

Report of	Meeting	Date
Assistant Chief Executive (Business Transformation) (Introduced by the Executive Member for Resources)	Executive Cabinet	25th June 2009

## **PROVISIONAL REVENUE OUTTURN 2008/2009**

### **PURPOSE OF REPORT**

1. To report to Members the provisional outturn figures for the Council's budget for the financial year 2008/09. This paper sets out the financial position of the Council as compared against the budgets and efficiency savings targets it set itself for 2008/09 for the General Fund Revenue Account.
2. The accounts are now subject to final checking and scrutiny by the Council's external auditor. Should there be any significant changes to the outturn as a result of this process I shall submit a further report to Executive Cabinet.

### **RECOMMENDATION(S)**

3. Executive Cabinet are asked to note the contents of the report.

### **EXECUTIVE SUMMARY OF REPORT**

4. In December I reported on the financial position of the Council as compared against the budgets and efficiency savings it set itself for 2008/09. I predicted that with the likelihood of further savings the Council should be broadly on track to balance its budget (excluding Concessionary Travel) and meet all its savings targets for the year. I am pleased to report that both of these objectives have been achieved with the revenue outturn coming in under budget by £20,000 and all efficiency savings targets achieved.
5. The report also outlined a potential overspend on Concessionary Travel of £166,000 (based on information made available to the end of November 2008) to be financed from working balances. The position has since improved with a reduced outturn figure resulting in a budget overspend of £135,000.
6. As a result of these changes, the report shows that the level of working balances at 31 March 2009 is £1.601m. This level represents an increase in balances of £51,000 compared to the forecast balance reported in the Medium Term Financial Strategy of £1.55m for the end of March 2009. The increase is made up of £20,000 from the revenue underspend and a reduction in overspend on Concessionary Travel of £31,000.

### **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

7. None.

## CORPORATE PRIORITIES

8. This report relates to the following Strategic Objectives:

Put Chorley at the heart of regional economic development in the Central Lancashire sub-region		Develop local solutions to climate change.	
Improving equality of opportunity and life chances		Develop the Character and feel of Chorley as a good place to live	
Involving people in their communities		Ensure Chorley Borough Council is a performing organization	✓

9. Ensuring cash targets are met maintains the Council's financial standing.

## BACKGROUND

10. The Council's budget for 2008/09 included real cash savings targets of £260,000 from the management of the establishment and a further £60,000 to come from efficiency and procurement related activities.
11. The budget also included challenging targets for the Council's main income streams following a full review of fees and charges. The financial risk to the Council was that there could be a level of consumer resistance to the increase in fees.
12. During the year I reported that with further savings expected, General Fund spending excluding concessionary travel was broadly on course to be within budget by the end of the financial year.
13. The Council's strategy is to finance concessionary travel overspends from working balances, pending either the transfer of responsibility for the scheme to the County Council or the current grant distribution method is amended. This is likely to happen in 2011.

## PROVISIONAL OUTTURN GENERAL FUND

14. The Council expected to make overall target savings of £320,000 in 2008/09. From the position previously reported, I am pleased to report that further savings have been generated in the areas of recruitment advertising, telephone charges and postages and that the target for the year has been achieved.
15. In my report to the Executive Cabinet of 12 February I advised on the projected outturn for 2008/09 which, excluding the potential overspend on concessionary travel, showed a deficit of £64,000. Further savings were anticipated and this proved to be the case as the Council's net expenditure at the end of the year shows an underspend of £20,000 or -0.13% of total service expenditure. A summary of individual directorate performance is attached at Appendix A.
16. The net movement in expenditure from the position reported in December shows a reduction of £84,000.
17. An analysis of the main variances over and above those previously reported in monitoring is shown below. Further details are contained in the directorate analysis available in the members' room.

