

Report of	Meeting	Date
Director of Transformation (Introduced by the Executive Member for Resources)	Executive Cabinet	18 February 2010

REVENUE BUDGET MONITORING 2009/10 REPORT 3 (END OF DECEMBER 2009)

PURPOSE OF REPORT

1. This paper sets out the current financial position of the Council as compared against the budgets and efficiency savings targets it set itself for 2009/10 for the General Fund as measured at the end of the 3rd quarter 2009/10.

RECOMMENDATIONS

2. Executive Cabinet are asked to note the contents of the report.
3. That non-committed revenue expenditure budgets are identified and savings taken where possible to reduce the impact on the use of general balances in 2009/10.

EXECUTIVE SUMMARY OF REPORT

4. The Council expected to make overall target savings of £410,000 in 2009/10 which equates to £307,500 for the first three quarters. I am pleased to report that excellent progress has been made in this area with the full target savings of £410,000 already achieved. Should further vacancies occur over the final quarter, any additional savings will contribute to reducing further the impact on general balances to be used in 2009/10.
5. The projected outturn shows a forecast underspend of around £169,000 against the budget. Although this is a very positive position at this stage of the year, non-employee related expenditure will continue to have to be carefully controlled over the final months in order to offset the lower than anticipated income levels forecast for 2009/10.
6. There are a number of areas that will be monitored closely over the final quarter, the main ones being:
 - Major income streams, in particular car parking fees and building control fees.
 - Concessionary travel and benefit costs
7. As the 2009/10 budget used working balances to mitigate the costs of the Concessionary Travel scheme costs and the impact of the economic downturn, it is recommended that non-committed budgets are identified to ensure savings are taken wherever possible to reduce this impact.
8. The level of working balances is set to increase significantly as a result of various factors which are outlined in the report.

REASONS FOR RECOMMENDATIONS

(If the recommendations are accepted)

8. To ensure the Council's budgetary targets are achieved.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

9. None.

CORPORATE PRIORITIES

10. 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 is a performing organisation.	✓

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

BACKGROUND

11. The Council's budget for 2009/10 included real cash savings targets of £350,000 from the management of the establishment and a further £60,000 of savings to come from efficiency and procurement related activities.
12. The 2009/10 budget was influenced by two significant factors, the impact of the economic downturn and the increase in Concessionary Travel costs. In setting the budget for 2009/10 it was agreed that general balances would be used as a short term measure, pending the grant distribution review and lobbying by to get the distribution mechanism changed. It was estimated that a sum of around £273,000 would be needed from balances to fund the impact of the economic downturn and around £234,000 to finance the additional Concessionary Travel costs.
13. The budget also included challenging targets for the Council's main income streams despite adjustments being made to the 2009/10 budgets to reflect the downturn in the economy.

CURRENT FORECAST POSITION

14. Appendix 1 shows the summary forecast position for the Council based upon actual spending in the first nine months of the financial year, adjusted for future spending based upon assumptions regarding vacancies and service delivery. No individual service directorate figures are attached. These are available for inspection in the Members Room. Please note that for continuity and ease of analysis the figures are presented using the Council's previous directorate structure. This will change to the new three directorate structure for the 2010/11 financial year.
15. In my quarter 2 report (end of September), I advised on the projected outturn for 2009/10, which outlined a forecast deficit of £42,000 based on monitoring information at the end of

September. I advised that no action was required as I anticipated the cash spending target set in the budget would be achieved by the end of the financial year. The forecast has now been updated to include income and expenditure to the end of December and the revised outturn position is detailed in Appendix 1. The forecast shows a change from the position reported in September with a forecast underspend of around £169,000 against the budget.

The significant movements since my last report are shown in the table below. Further details are contained in the service unit analysis available in the members' room:

Table 1 – Significant Variations from the last monitoring report

	£'000
Expenditure	
Award of costs – Planning Applications	(18)
Core Funding	(15)
Asset Maintenance/Repairs	46
Income	
Planning Application Fees	(63)
Housing & Planning Delivery Grant	(53)
Car Parking Fees income	23
Cemetery Income	30
Net Financing Transactions	(137)
Other minor forecasts	(24)
Net Movement	(211)

16. In addition to the variances outlined above, significant savings have been generated over the last quarter as a result of directorate restructures and other vacant posts. This has resulted in contributions towards the Corporate Savings target in the sum of £168,000 in the quarter enabling the full target for the year to be met by the end of the third quarter.

The main savings achieved are analysed by directorate as £90,000 from Business Directorate, £30,000 from People Directorate, £22,000 from The Chief Executives Office, and £26,000 from other directorates.

17. Clearly the most significant change is the position regarding Net Financing Transactions. 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. Over recent months the Council's cash flow position has remained positive and as a result has reduced the Council's need to borrow cash. The conclusion of the final accounts audit of the accounting treatment on repayment of borrowing for the new recycling containers has also meant that the provision for borrowing can be reduced in 2009/10. This together with additional interest receivable in the year has generated a significant saving to the Council of around £137,000 for the current year.
18. The other significant change outlined in the table above is the additional income generated from Planning Application Fees. This year has seen a significant increase in fee income

over and able the budgeted amounts despite the difficulties in the current economic climate. The current forecast estimates that income for the year will be around £600,000 compared to the budget of £401,000. The impact has been lessened and offset by an equally significant reduction in building control fees.

It is not possible to say if that these levels will be maintained over the longer term?

