

Report of	Meeting	Date
Assistant Chief Executive (Business Transformation) (Introduced by the Executive Member for Resources)	Executive Cabinet	26 June 2008

PROVISIONAL REVENUE OUTTURN 2007/2008

PURPOSE OF REPORT

1. To report to Members the provisional outturn figures for the Council's budget for the financial year 2007/08. The report contains information on both the General Fund and Housing 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

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 2007/08. I predicted that with the likelihood of further savings the Council should be on track to balance its budget and meet all its savings targets for the year. I am pleased to report that both of these objectives have been achieved.
5. The report shows that the level of working balances at 31 March 2008 is £1.778m including the transfer of £896k for the HRA surplus. Although this level falls outside the range recommended in the Medium Term Financial Strategy of £1.25m to £1.50m, this is largely due to the saving made in relation to interest payable for the Gillibrand Link Road. For the reasons outlined in the report I propose maintaining working balances at their current level for an interim period whilst a number of factors that will affect the Council's ability to balance its budget unravel themselves.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

6. None.

CORPORATE PRIORITIES

7. 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

8. During the financial year the Executive Cabinet received monitoring reports indicating that the General Fund budget was broadly on track to be balanced by the end of the financial year, with working balances to be maintained at around £770,000 (excluding any HRA balances).
9. Monitoring reports had also highlighted the impact on the 2007/08 revenue account of the additional interest payable of £213,000 in respect of the Gillibrand Link Road.

PROVISIONAL OUTTURN GENERAL FUND

10. The Council's budget for 2007/08 included real cash savings targets of £278,000 for vacancy savings and a further £60,000 to come from other efficiency gains. Both of these targets have been achieved in the year.
11. The December monitoring report highlighted the issue regarding interest payable on the land assembly costs for the Gillibrand Link Road and the intention to apply for permission to capitalise this expenditure. I am pleased to say that the Council has since received permission to capitalise the full amount of £213,000 and this cost will no longer fall on the General Fund revenue account. This is a substantial saving that has obviously had a major impact on the final outturn position.
12. During the year I reported that spending was on course to be within budget and that further savings may be possible. This proved to be the case as the Council's net expenditure at the end of the year shows an underspend of £321,000 or -2.24% of total service expenditure. A summary of individual directorate performance is attached at Appendix A.
13. The net movement in expenditure from the position reported in December shows a reduction of £138,000 (excluding the saving made as a result of the capitalisation agreement).
14. 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

	£'000
Expenditure	
- Staffing	(161)
- Bed & Breakfast costs	49
- Stock Transfer related costs	37
- Increase in Provision for Bad Debts	49
- Benefits	71
- Concessionary Travel	29
- Vehicle Fuel costs	20
- Target Bonus recycling contract	17
- Internet Charges	(25)
- Consultants Fees (CPA, LSP related work)	(20)
- Food Hygiene/ Health Education (Smoke free grant)	(16)
- Job Evaluation (Appeals)	(25)
- Bank Charges	(8)
- Health & Safety	(12)
- Refuse Collection (Skips Bengal St)	22
- Operating Leases	(14)
- Supplies - Highways Cleansing/Grounds Maint.	17
- Efficiency saving Public Convenience contract	(8)
- Contaminated Land Investigations	(8)
- Maintenance of Street Furniture	(7)
Income	
- Licence Fees	(11)
- Land Charges	21
- Building Control/Planning Application Fees	(12)
- Markets Tolls	11
- Additional PDG	(12)
- Rental income - Investment Portfolio	(11)
- Chorley/Adlington Cemetery Income	(16)
- Car Parking Fees	22
- Green Waste Processing rebate	(22)
- Recycling Banks	(15)
- Service Level Agreements (CCH)	(6)
- Net Financing Transactions	(79)
- Other minor forecasts	(15)
Net Movement	<u>(138)</u>

Brackets = underspend or additional income

15. Clearly one of 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 kept vacant pending the outcome of directorate and departmental restructures due to take effect within coming months. The saving is further analysed by directorate as £51,000 from People, £46,000 from Business, £30,000 from Business Improvement and £34,000 from other areas.

