

Report of	Meeting	Date
Assistant Chief Executive (Business Transformation) (Introduced by the Executive Member for Resources)	Executive Cabinet	14 February 2008

REVENUE BUDGET MONITORING 2007/08 REPORT 3 (END OF DECEMBER 2007)

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 2007/08 for the General Fund.

RECOMMENDATION(S)

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

EXECUTIVE SUMMARY OF REPORT

3. The report contains details of the Council's expected spending for 2007/08 and summarises the main variations from the original budget.
4. The analysis shows that significant progress has been made since the last budget monitoring report in September in reducing the budget deficit.
5. There have been some significant variations to the original budget which are, in the main, due to the demand led nature of the budget and the fact that we now have better information about usages for example in concessionary travel.
6. No major action is required at this stage of the year as the position is as expected and the Council is on track to balance its budget for 2007/08, with the vast majority of savings required already achieved.

REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

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

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

8. None.

CORPORATE PRIORITIES

9. 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	✓

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

BACKGROUND

10. The Council's budget for 2007/08 included real cash savings targets of £278,000 from the management of the establishment and a further £60,000 of savings to come from efficiency and procurement related activities.

CURRENT FORECAST POSITION

11. The projected outturn shown in 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.

12. The directorate cash budgets have been amended to reflect the new corporate structure following the recent Senior Management Review.

13. In my last report to the Executive Cabinet I advised on the projected outturn which forecast an overspend of £91,000 at the end of September. This position has since improved and the current projection is now for a small overspend of around £30,000.

14. The significant movements since my last report are shown in the table below. Further details are contained in the directorate analysis available in the members room.

Table 1 – Significant Variations since the last monitoring report

	£'000
Net Financing Costs	(92)
Car Parking income	(49)
DPE Cash Collection costs	35
Building Control/Planning Application Fee income	(19)
Insurance Premiums	(33)
Target Bonus recycling contract	20
Benefits payments	35
Concessionary Travel	26
Other minor forecasts	16
Net change since September report	(61)

15. Clearly one of the most significant changes being reported here is the change in Net Financing costs. The forecast for the 'net financing transactions' budget, which is interest earned on the Council's cash balances less provision to repay debt incurred in financing the capital programme, is an increase in the net credit from the previous estimate of £327,500 to £419,880. Cash balances invested to earn interest have been at a substantial level during 2007/08, following the transfer of the housing stock at the end of the previous financial year; and receipt of S106 contributions from developers to finance capital schemes in future years. In addition, interest rates have increased above the estimated level, which is proving to the Council's benefit so far in respect of this budget. The increase in estimated interest receivable is offset in part by a recalculation of the provision to repay debt, following the audit of the 2006/07 accounts.
16. A significant change in the forecast this time is an increase in Car Parking income. The continued use of parking spaces following the delay in the Market Walk development together with a volume increase in parking permits has generated additional income for 2007/08. The forecast is for a further increase of £49,000 from the figure reported in September.
17. The cost of collecting cash from car parking pay and display machines has been brought into the revenue account for 2007/08 following clarification of agency contractual terms with LCC. After further negotiation with the County Council, an additional cost of £35,000 will be incurred in the current financial year.
18. Income from Building and Planning Application Fees has been consistently above the profiled budget levels over the last three months. Development Control had previously identified a number of larger applications generating additional income in the current year. Allowing for these larger applications and the steady flow of "everyday applications", the forecast is now for an additional income of £19,000 for the year.
19. The Council's Insurances premiums were based initially on information supplied to the insurance company several months prior to the 2007/08 financial year. Mid-way through the year, the insurance company asks for updated information on items such as staffing levels and revised budget figures so that it can make adjustments to the premiums already charged. Due to the significant changes within the Council over the last twelve months, in particular the housing stock transfer, there has been a delay in receiving the adjusted premium figures for 2007/08. The adjustments have now been made and as a result the premiums for the current year have been reduced. This has resulted in a budget saving of around £33,000.
20. Additional expenditure on Target Bonus Recycling Payments is due to tonnage volumes exceeding those in the base contract as a result of higher levels of glass, paper and cans being recycled. The previous forecast in my last report was based on approx. 9,000 tonnes giving a total cost of £400,000 for the year. The projected total tonnage is now forecast to be around 9,500 giving a total cost of £420,000, an increase of £20,000 from the figure reported in September monitoring.
21. Following on from my previous reports in which I have advised of the volatility of the housing benefits budget and the potential to impact on the revenue outturn, I feel it is prudent at this stage to increase the forecast overspend by a further £35,000.
22. Another demand-driven budget is Concessionary Travel. As more up to date information has become available from County Council, it is clear that the number of journeys has increased and with a continuing higher level of ridership anticipated, a further increase in costs is likely for 2007/08. There is also a risk that ridership may increase in March if the DfT publicity campaign for the new national scheme results in cardholders using their cards immediately. The current forecast is for an additional cost of £26,000 this year above previously reported levels.

23. Taking into account the points raised above, the current forecast position is that General Fund balances will be £30,000 lower than anticipated and further savings are needed to balance the budget. On a positive note it is still likely that further savings will be achieved and this should bring the budget back into balance. In addition to the significant variations identified in table 1, the assumptions regarding the potential cost of job evaluation have also been amended. Whilst no final figures are available it is now anticipated that the final outcome will be less than expected, but still a significant extra cost to the Council of around £40,000 in 2007/08.
24. The revenue budget for 2007/08 has been prepared on the understanding that the Council will receive permission from the Government to capitalise expenditure normally chargeable to revenue budgets, in particular the statutory redundancy costs and associated pension fund contributions arising from the restructuring of directorates. In addition, permission has been sought to capitalise the interest payment incurred on the land assembly costs for the Gillibrand Link Road. This report has been prepared on the assumption that the Council will be able to capitalise redundancy and pension costs, as approved in previous years, but will not be able to capitalise the £213,000 interest payment. We will be informed in the near future whether we can capitalise some or all of the interest, in which case there will be an improvement in the revenue budget position to report.