19. Another major change to report is the additional Housing and Planning Delivery Grant available for revenue purposes in the current year. The 2009/10 budget was set on the understanding that use of the grant received from the Department for Communities & Local Government would be split between revenue and capital. This was in line with the allocation for 2008/09 which was awarded on the basis that 67.5% would be used for revenue purposes and 32.5% for capital.

The DCLG have recently confirmed however that there is no capital element for the grant allocation for 2009/10 which means the full grant of £154,969 can be used to finance revenue activity, resulting in an additional £52,969 revenue income in the current year. As there was no planned or committed capital scheme funded by PDG, the increase will be taken to revenue.

20. One area that has been highlighted in previous monitoring reports is the shortfall in Car Parking fee income. Income levels have continued to remain below the levels anticipated in the budget over the third quarter and as a result the forecast deficit has increased by £23,000. The budget for 2009/10 was set at £858,000. The latest forecast for actual fee income received is £750,000 a shortfall of £108,000.

There are several possible causes for the downturn in revenue this year. This could be as a result of customer resistance to pricing, the increased take up in the Concessionary Travel scheme or just down to the current economic climate. Whatever the cause, it is likely that income levels will remain under pressure for some time.

21. Another of the Council's income streams that is currently forecasting a shortfall against budget is Cemetery income from interment and grant of right of burial fees. Income levels are significantly down on last year and the current forecast for 2009/10 is for a deficit of around £30,000. This position is currently under review to establish what the impact is likely to be for future budget years.

22. One issue that was highlighted in the September monitoring report was the potential award of costs in respect of a Planning Application appeal from Wainhomes regarding a site at 605 Preston Road. The likely cost of the appeal and legal costs was estimated to be around £18,000 but I am pleased to report that the appeal has subsequently been withdrawn and these costs will no longer be incurred.

23. One area closely being monitored at present is the cost of asset maintenance and repairs. There are various forecast for work done in areas such as road repairs at Duxbury Jubilee Park, work done at Astley Park Coach House, replacing heaters at Chisnall Hall Playing Fields and installing a new water pump at the Town Hall. There is also the potential cost of installation of extra security measures at the Council's Admin buildings which could total as much as £30k for improved external and internal security and as a result of these and other works completed in the year the forecast is for an overspend of around £46,000 in total.

24. The greatest potential impact on the Council's year-end position is likely to come from Concessionary Travel. As indicated in my last monitoring report, bus operators have yet to agree the new reimbursement rates for 2009/10. The bus operators had offered a flat rate of 61% with the Lancashire Leaders Group rejecting this offer and making a final counter offer of 59.5%. The bus operators have yet to give their response to that offer. However a meeting with the operators has been scheduled for 11 February and the

operators have indicated that they wish to agree an arrangement for both 2009-10 and 2010/11.

The outturn cost of the 2009/10 scheme will be determined by the eventual reimbursement rate and additional cost rates, agreed by negotiation with operators or by the DfT appeal process, together with any changes in levels of usage and fare changes.

Provisional usage data and cost information has now been received for the period April to December 2009. Based on the operators offer rate of 61% and a seasonally adjusted usage basis, initial indications are that the forecast outturn costs for 2009/10 will be around £1,268,000 which equates to around £70,000 below budget. As these figures are only indicative at this stage and are subject to various influencing factors, the predicted underspend has been excluded from the overall forecast outturn for the Council at this stage. The recent cold spell is also likely to have impacted on demand and this should help to reduce costs further and ease the impact on the use of general balances.

25. One other issue that Members should be aware of is the Council has made claim against HM Revenue & Customs for the reclaim of VAT paid in earlier years. This item was highlighted in my report on the year end accounts for 2008/09 to the Audit Committee. HMRC has received a significant number of backdated overpaid VAT and has already repaid £1.5bn with £4.8bn set aside for repayments. The claims relate to a decision by the HMRC in 1997 to only refund overpayments of VAT backdated for up to three years, where previously this had been six years. This was challenged and the three-year cap was thrown out following a legal battle that went to European judges and the House of Lords.

In making the claim the Council has worked with Price Waterhouse Coopers on a no win no fee basis.

The following table gives current details of the claim:

	Comment	Disputed £'000	Council's Recovery £'000
Culture	Agreed and paid	0	21
Sports Coaching	Unresolved issues	72	
Leisure	Largely agreed but not yet paid	100	524
Total		172	545

The culture claim has been agreed and paid. The coaching claim is disputed and unresolved. The Leisure claim has been largely agreed, but no payment will be made until resolution of the total leisure claim.

The claim figures shown further include simple interest. Compound interest has been claimed and could increase the claims by up to £240k, but no account has been taken off this potential sum the Council may receive.

WORKING BALANCES

26. Set out below for Members information is a summary of the working balances position, made up of balances in hand and forecast changes.

	£'000
General Fund Balance outlined in Appendix 1	1,262
VAT Recovery	545
Parkwise Account 2008/09	59
Icelandic investment impairment	(310)
Forecast General Fund Balance	1,556

In my report to the Executive Cabinet of 13 August I highlighted 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 the amount owing to the Council if the correction in treatment is backdated for previous years could be as much as £330,000 in total. The total due to the Council for 2008/09 has now been agreed in the sum of £58,623.

One other issue that will impact on balances is the result of the application to capitalise the Icelandic investment impairment. As the application has been unsuccessful the impact on balances is estimated to be around £310,000. early indications are that the majority of applications for capitalisation have been required as the key criteria was that extreme financial hardship must be demonstrated as a result of not being able to capitalise the impairment.

IMPLICATIONS OF REPORT

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

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

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

GARY HALL
DIRECTOR OF TRANSFORMATION

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Gary Hall	5480	27/01/10	

