

Report of	Meeting	Date
Director of Transformation (Introduced by the Executive Member for Transformation)	Executive Cabinet	3 June 2010

PROVISIONAL CAPITAL AND REVENUE OUTTURN 2009/10

PURPOSE OF REPORT

1. To report to Members the provisional outturn figures for the Council's budget for the financial year 2009/10. This paper sets out the financial position of the Council as compared against the budgets and efficiency savings targets it set itself for 2009/10 for the General Fund Revenue Account and for the Capital Programme.
2. The accounts are provisional at this stage and are also 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. Further details of the Council's overall financial position will be presented to the Audit Committee at the end of June when they are considering the Council's statement of accounts.

RECOMMENDATIONS

3. Executive Cabinet are asked to note the contents of the report and agree the financing of the Capital Programme as set out in Appendix 3.

EXECUTIVE SUMMARY OF REPORT

4. In December I reported on the financial position of the Council as compared against the budgets and efficiency savings targets it set itself for 2009/10. At that time I reported that the full target savings of £410,000 had already been achieved and forecast an underspend against the budget of around £169,000 excluding the impact of Concessionary Travel. This position has improved slightly with the revenue outturn now coming in under budget by £181,000.
5. The 2009/10 budget set out a proportion of working balances to mitigate the potential additional costs of the Concessionary Travel scheme due to several unknown factors at the time of setting the budget. I am pleased to report that as a result of the pooling arrangement with other Lancashire Councils the majority of this sum taken from balances was not required to meet additional costs and will therefore be transferred back to general balances.
6. In terms of Capital during the year it was agreed that slippage would be sought on the programme to ensure that borrowing was contained as capital receipts had also been

deferred as a result of the economic downturn. In the event of slippage of a number of schemes was achieved and therefore borrowing contained within the estimate.

7. 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 many councils 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 potential 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.

PROVISIONAL OUTTURN GENERAL FUND

14. Appendix 1 shows the provisional summary outturn position for the Council. 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 Councils previous directorate structure. This will change to the new three directorate structure for the 2010/11 financial year.

15. In my report to Executive Cabinet of 18 February (end of December), I advised on the projected outturn for 2009/10 which, excluding the potential impact of Concessionary Travel, showed a forecast underspend of £169,000. The Council's net expenditure at the end of the year shows an underspend of £181,000 or -1.22% of total service expenditure.
16. The net movement in expenditure from the position reported in December shows a reduction of £13,000.
17. An analysis of the main variances over and above those previously reported in monitoring is shown below. Further details are contained in the service unit analysis available in the members' room:

Table 1 – Significant Variations from the last monitoring report

	£'000
Expenditure	
Staffing Costs	10
Shared Assurance Services	(25)
Waste Contract	(22)
Buildings Repairs/Maintenance	9
Income	
Planning/Building Control Fees	44
Cotswold House Voids (loss of income)	20
LCC Cost Share (Green Waste)	(37)
Buckshaw Waste Collection	(27)
Benefits	18
Other minor forecasts	(3)
Net Movement	(13)

18. The most significant change outlined in the table above is a reduction in the income generated from Planning & Building Control Fees compared to the forecast made in December. The previous forecast was for a combined increase in fee income over and above the budgeted amounts of around £74,000. This was based on significant increases in Planning fee income received over the first nine months of the year. The final three months of the year have shown a downturn in generated income levels compared with previous months resulting in a final outturn position of £30,000 surplus income above budgeted levels, a reduction of £44,000.
19. Another major change to report is the additional saving from a reduction in the recharge from South Ribble Borough Council for Shared Assurance Services. Previous forecasts had indicated a saving of around £23,000 against budget but as more audit work has been performed in-house reducing the need for externally contracted resources, an additional saving of £25,000 has been achieved giving a total saving of £48,000 for the year.
20. One area that has generated significant savings in 2009/10 is waste and recycling services. The savings against budget have been shown under three separate elements as

the waste contract, green waste processing, and Buckshaw waste collection as outlined above.

A saving against the waste contract costs has been achieved in 2009/10 for two main reasons. Firstly a reduction in the core contract costs whenever Veolia have failed to meet specific targets and secondly for a reduction in the number of additional collection services required throughout the year. This has generated a saving of around £28,000 for the full year, an increase of £22,000 on previous forecasts.

A saving has also been achieved through additional income generated from green waste processing and other household recycling. An increase in volumes recycled has resulted in additional income of around £37,000 compared to previous forecasts.

The final saving again is as a result of additional income being generated, this time from the refuse collection service on Buckshaw Village. An increase in the number of occupied properties and the addition in 2009/10 of an administration charge in relation to collection services has resulted in a surplus of income over budget of around £27,000 for the year.

21. One area where the Council suffered a shortfall in income was in void rents at Cotswold House. Throughout the previous year major repairs and refurbishment works have been carried out and as a consequence Cotswold House has had a reduced number of rooms available for letting. As a result, the void rate increased from around ten to thirty percent creating a further shortfall in income of £20,000 over and above the previous forecast of £13,000 giving a deficit for the year of £33,000.
22. Previous budget monitoring reports have highlighted the volatility of a number of budgets. One such budget that can have a significant impact 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, however I am pleased to report that the net cost to the Council is only £18,000 higher than previously forecast in December.