IMPLICATIONS OF REPORT

25. 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	

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

GARY HALL
ASSISTANT CHIEF EXECUTIVE (BUSINESS TRANSFORMATION)

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Dave Bond / Michael Jackson	5488 / 5490	25/01/08	***

General Fund Revenue Budget Monitoring 2007/08 - Forecast Outturn as at December 2007

	(1) Original Budget	(2) Impact of Council Restructure	(3) Agreed Changes (Directorates)	(4) Agreed Changes (Other)	(5) Original Cash Budget	(6) Contribution to Corp. Savings (Staffing)	(7) Contribution to Corp. Savings (Other)	(8) Current Cash Budget	(9) Forecast Outturn	(10) Variance	(11) Variance
	£	£	£	£	£	£	£	£	£	£	%
Chief Executive's Office	924,170	-	(92,980)		831,190	(83,000)		748,190	676,370	(71,820)	-9.60%
Corporate Governance	2,092,340	(744,630)	151,090	31,700	1,530,500	(61,600)		1,468,900	1,443,900	(25,000)	-1.70%
Business	1,061,650	-	(206,030)	10,000	865,620	(22,000)	(20,450)	823,170	821,170	(2,000)	-0.24%
Business Improvement	1,616,050	-	118,020		1,734,070	(5,000)		1,729,070	1,725,830	(3,240)	-0.19%
Human Resources	483,020	-	(41,550)	53,040	494,510			494,510	533,510	39,000	7.89%
Information & Communication Technology Services	998,230	-	(2,930)	34,270	1,029,570			1,029,570	1,019,570	(10,000)	-0.97%
People	1,231,770	738,020	(19,700)		1,950,090			1,950,090	1,943,090	(7,000)	-0.36%
Policy & Performance	625,810	-	7,260	65,000	698,070	(25,000)		673,070	678,890	5,820	0.86%
Property Services	82,040	-	84,630		166,670			166,670	356,560	189,890	113.93%
Neighbourhoods	4,988,550	6,610	2,190	(10,000)	4,987,350	(82,000)		4,905,350	4,891,350	(14,000)	-0.29%
Budgets Excluded from Finance Unit Monitoring:											
Benefit Payments	(250,340)				(250,340)			(250,340)	(115,370)	134,970	-53.91%
Concessionary Fares	550,580				550,580			550,580	664,180	113,600	20.63%
Pensions Account	225,000				225,000			225,000	225,000	-	0.00%
Corporate Savings Targets											
Management of Establishment				(278,050)	(278,050)	278,600		550	-	(550)	-100.00%
Efficiency/Other Savings				(60,000)	(60,000)		36,850	(23,150)	-	23,150	-100.00%
Salary Related Savings				(50,000)	(50,000)	0		(50,000)	-	50,000	-100.00%
Total Service Expenditure	14,628,870	-	-	(204,040)	14,424,830	-	16,400	14,441,230	14,864,050	422,820	2.9%
Non Service Expenditure											
Contingency Fund	50,000				50,000			50,000	-	(50,000)	0.0%
Contingency - Job Evaluation	255,680				255,680			255,680	25,000	(230,680)	0.0%
Contingency - Management of Establishment	(278,050)			278,050	-			-	-	-	0.0%
Contingency - Procurement Savings	(35,000)			35,000	-			-	-	-	0.0%
Contingency - Gershon Savings	(25,000)			25,000	-			-	-	-	0.0%
Contingency - Salary Related Savings	(50,000)			50,000	-			-	-	-	0.0%
Revenue Contribution to Capital	40,000			234,510	274,510			274,510	185,070	(89,440)	0.0%
Net Financing Transactions	(307,900)				(307,900)			(307,900)	(419,880)	(111,980)	36.4%
Parish Precepts	549,835				549,835			549,835	549,835	-	0.0%
Total Non Service Expenditure	199,565	-	-	622,560	822,125	-	-	822,125	340,025	(482,100)	-58.6%
Total Expenditure	14,828,435	-	-	418,520	15,246,955	-	16,400	15,263,355	15,204,075	(59,280)	
Financed By											
Council Tax	(6,569,235)				(6,569,235)			(6,569,235)	(6,569,235)	-	0.0%
Aggregate External Finance	(8,008,230)				(8,008,230)			(8,008,230)	(8,008,230)	-	0.0%
Collection Fund Surplus	(59,970)				(59,970)			(59,970)	(59,970)	-	0.0%
Use of Earmarked Reserves - capital financing	-			(234,510)	(234,510)			(234,510)	(144,860)	89,650	38.2%
Use of Earmarked Reserves - revenue expenditure	(151,000)			(184,010)	(335,010)		(16,400)	(351,410)	(351,410)	-	0.0%
Contribution to or use of General Balances	(40,000)				(40,000)			(40,000)	(40,000)	-	0.0%
Total Financing	(14,828,435)	-	-	(418,520)	(15,246,955)	-	(16,400)	(15,263,355)	(15,173,705)	89,650	0.6%
Net Expenditure	-	-	-	-	-	-	-	-	30,370	30,370	0.21%

General Balances Summary Position	Budget £	Forecast £
General Fund Balance at 1.4.07	1,000,000	768,610
Budgeted use of General Balances		(40,000)
Forecast (Over)/Under Spend		(30,370)
Forecast General Fund Balance at 31.3.08	1,000,000	698,240