

Report of	Meeting	Date
Director of Finance	Executive Cabinet	

PROVISIONAL REVENUE OUTTURN 2006/2007

PURPOSE OF REPORT

1. To report to Members the provisional outturn figures for the Council's budget for the financial year 2006/07. The report contains information on both the General Fund and Housing Revenue Account, including the building maintenance direct service.
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.

CORPORATE PRIORITIES

3. The revenue budgets are an expression of the Council's Corporate priorities in financial terms.

RISK ISSUES

4. The issues raised and recommendations made in this report involve risk considerations in the following categories:

Strategy		Information	
Reputation		Regulatory/Legal	
Financial	✓	Operational	
People		Other	

5. The report is concerned with the process for managing the financial and operational risks associated with the running of the Council. Failure to deliver a balanced budget has consequences for the future financial stability of the authority.

BACKGROUND

6. During the financial year the Executive Cabinet received monitoring reports indicating that the General Fund budget was on track to be balanced by the end of the financial year, with working balances predicted to be maintained at £1m.
7. With regard to the Housing Revenue Account the forecast predicted that there would be an in year surplus generated and that year end working balances on the HRA would be around £900k.
8. Two particular events would ultimately have a significant impact on the final position, namely the final negotiated position in relation to the transfer of the Housing Stock to

Chorley Community Housing and the final Compensation Agreement for the Gillibrand Link Road.

PROVISIONAL OUTTURN GENERAL FUND

9. The Council's budget for 2006/07 included real cash savings targets of £278k for vacancy savings and a further £60k to come from other efficiency gains. In the event the overall target was achieved.
10. During the year I reported that the spending was on course to be within budget amounts and that further savings may be possible. On the Council's normal activities this proved to be the case. At the end of the year the Council underspent against its cash target for service expenditure by £158k or -1.2%. A summary of individual Directorate Performance is attached at Appendix A. Further details are available to Members if requested.
11. Included in the outturn are slippage amounts. Each year the Council commits itself to incurring expenditure that may not always be incurred in the accounting period. It is custom and practice to allow Directorates who can demonstrate that a commitment has been made and that have a budgeted underspend to carry forward cash to pay for such items. Accordingly I have received the following slippage requests that I support. Other requests have been denied on the basis that costs can be accommodated within the 2007/08 cash budget.

Details	£'000
Budget underspend on Customer Services needed to support the "customer-profiling" project	20
Partnership telephony project with South Ribble B.C. delayed until 2007/08	15
Budget underspend in ICT Services needed for work and training in respect of GMS Exchange modules	14
Budget underspends in ICT Services required for software and consultancy	5
Underspend on staffing in Human Resources needed to fund temporary and agency staff contracts	36
Total	90

12. An analysis of the main variances over and above those previously reported in monitoring is shown in the table below.

Significant variations since last monitoring report

<u>Costs</u>		£'000
Employee	(62)	
Premises repairs/maintenance	53	
Training	(30)	
Job Evaluation Scheme	(23)	
Target bonus refuse contract (net)	(33)	
Benefit Payments & Council Tax	68	
Concessionary Fares	88	
Pensions Account	41	
	<hr/>	102
<u>Income</u>		
LCC Agency reimbursements excl refuse contract.	(73)	
Investment Portfolio	(51)	
Land Charges	(18)	
Other Income	(90)	
	<hr/>	(232)
Net Financing Transactions		(16)
Other minor variances		(12)
		<hr/>
		(158)

Brackets = underspend or additional income

The main reasons for the variances as follows:

- For employee costs, additional savings have been generated due to vacant posts within the establishment. This is further analysed as £21k from Customer, Democratic and Legal Services, £35k from ICT Services and £6k from other areas.
- Expenditure relating to premises maintenance and repairs has increased over the final quarter for 2006/07. This is due, in part, to the various office moves and re-organisations during the year.
- Previous budget monitoring reports have highlighted the volatility of a number of budgets. One such budget that has impacted on our year-end position is the budget for housing benefit payments. Throughout the year it is extremely difficult to accurately predict the level of spend on the budget, as the nature of the budget is demand driven. The outturn position shows an additional shortfall of £68k. This is made up of £127k from a reduced level of subsidy received in respect of rent allowances and a reduction in the amount of overpayments recovered, offset by an additional £59k recovered from summons and committal costs.
- Another area previously reported to members has been the concessionary travel budget. There have been significant delays in receiving accurate cost information from LCC causing a further overspend against the budget compared to previous forecasts. The shortfall reported includes £50k of costs relating to the unsubsidised bus routes for which the Council has only recently been notified.
- The Pensions Account payments are ongoing costs to the Council of early retirements. The increase over budget is mainly due to the number of retirements in the year which create a one-off charge to the account. It should be noted however, that the impact of these costs has been offset by efficiency savings as a result of the directorate restructures.
- The additional income from LCC agency reimbursements relates to the Lancashire Highways Partnership. £30k was reimbursed in excess of budget on termination of the agency agreement and a further £43k contribution received towards ongoing residual

services that was not included in the original budget as final arrangements have only recently been agreed by the County Council.