## Significant variations since the last monitoring report

	<b>£'000</b>
<b>Expenditure</b>	
- Staffing	(68)
- Asset Maintenance Fund (including office moves)	36
- Members Allowances & Expenses	(12)
- Consultants	(10)
- Recruitment	(16)
- Internet Charges	(28)
- Telephone Rental/Calls	(10)
- Increase in Provision for Bad Debts	49
- Supplies - Grounds Maintenance/Highways Cleansing	17
- Refuse Collection (skips)	(18)
- Servicing of Vehicles	(9)
- Utilities	(9)
<b>Income</b>	
- Building Control/Planning Application Fees	(22)
- Employment & Support Allowance grant	(13)
- Summons/Committal costs	(12)
- Car Parking Fees	27
- Benefits Subsidy & Overpayments recovered	65
- LABGI (prior year adj.)	(28)
- Grants & Other Income	(26)
- Net Financing Transactions	30
- Building Control reserve	(25)
- Other minor forecasts	(2)
<b>Net Movement</b>	<u><u><b>(84)</b></u></u>

Brackets = underspend or additional income

18. The most significant changes being reported here is the additional savings relating to salaries. These savings are again as a result of vacant posts, many of which have been a result of directorate and departmental restructures implemented to improve efficiency. The main savings are further analysed by directorate as £34,000 from People, £20,000 from Business, £18,000 from Neighbourhoods.
19. Previous budget monitoring reports have highlighted the volatility of a number of budgets. One such budget that has impacted on the year-end position is housing and council tax benefits. Throughout the year it is extremely difficult to accurately predict the level of expenditure and subsequent levels of subsidy, as the nature of the budget is demand driven. The provisional outturn position shows an additional shortfall of £65,000. This is made up of a reduction in the level of subsidy received and a reduction in the level of overpayments recovered.
20. It should be noted however that the Council is currently involved in a court case regarding the level of rents charged by certain landlords and the subsequent level of benefits subsidy claimable against these rents. If successful, the level of costs recovered could well offset the additional shortfall reported above.

21. Various works have been required throughout 2008/09 in relation to the Council's buildings to ensure they are adequately maintained. The cost of these works, together with the additional cost of refurbishment following office re-organisations in the main civic buildings has resulted in an additional cost of £36,000 against the Council's budgets for 2008/09. The majority of these costs are non-recurrent and therefore should not impact on the budget for 2009/10.
22. One issue that has been highlighted to members throughout the budget monitoring process for 2008/09 is the loss of income in relation to car parking fees and permits. The final outturn figures for the year show a shortfall in income of £129,000, an increase of £27,000 compared to the position reported in December. Although the budget for 2009/10 has been adjusted to take into account a significant reduction in parking fees income due to the current economic climate, income levels will have to be monitored closely over the coming months.
23. One related issue that members should be aware of is the ongoing discussions with Lancashire County Council regarding the use and application of marginal off-street parking income on the Parkwise account. It is the Council's view that the recording of this income has not been treated correctly in the account and that a sum in the region of £45,000 may be payable to Chorley Council for the year 2008/09 once this issue is resolved. It is also possible that any correction in treatment could be backdated for previous years in which case the amount owing to the council could be as much as £330,000 in total. We are currently awaiting a response from the County's legal department and members will be notified of the outcome at the earliest opportunity.
24. Following an appraisal of the Council's bad debt provision, it was deemed necessary to increase the level of cover to provide an adequate safeguard against potential future losses. This together with the write-off of certain bad debts has resulted in a budget shortfall of £49,000 for 2008/09. This can be broadly analysed further as £24,000 relating to Housing Benefits, £18,000 for Business Directorate, and £7,000 from Property, Finance and other areas.
25. One area where the Council has managed to offset costs in 2008/09 is in generating additional income by securing the award of various grants and allowances. Additional LABGI grant of £28,000 was received in 2008/09 together with other awards for Employment & Support Allowance, LAA Reward Grant, Habitats Grant and Council Tax Efficiency Information Grant.
26. The 'Net Financing Transactions' budget consists of the provision to repay borrowing, plus interest payable on external borrowing, less interest receivable on cash balances invested. Overall the outturn position for 'Net Financing Transactions' shows a reduction in the net credit by a further £30,000 from the position reported in December, which in the main reflects the reduction in interest rates offered by borrowers.
27. One area where the Council has managed to offset additional costs in 2008/09 is in the use of the Building Control reserve account. Under the Building (Local Authority Charges) Regulations the function is set a target of covering expenditure incurred by income earned from fees and charges over a rolling three year period. Any surplus of income is then paid into the reserve to offset any future deficits in the account. As the Building Control account incurred a deficit for the year it was considered appropriate to offset this cost by a transfer from the reserve account of £25,000 in 2008/09.
28. It should be noted however that the balance remaining in the reserve after this transfer is now marginally above £25,000 and should the Building Control function continue to trade at a deficit, there would be no further resources to offset any future losses. It is recommended that all costs relating to the Building Control function are reviewed to identify possible savings, as any increase in fees and charges income may prove unlikely in the short term due to the economic climate.