16. In a previous report the issue of Bed and Breakfast costs was highlighted as an area that would have a significant impact on the revenue outturn position. Estimated costs based on figures provided by Chorley Community Housing have now proved to be understated, resulting in a further overspend of £49,000.
17. Following the completion of the LSVT to Chorley Community Housing there have been additional costs relating to the transfer that will fall on the General Fund revenue account in 2007/08 totalling £37,000. These in the main are made up of legal fees and professional advice on stock transfer issues.
18. Following an appraisal of the Council's bad debt provision, it was deemed necessary to increase the level of cover by £49,000 to provide an adequate safeguard against potential future losses.
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, as the nature of the budget is demand driven. The outturn position shows an additional shortfall of £71,000. This is made up of a reduction in the level of subsidy received and a reduction in the level of overpayments.
20. Another area previously highlighted to members has been Concessionary Travel costs. Due to the delays in receiving accurate and timely cost information from LCC, together with the nature of the demand driven budget, it has been difficult to predict expenditure levels for the year. The outturn position shows an additional increase in costs of £29,000.
21. Over the previous twelve months we have seen a sharp rise in the prices of petrol, oil and diesel. This has resulted in a budget overspend of £20,000 on vehicle fuel costs within the Neighbourhoods directorate.
22. Additional expenditure on Target Bonus Recycling payments is due to a further increase in tonnage volumes over and above those in the base contract, resulting from increases in recycling levels. This cost however, should be viewed in light of the additional income received from Green Waste Processing and Recycling Banks outlined in the table above.

SLIPPAGE REQUESTS

23. Included in the outturn figure are slippage amounts. 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 slippage requests that I support. Other requests have been denied on the basis that costs can be accommodated within the 2008/09 cash budget.

Details	£'000
Strategic Housing - additional cost of agency staffing	40
Internet charges - budget underspend needed for additional cost of Microsoft Enterprise agreement	17
Smoke Free Initiatives - budget required to fund initiatives delayed until 2008/09	16
Consultations budget to be used in 2008/09	10

Yarrow Valley Park information leaflets - work delayed until 2008/09	5
Survey Expenses (including Market Walk extension)	5
Reward & Recognition - budget underspend required to fund initiatives in 2008/09	4
Staffing of Postal Vote opening - requirement for agency staff in 2008/09	4
Project Management Training - funding received in 07/08 required for work in 2008/09	4
Arts Initiatives - project begins in 2008/09	3
Total	<u>108</u>

GENERAL FUND RESOURCES AND BALANCES

25. 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 2007/08. 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 (including former HRA)	1.778	
Building Control Reserve	0.050	
Astley Hall Works of Art	0.009	
		1.837
Those approved for spend by Officers		
Directorate specific reserves	0.302	
e-Workforce & Capital Reserves	0.063	
Local Development Framework	0.202	
Elections equalisation reserve	0.010	
		0.577
Those for approval by Member under Delegation		
LA Business Growth Incentive Grant	0.449	
Performance Reward Grant	0.021	
		0.470
Total		2.884
Slippage not yet approved		0.108
Reserves total if slippage approved		2.992

26. The table shows that working balances are now £1.778m. This figure includes the transfer of the HRA surplus of £896k as detailed below. It should be noted that of the £0.449m LA Business Growth Incentive Grant, a sum of £0.357m currently remains uncommitted.

Whilst the level of working balances is greater than that recommended in the financial strategy propose that balances are maintained at this level in the interim for the following reasons:

I anticipated at this point in time having some initial data on the costs of concessionary travel. This has not proven to be the case.

Since the budget was set the economic position has shifted significantly. The credit crunch and oil prices both have the propensity to affect both the Councils revenue and expenditure position in a negative way.

HRA OUTTURN 2007/08

27. Following the transfer of housing stock to Chorley Community Housing, the budget assumed no net expenditure on the HRA in 2007/08. However, the outturn position shows that costs of around £70,000 have been incurred during the year. The reasons for this are as follows:

	£'000
Proportion of External Audit charges relating to HRA	44
Proportion of staffing costs relating to HRA work	34
Subsidy adjustment	(8)
Net Total	<u>70</u>

28. It should be noted that this cost has been met from the accrued HRA surplus of £966,000. The remaining HRA surplus of £896,000 has been transferred to the General Fund at 31 March 2008.

IMPLICATIONS OF REPORT

29. 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	

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.

Report Author	Ext	Date	Doc ID
Dave Bond/Michael Jackson	5488/5490	04/06/08	10JuneAwayDayProvisional Revenue Outturn Report 2007-08