax and business rates (NNDR) income is shown in Appendix 2. This shows the position at the end of March 2011 and the projected outturn for 2010/11.

8. Sundry debt collection

8.1 The monitoring report for the collection of sundry debt income is shown in Appendix 3. This shows the position at the end of March 2011 and the projected outturn for 2010/11.

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 £74,300 for 2010/11. It will be for Cabinet and Council to decide in June 2011, 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 possible future budget funding gaps.

9.2 The continued impact of the economic recession presents particular concerns for the council's budgets. It is clearly important to ensure that the 2011/12 budgets are more closely monitored over the coming months with a view to taking action at a future date, if necessary, in order to ensure that the council delivers services within budget.

10. Consultation

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

| | |
|-------------------------------|--|
| Report author | Contact officer: Paul Jones, Head of Financial Services paul.jones@cheltenham.gov.uk, 01242 775154 |
| Appendices | <ol style="list-style-type: none"> 1. Risk Assessment 2. Council Tax and NNDR collection 3. Sundry Debt collection |
| Background information | <ol style="list-style-type: none"> 1. Section 25 Report – Council 11th February 2011 2. Final Budget Proposals for 2011/12 – Council 11^h February 2011 |

| The risk | | | | Original risk score (impact x likelihood) | | | Managing risk | | | | |
|-----------|---|------------|--------------|---|---|-------|---------------|--|------------|---------------------|------------------------------|
| Risk ref. | Risk description | Risk Owner | Date raised | I | L | Score | Control | Action | Deadline | Responsible officer | Transferred to risk register |
| 1. | Unable to take corrective action in respect of reduced income streams. | Cabinet | June 2010 | 3 | 3 | 9 | Reduce | In preparing the revised budget for 2010/11, SLT to consider the options for offsetting reduced income streams by analysing and reducing the level of expenditure across the Council. | June 2011 | SLT | Corporate Risk Register |
| 2. | If the council continues with its zero recruitment policy, then capacity may be impacted adversely, plus morale and motivation of employees | Cabinet | October 2010 | 3 | 3 | 9 | Reduce | Executive Board will monitor the process, via quarterly reviews. Although the year end has now passed and the recruitment freeze has been lifted, the Executive Board still continue to review recruitment requests. | March 2012 | Executive Board | Corporate Risk Register |

Guidance

Types of risks could include the following:

- Potential reputation risks from the decision in terms of bad publicity, impact on the community or on partners;
- Financial risks associated with the decision;
- Political risks that the decision might not have cross-party support;
- Environmental risks associated with the decision;
- Potential adverse equality impacts from the decision;
- Capacity risks in terms of the ability of the organisation to ensure the effective delivery of the decision
- Legal risks arising from the decision

Remember to highlight risks which may impact on the strategy and actions which are being followed to deliver the objectives, so that members can identify the need to review objectives, options and decisions on a timely basis should these risks arise.

Risk ref

If the risk is already recorded, note either the corporate risk register or TEN reference

Risk Description

Please use “If xx happens then xx will be the consequence” (cause and effect). For example “If the council’s business continuity planning does not deliver effective responses to the predicted flu pandemic then council services will be significantly impacted.”

Risk owner

Please identify the lead officer who has identified the risk and will be responsible for it.

Risk score

Impact on a scale from 1 to 4 multiplied by likelihood on a scale from 1 to 6. Please see risk [scorecard](#) for more information on how to score a risk

Control

Either: Reduce / Accept / Transfer to 3rd party / Close

Action

There are usually things the council can do to reduce either the likelihood or impact of the risk. Controls may already be in place, such as budget monitoring or new controls or actions may also be needed.

Responsible officer

Please identify the lead officer who will be responsible for the action to control the risk.

For further guidance, please refer to the [risk management policy](#)

Transferred to risk register

Please ensure that the risk is transferred to a live risk register. This could be a team, divisional or corporate risk register depending on the nature of the risk and what level of objective it is impacting on