13. Whilst spending on normal activities has resulted in a £158k underspend, the outstanding Arbitration with regard to the Gillibrand Link Road could have a detrimental effect as the Council is required to pay interest on the final settlement. Members will recall that a sum of £757k has been allowed for in the Council's Capital Programme but that the developers claim could amount to as much as £4m. For the purposes of closing the Council's accounts I have had to make a judgement regarding the likely outcome. Based upon the arguments submitted at the Arbitration, I have formed a view that it is likely that the final settlement will be greater than we had budgeted for, at £2m. The interest backdated to May 2001 when the Council took the land required for the road will therefore total £456k, of which £86k was charged to earlier financial years, leaving £370k to be financed in 2006/07. I have provided for such a sum in the accounts for 2006/07. The £1.288m of the additional capital costs is dealt with in the Capital Outturn Report elsewhere in this agenda.
14. The result of making this provision is that the Council's Income and Expenditure account for 2006/07 shows a loss of £232k (£158k surplus less £390k interest).
15. As an interim measure the Council will be required to commit working balances to pay for this loss. However, the Capital Financing rules allow for the Council to make an application to the DCLG to have such costs capitalised. I propose to make the application but will only receive a determination, if allowed some time in late 2007.
16. Members should note that should the arbitration award a higher capital sum to the developer then a further interest payment would be due.

GENERAL FUND RESOURCES AND BALANCES

17. Set out below for Members information is a summary of the levels of reserves and balances available to the Council as at the end of the financial year 2006/07. Resources and balances are set aside to be able to pay for future known expenditure and to guard against financial risk.

Analysis of Reserve

Those requiring approval by Cabinet	
Working Balances	0.769
Building Control Reserve	0.050
Astley Hall Works of Art	0.009
	<u>0.828</u>
Those approved for spend by Officers	
Directorate specific reserves	0.089
Job Evaluation	0.017
e-Workforce Reserve	0.062
Local Development Framework	0.202
Elections equalisation reserve	0.022
	<u>0.392</u>
Those for approval by Member under Delegation	
LA Business Growth Incentive Grant	0.201
Performance Reward Grant	0.143
	<u>0.344</u>
TOTAL	<u><u>1.564</u></u>
Slippage not yet approved	0.090
RESERVES TOTAL IF SLIPPAGE APPROVED	<u><u>1.654</u></u>

The use of the Business Growth Incentive Grant and Performance Reward Grant was taken account of in setting the revenue and capital budgets for 2007/08.

18. The table shows that working balances are now £0.769m. This sum is still within the range agreed in the Council's Financial Strategy. Whilst other specific reserves total £1.085m the majority of this sum is committed to be used during 2007/08, and the sum in the Local Development Framework reserve to guard against the risk of a judicial review of the Local Development Framework should this occur.

HOUSING REVENUE ACCOUNT CLAIM 2006/07

19. The original 2006/07 HRA budget forecast and surplus of £75k for the year and that total HRA working balance was £668k.
20. During the year I reported that additional surplus would be generated and that I anticipated that the balance figure would be in the area of £900k by the year end. The final outturn shown that year end balance total £966k.
21. Outlined in the table below are details of the significant movements since my last report. During the period the LSVT to Chorley Community Housing was completed, and this forms part of the reason for the changes.

	£	£'000
Estimated HRA Working Balances		900
Increase in cost of repairs		87
Changes in internal charges		(9)
Other changes		(33)
Writing back of bad debt provision	(110)	
Additional staff time/stock transfer	(57)	
Final stock transfer adjustment rent and cost	56	(111)
Cumulative Surplus 31/03/07		966

(Brackets = underspend or additional income)

HRA OUTTURN

22. Members have been advised during the year that the total of year end balances would increase, the final figures is a surplus for the year of £373k, and an accrued total of £966k. This is an increase of £66k over the forecast in the last monitoring report submitted to members.
23. The reasons for the increase are outlined below. The new or changed, factors are as follows:
- Bad Debt Provision
The budget assumed an increase in the provision of £70k, whereas there has been a reduction of £40k. The total change is therefore £110k. This is the result of most HRA debts having been acquired by CCH following transfer. The debts remaining with the Council total only £87k (mostly old rent rebate overpayments), and full provision for these debts has been made. It has been possible therefore to fundamentally reappraise the required bad debt provision, resulting in the change now reported.
 - DSO Deficit
The final deficit is £207k, an increase of £87k over that previously predicted. This deficit is charged to the HRA repairs account, where it has been offset by an underspend of £15k. The net position has therefore moved adversely by £72k over the last three months of the year.