29. The accounting treatment of the £2 million invested in Landsbanki and the interest of £64,945 due to the Council as at 31 March 2009 is in accordance with the Chartered Institute of Finance and Accountancy's Local Authority Accounting Panel Bulletin 82, published May 2009, and Statutory Instrument 2009 No. 321. Based on the CIPFA guidance and statutory requirements, the notional interest due and the estimated impairment loss of £375,309 have been reversed out of the revenue account for 2008/09. This notional interest calculation is based upon the Council receiving a return of 5½% which is clearly not the case currently whereby rates of return are nearer to 0.5%.
30. During 2008/09, the Council received the first tranche of income due from Chorley Community Housing under the VAT sharing arrangement following the transfer of housing stock. Of the £650,000 received, £15,422 had been accrued into 2007/08 to finance an environmental warranty insurance premium required in respect of stock transfer. Of the £634,578 accounted for in 2008/09, £142,685 has been applied to finance capital expenditure and £15,422 to finance the second environmental warranty insurance premium. This leaves £476,471, which is required to finance capital expenditure during 2009/10. The accounting treatment of this 'VAT shelter' income is that it is revenue income, which can be used to finance either revenue or capital expenditure.

## COMMITTED ITEMS

31. Included in the outturn figure are committed items of expenditure and income. Each year the Council commits itself to incurring expenditure that may not always be incurred in the financial year. It is custom and practice to allow Directorates that have a budget underspend to carry forward this cash to pay for items where such a commitment has been made.
32. Accordingly I have received the following carry forward requests that I support.

Details	£'000
Reward & Recognition – budget underspend required to fund initiatives in 2009/10	14
Income generated by Communications team from consultancy work on introduction of blue recycling bins to be used to fund initiatives in 2009/10 including Council's Big Picnic in June and Christmas lights switch-on in December.	12
ICT web-site accessibility audit not completed prior to year-end due to consultant availability.	10
LCC Audit work commenced in 2008/09 to run into 2009/10	9
Homelessness Support consultancy commissioned in 2008/09. Work ongoing into 2009/10	7
LSP – Town Centre promotion work commenced in 2008/09	6
ICT Citrix phase 2 rollout delayed subject to resolution of issues	6
Printing of Chorley Visitor Guide – order placed but work not completed in 2008/09	5
CIPFA Benchmarking for the Corporate Services VFM review now commencing in 2009	5

Aerial Photography - delayed due to bad weather	4
Tuition Fees - requirement identified in 2008/09 but course commenced in March 2009	4
IDEA inspection scheduled for March 2009 delayed	3
LSP – Groundwork projects implementation delayed	3
Leaflets needed for Green Flag as part of Corporate Strategy	2
Income from sale of excess stone slabs to be used as additional funding for Astley Park Project	2
Tuition Fees for Charity Resource Management	2
Car Lease Allowance required to fund additional lease costs in 2009/10	1
<b>Total</b>	<b><u>94</u></b>

