

Report of	Meeting	Date
Assistant Chief Executive (Business Transformation) Statutory Finance Officer	Council	26 February 2009

STATUTORY REPORT ON THE BUDGET

PURPOSE OF REPORT

1. To provide advice required under S25 of the Local Government Act 2003.

RECOMMENDATIONS

2. The Council are recommended to:

Note the Statutory Finance Officers comments and advice under S25 of the Local Government Act 2003, as set out in this report and have regard to it when considering the budget for 2009/10.

EXECUTIVE SUMMARY OF REPORT

3. The report is as required by statute and requires the Statutory Finance Officer to set out how the budget has been constructed and the assumptions that underpin that budget. The Statutory Officer is then required to comment on the Executives budget proposals so that the Council can make an informed judgement as to the robustness of those assumptions.
4. Having reviewed the underlying assumptions and commented on the position in relation to working balances, I have concluded that the budget is reasonable and deliverable.

REASONS FOR RECOMMENDATIONS

(If the recommendations are accepted)

5. To comply with the statutory requirement to produce a S25 report.

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 organisation	✓

The robustness and deliverability of the budget has the propensity to affect in some way all of the Council's strategic objectives.

BACKGROUND

8. Under the requirements of S25 of the Local Government Act 2003 the Statutory Finance Officer is required to advise members when setting the budget as to the robustness of the budget and the adequacy of reserves.

LEVELS OF RESERVES

9. The Council for some time has established a budget based upon not using working balances to fund recurrent expenditure. Clearly this is good practice that delivers a prudent and sustainable budget.
10. In 2009/10 the Executives proposals included the use of working balances to fund, firstly an in year budget balance of £264k and in addition to this the net overspend on concessionary travel.
11. The Executive have done this for two reasons:
- Firstly, the unprecedented economic conditions and the impact it is having on the Council's budget through reductions in income has been relatively extreme, and it is unclear how long this may continue.
 - The concessionary travel expenditure and funding is likely to change from 2011.
12. On this basis the use of balances for funding the budget gap is proposed for one year only, which is a sustainable position. With regard to concessionary travel, there are a number of other actions proposed to try and mitigate the increased costs, including lobbying the government for extra grant and negotiating with the bus companies to reduce the reimbursement rate, with the intention that the budget impact is reduced prior to 2011.
13. The level of balances is a matter of judgement and the Executive have anticipated the potential problems with the free travel scheme and increased balances accordingly in previous years. It is therefore acceptable as a strategy to now use some of those balances on the basis that by 2011 the risk should have been removed from the Council's budget. Details regarding the level of working balances are contained within the Medium Term Financial Strategy and shows that working balances are set to reduce to £1m by the end of the financial planning period.
14. I have advised that that level of working balances is sufficient, but the Council should not allow them to go below this level.

THE ROBUSTNESS OF THE ESTIMATES AND RISK ISSUES

15. In terms of the budget proposals there still remains a number of risk areas where actual performance may not match the assumptions made. In such an event this may impact upon the Councils ability to deliver a balanced budget. The majority of these risks are not unique to Chorley and are recurrent issues in many cases, given the nature of local authority business.
16. In terms of key assumptions these are set out in table three of the Medium Term Financial Strategy. In relation to these items I would make the following comment.

PAY AWARD

17. The assumptions are based upon the fact that it is likely that there will be downward pressure on public sector pay awards over the next three years, as inflation falls and the government look to strengthen the public finances of the Country.

PENSIONS CONTRIBUTIONS

18. The Councils contribution toward pensions continues to increase as the pension deficit increases mainly as yield on investments fall. For this reason I have anticipated further increases in future years, including 2011/12 by which time the next triennial review will have taken place.

CONCESSIONARY TRAVEL

19. This particular element of the budget still represents the greatest risk in terms of identifying the likely annual costs, both in the current and future years.
20. That said the Executives proposal are that anything over the base budget of £1.025m will be funded from working balances in the short term and working balances are at sufficient a level to sustain that strategy for the short term.

EXPENDITURE AND INCOME SAVINGS

21. Turning to the savings and additional fees and charges income proposals in the proposed budget, I make the following comments which are strategic in nature, not focusing on the individual elements of the proposals.
22. The budget as it currently stands includes net expenditure savings of £748k. The bulk of these come from salary saving from restructuring and the development of the Shared Services agenda. I am satisfied that sufficient progress has and is being made in relation to these proposals to ensure they are delivered in 2009/10.
23. With regards to the additional income to be generated , these are based on yields after re-basing many of the budgets impacted from the economic downturn. Some of these are demand led and therefore there is some risk of them not being achieved, but the risk I believe is small and the targets are not overly ambitious.

CONCLUSIONS OF THE ADEQUACY OF WORKING BALANCES AND THE ROBUSTNESS OF THE BUDGET

24. The Financial Strategy that takes us up until 2011/12 concludes that working balances will stand at £1m by the end of that period.

25. However, there are still a number of external factors influencing the Council's ability to either attract funding or to influence expenditure. This is in the main due to:
- The unknowns in relation to future government funding which may change as public expenditure contracts.
 - The full impact of the concessionary travel scheme over the planning period.
 - The Government support for capitalisation direction.
26. In addition there remains the outstanding issue in relation to the deposit frozen in the Icelandic bank. It is likely that the outcome and this position will take up to two years to conclude. Whilst the Government has put in temporary arrangements to protect Council Tax payers, only when the financial position is clear and the Governments intentions are known in relation to supporting Councils will we be able to assess the financial impact on the Council.
27. With regard to the robustness of the budget assumptions for 2009/10 once again each Directorate has had a line by line review completed on their budget and whilst there are still some issues to resolve, they represent adjustments that are reasonable and deliverable.
28. In previous years the Council has been faced with the prospect of making savings and 2009/10 has been no different. The savings are necessary to contain the Council Tax increase and secondly to balance the books. This report has identified that most of the savings plans are well developed but further work is necessary to ensure those plans are deliverable.
29. Some inherent risks remain in the budget but the underlying assumptions made I believe are reasonable. I have outlined my views and advice in relation to the levels of working balances and commented that use of working balances is sustainable in the short term and that they should be maintained at a level of no lower than £1m, and this position has been adopted in the Financial Strategy. The Council will need to work hard to ensure that the savings targets for future years are delivered and will have to be innovative and decisive over the next few years.

IMPLICATIONS OF REPORT

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

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

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There are no background papers to this report.

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Gary Hall	5480	09/02/09	ACE/(BT)/Reports/2009/Council/ Alternative Budget