COMMITTED ITEMS

23. 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.
24. Accordingly I have received the following carry forward requests that I support.

Details	£'000
• Information management work commissioned for 09/10 to be completed in 2010/11	17
• Reward & Recognition budget required to fund initiatives in 2010/11	13
• Provision of 49 x 1,100 litre bins for recycling at schools	10
• IDeA Peer Review planned for 09/10 postponed until later in 2010/11	9
• Additional new business start up support work	7
• Training sessions due for 09/10 delayed to April/May 2010/11	6
• Development of applications for Council's front facing service to improve access channels for customers	6
• Provision for cash prizes for Chorley Smile Awards as unlikely to attract third party sponsorship in current economic climate	6
• Playground equipment planned works to be delivered May/June 2010	5
• Production of a marketing package for the town centre and markets	5

• Inward investments agents database, distribution of pack & attendance at exhibitions	5
• LEP II Evolutive user licence for sites and premises	3
• Consultant entomologist to investigate excessive numbers of flies in Euxton	2
Total	94

CONCESSIONARY TRAVEL

25. The greatest potential impact on the Council's year-end position was likely to come from Concessionary Travel. As highlighted in my last monitoring report, the outturn cost of the 2009/10 scheme would be determined by the eventual reimbursement rate and additional cost items, 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 received for the period April to December 2009 indicated a potential outturn cost of approximately £1,268,000 giving an underspend of around £70,000 based on the operators offer rate of 61%. A final reimbursement rate has now been agreed with all operators of 59.5%, with the exception of Stagecoach. This reduction, together with a reduction in demand following the cold spell in January has had a significant impact on the outturn position.

Unless Stagecoach decide to accept the 59.5% offer, the eventual total reimbursement to that company will only be determined after a protracted period of negotiations. Taking into account an adjustment for the likely additional costs of this outcome, the final outturn cost for Concessionary Travel in 2009/10 (after the pooling adjustment) is £1,092,000 giving an underspend of around £246,000. After taking into account additional costs incurred on legal and consultancy fees and Nowcard production in 2009/10, the final saving on Concessionary Travel is around £231,000.

Members will be aware that the budget for 2009/10 set out a proportion of working balances to mitigate against the potential additional costs of the Concessionary Travel scheme due to the various unknown factors at the time such as the operators reimbursement rate and the pooling agreement. I am pleased to report that as a result of the final outturn figures for Concessionary Travel the majority of this sum taken from balances was not required to meet additional costs and will therefore be transferred back to general balances.

GENERAL FUND RESOURCES AND BALANCES

26. Set out in Appendix 2 for Members information is a summary of the levels of reserves and balances available to the Council at the end of the financial year 2009/10. Resources and balances are set aside to be able to pay for future known expenditure and to guard against financial risk. The key message is that the Council committed to working towards increasing a level of working balances to £2m in its financial strategy. The analysis shows that the Council has gone along way to achieving that through the actions taken during 2009/10.
27. The most significant impact on balances in 2009/10 is as a result of the claim against HM Revenues & Customs for the reclaim of VAT paid in earlier years. In my last monitoring report I advised that in making the claim the Council has worked with Pricewaterhouse Coopers on a no win no fee basis.

The amount received to date, including interest and net of fees paid to PwC total £741,000. This figure includes calculations based on simple interest. However, compound interest has been claimed and should the claim be successful, this amount could increase by up to £240,000. Due to the uncertainty involved in this claim, this sum has been excluded from the level of balances outlined in this report.

28. Another major issue to impact on balances is the result of the application to capitalise the Icelandic investment impairment. As previously reported the Council's application was unsuccessful and as a result the cost of the impairment of around £310,000 will be met from balances.

CAPITAL PROGRAMME PROVISIONAL OUTTURN

29. Details of the Capital Programme provisional outturn for 2009/10 are set out in appendices 3 and 4 to the report. Appendix 4 provides an analysis of the 'Other Changes' in column (3) of Appendix 3.
30. The provisional outturn expenditure is £5,668,296, which is £851,754 less than the revised estimate of £6,520,050 approved by Council. The main reasons for the reduction are as follows:

	£'000
Net rephasing of expenditure to 2010/11	(729)
Reduction in recharges from revenue	(107)
Net transfer of expenditure from revenue	34
Other net reduction in expenditure	(50)
Reduction compared to Revised Estimate	<u>(852)</u>

The capital programme for 2010/11 should be updated to include the net rephasing of expenditure from 2009/10 as presented in column (2) of Appendix 3.

Financing by borrowing was £146,918 less than estimated, mainly because of the rephasing of expenditure to 2010/11. Capital receipts available for financing were £41,962 more than estimated. Performance Reward Grant has been applied to finance existing rather than new capital schemes instead of using VAT Shelter income. This means that the VAT Shelter income is available to finance Local Strategic Partnership projects, both revenue and capital, in 2010/11.

IMPLICATIONS OF REPORT

31. 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	

32. 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
Dave Bond/Michael Jackson	5488/5490	21/05/10	