The reasons for the increasing deficit are complex, the accounts showing that both labour and contractors costs have increased, but that income levels have not been achieved.
 - The major part of the remaining changes are the result of internal accounting decisions (ie changes in recharges, and the use of capital monies to finance LSVT costs and right to buy administration).
24. The accrued surplus of 966k will carry forward to 2007/08. It will be increased or reduced by any audit changes, and any further costs or income attributable to the HRA which should be minimal, it is anticipated that the HRA will be closed during the year and the remaining surplus will be transferred to the General Fund.

CONCLUSIONS

25. The financial year presented many financial challenges not least of which was the stock transfer. During the period the aim was to maintain financial control over budgets. In overall terms I think that this has been achieved, with expenditure against targets in the General Fund being achieved within the tolerances allowed and the HRA balances being broadly in line with those anticipated.

26. The final outcome of the Gillibrand Compensation Arbitration will be known probably within the next two months, at which point I will report to Members on the outcome and the financial impact. I have made a provision in the accounts which mitigates some of the financial risk, but the final outcome may be different.
27. Working balances are within the range agreed in the Council's financial strategy and a further sum will become available to the Council during 2007/08 once the HRA is closed.
28. A further review of the level of balances will be necessary and I will advise Members when I update the Council's Medium Term Financial Strategy during the summer. The outturn demonstrates there are some cost pressures in the system relating to the cost of waste and concessionary travel. The Council's ability to absorb cost increases will need to be measured against the level of working balances available.

GARY HALL
DIRECTOR OF FINANCE

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Gary Hall	5480	19 June 2007	FINREP/1906LM1

General Fund Revenue Budget Monitoring 2006/07 - Provisional Outturn

	(1) Original Budget £	(2) Agreed Changes £	(4) Contributio n to Corp. Savings (Staffing) £	(4) Contributio n to Corp. Savings (Other) £	(5) Current Cash Budget £	(6) Outturn £	Outturn Against Original £	Variance %
Chief Executive's Office	966,090	65,790	(102,120)	(4,560)	925,200	913,530	(52,560)	-5.44%
Customer, Democratic & Legal Services	2,105,500	74,650	(740)	(8,440)	2,170,970	2,179,640	74,140	3.52%
Development & Regeneration	890,980	(95,100)	(30,000)	(4,230)	761,650	695,610	(195,370)	-21.93%
Finance	1,481,380	11,880	(37,030)	(39,110)	1,417,120	1,239,200	(242,180)	-16.35%
Human Resources	697,140	(158,770)		(1,230)	537,140	463,110	(234,030)	-33.57%
Information & Communication Technology Services	939,560	21,600	(9,000)	(1,100)	951,060	889,270	(50,290)	-5.35%
Leisure & Cultural Services	1,197,010	52,700		(1,710)	1,248,000	1,272,730	75,720	6.33%
Policy & Performance	534,680	41,150	(18,740)	(610)	556,480	547,380	12,700	2.38%
Property Services	35,010	(2,410)	-	(3,750)	28,850	376,410	341,400	975.15%
Streetscene, Neighbourhoods & Environment	4,696,680	43,550	(70,720)	(15,690)	4,653,820	4,564,670	(132,010)	-2.81%
Budgets Excluded from Finance Unit Monitoring:								
Benefit Payments	(381,050)				(381,050)	(129,490)		
Concessionary Fares	513,250				513,250	646,690		
Pensions Account	212,730				212,730	253,820		
Corporate Savings Targets								
Efficiency/Other Savings		(60,000)		80,430	20,430	-		
Management of Establishment		(278,050)	268,350		(9,700)	-		
Total Service Expenditure	13,888,960	(283,010)	-	-	13,605,950	13,912,570		
Non Service Expenditure								
Contingency Fund	100,000	(5,280)			94,720	-		
Contingency - Salary Related Savings	(278,050)	278,050			-			
Contingency - Procurement Savings	(35,000)	35,000			-			
Contingency - Gershon Savings	(25,000)	25,000			-			
Notional Capital Charges	1,168,670	1,659,680			2,828,350	2,828,350		
Revenue Contribution to Capital	-	123,050			123,050	108,215		
Net Financing Transactions	219,210	-			219,210	241,210		
Parish Precepts	535,399				535,399	535,428		
Total Non Service Expenditure	1,685,229	2,115,500	-	-	3,800,729	3,713,203		
Council Tax	(6,495,201)				(6,495,201)	(6,494,836)		
Aggregate External Finance	(7,743,127)				(7,743,127)	(7,743,127)		
Collection Fund Surplus	(48,561)				(48,561)	(48,746)		
Use of Earmarked Reserves - deferred charges	(1,167,670)	(1,660,680)			(2,828,350)	(2,828,350)		
Use of Earmarked Reserves - capital financing	-	(73,000)			(73,000)	(90,255)		
Use of Earmarked Reserves - revenue expenditure	(120,000)	(102,530)			(222,530)	(188,820)		
Contribution to or use of General Balances	370	3,720			4,090	-		
Total Financing	(15,574,189)	(1,832,490)	-	-	(17,406,679)	(17,394,134)		
Net Expenditure	-	-	-	-	-	231,639		