### CONCESSIONARY TRAVEL

33. In the December monitoring report to Cabinet I highlighted the position on Concessionary Travel and forecast a potential budget gap of £166,000 based on cost information received for the period 1 April to the 29 November 2008. Based on actual data to the end of the financial year, the outturn figure has reduced to £1.325m, prior to any pooling adjustment. This has reduced the initial overspend to around £200,000. Once the agreed pooling arrangement is taken into account, the Council benefits by a reduction in contribution of around £88,000 therefore reducing the budget overspend to £112,000.
34. Members should note that whilst the overspend is shown to be £112,000 for concessionary travel, this is budgeted overspend. The true cost to the Council is £381,000 which represents the additional costs of the free scheme less the additional grant the Council received of £275,000. This is calculated as follows:

	<b>£m</b>
Forecast outturn 2008/09	1.325
Less cost of contracted services	<u>0.100</u>
<b>Net Cost of Statutory Scheme</b>	<b>1.225</b>
Less cost in 2007/08	<u>0.569</u>
<b>Additional cost of new scheme</b>	<b>0.656</b>
Less grant awarded 2008/09	<u>0.275</u>
<b>Cost to the Council</b>	<b><u>0.381</u></b> (prior to pooling)

35. The 2008/09 budget was increased over and above the grant received by £181,000 to mitigate against the potential increase. Anything over and above the additional grant is effectively being financed from council tax and the cost for 2008/09 is £381,000 (prior to pooling) as shown above. This represents the additional budget provision of £181,000 plus the budget overspend of £112,000 plus the pooling adjustment of £88,000.
36. The demand for Community Transport Services has also seen a significant increase over the last twelve months and as a result the outturn costs are £18,000 in excess of the 2008/09 budget provision of £65,000. The combined result, together with a small increase in administration and other related costs is a total budget overspend of £135,000 for 2008/09. This position reflects an overall reduction of £31,000 from the forecast figure reported in December.

37. In order to try and mitigate costs moving forward the operators have been informed that the Lancashire Scheme is only prepared to pay a reimbursement rate of 52.5% rather than the 65½% paid during 2008/09. The operators have asked for a judicial review of this decision and either the Secretary of State or the Courts will have to determine the fair re-imburement rates which should leave the operators no better or worse off in respect of implementing the statutory scheme.

## GENERAL FUND RESOURCES AND BALANCES

38. Set out below for Members information is a summary of the levels of reserves and balances available to the Council at the end of the financial year 2008/09. Resources and balances are set aside to be able to pay for future known expenditure and to guard against financial risk.

### Analysis of Reserves

	£m	£m
Those requiring approval by Cabinet		
Working Balances	1.601	
Building Control Reserve	0.025	
Astley Hall Works of Art	0.006	
		1.632
Those approved for spend by Officers		
Neighbourhood Working	0.150	
Directorate specific reserves	0.072	
Capital Reserve (VAT Shelter income)	0.476	
Local Development Framework	0.139	
		0.837
Those for approval by Member under Delegation		
LABGI Grant/Performance Reward Grant	0.357	
<b>Total</b>		<b>2.826</b>
Transfers to earmarked reserves for committed expenditure		0.094
<b>Reserves total if slippage approved</b>		<b>2.920</b>

39. The table shows that working balances are now £1.601m. It should be noted that the £0.357m LA Business Growth Incentive Grant/Performance Reward Grant balance is committed in full, to finance expenditure in 2009/10 and 2010/11, included expenditure committed in 2008/09.

## IMPLICATIONS OF REPORT

40. This report has implications in the following areas and the relevant Corporate Directors' comments are included:

Finance	✓	Customer Services	
Human Resources		Equality and Diversity	
Legal		No significant implications in this area	

41. The financial implications are detailed in the body of the report.

GARY HALL  
ASSISTANT CHIEF EXECUTIVE (BUSINESS TRANSFORMATION AND IMPROVEMENT)  
There are no background papers to this report.

<b>Report Author</b>	<b>Ext</b>	<b>Date</b>	<b>Doc ID</b>
Dave Bond / Michael Jackson	5488 / 5490	09/06/09	Reports/2009/Executive Cabinet/(Final) Provisional Revenue Outturn Report 2008-09