

**FINANCIAL MONITORING – REVENUE BUDGET
(Report by the Head of Financial Services)**

1. 2008/09 Budget – As at March 2009

- 1.1 Cabinet received a forecast of £20,448k for the 2008/09 revenue outturn at its meeting on 29 January 2009. This was the figure on which the Council report for the 2009/10 budget and the MTP was based. This report updates that forecast.
- 1.2 It is now expected that the outturn will be £20,209k – a reduction of £239k since January. The variations are summarised in Annex A with the larger items being.
- Additional LABGI grant of £150k
 - Increased investment income of £173k
 - Further Leisure Centre savings £274k
 - Additional cost of the concessionary fares scheme £150k
 - An expectation that the turnover allowance will not be met by £148k.
- 1.3 Although this report is based on the position at the end of March, together with service managers' forecasts of some of the year end adjustments, there will be further fluctuations during the final accounts process which historically have been further reductions.

2. 2009/10 Budget

- 2.1 A preliminary review of the position on the 2009/10 budget has been undertaken that takes account of what is emerging in the outturn for 2008/09 and any other known or anticipated items. This shows the likelihood of a small overspending of £85k. The details are shown at Annex B.
- 2.2 However this does not take account of some of the pressures that have arisen or are emerging as a result of the recession. The following section suggests how these could be addressed.

3. Recession Impacts

- 3.1 Increasing pressure on certain Council services are already being felt and it is expected that this will continue to increase. Particularly affected are Housing Services and Benefits, which are both experiencing an increase in case load. In the latter case the Government is providing some extra funding but this is unlikely to be enough to maintain a prompt service for those in a vulnerable situation. There is also a significant increase in the number of people seeking help and advice from organisations, such as the Citizen's Advice Bureau, that have little opportunity to expand their service unless they receive extra grants.

- 3.2 As referred to above, there is likely to be a saving of over £200k this year compared with the figures on which the 2009/10 budget and MTP were based. Cabinet could decide that, say £200k, should be transferred to a “Recession Reserve” to be used to fund those actions that will best help maintain services for those disadvantaged by the recession. Use of the Reserve could be delegated to the Director of Commerce and Technology after consultation with the relevant Director and the Executive Councillors for the service and for finance.

4. Potential VAT reclaim

- 4.1 Due to a recent Court of Appeal judgement a window was created during which claims for VAT refunds could be made back to 1973, when VAT was introduced, as long as they were submitted by 31 March 2009. The judgement was linked to 6 areas where the treatment of VAT was corrected by HMRC from 1996 but for which they argued there was no entitlement to reclaims pre-1996. We have worked closely with our VAT advisors to ensure that we have maximised our claim and the chance of it being accepted.
- 4.2 The sums included in the claim are large – over £1M plus simple interest. There is a separate legal challenge relating to allowing compound interest which would significantly increase any sum. It would be premature to anticipate how much we will get and when we will get it but there is a strong likelihood that it will result in a useful one-off addition to our revenue reserves.

5. Amounts collected and debts written off

- 5.1 The position as at 31 March 2009 is shown in Annex C

6. Recommendation

It is recommended that Cabinet:

- Note the forecast spending variations, the potential VAT reclaim and the position on debts collected and written off.
- Approve the creation of a “Recession Reserve” of £200k (or the actual underspending if lower) to maintain service levels in those areas affected by the recession.
- Delegate the decisions on the use of the reserve to the Director of Commerce and Technology following consultation with the relevant Director and the Executive Councillors for the relevant service and finance.

ACCESS TO INFORMATION ACT 1985

Source Documents:

1. Cabinet and Council Reports
2. Budgetary control files.

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ANNEX A

FORECAST	Expenditure	Income	Recharge to capital	Net expenditure
	£000	£000	£000	£000
Original budget	68,142	-46,848	-874	20,420
Less benefits reimbursed by Government	-29,085	29,085		0
Adjusted total	39,057	-17,763	-874	20,420
Variations reported in January 2009				
Timing	260			260
Spending	-173	279	-338	-232
Total	87	279	-338	28
Forecast variations post January				
Timing differences	-57			-57
Recharge to capital			-81	-81
Leisure centre savings	-274			-274
Car parking income		51		51
LABGI		-150		-150
Concessionary fares	150			150
Additional interest		-173		-173
Increased commutation allowance	-43			-43
Development control fees	-50			-50
Land charges income		59		59
Recycling green boxes	26			26
Call Centre	34			34
Housing benefits	40			40
Grounds maintenance vehicles	40			40
Ramsey & Yaxley Community Information Centres grant		29		29
Council tax recovery costs	-20			-20
Home improvement agency	-18			-18
Review of turnover allowance	148			148
Other variations	50			50
Variations post January	26	-184	-81	-239
Total variations	113	95	-419	-211
% variations	0.3%	-0.5%	47.9%	-1.0%
Forecast net spending in year	39,170	-17,668	-1,293	20,209

FUNDING	Original Budget	Forecast outturn	
		January '09	March '09
	£000	£000	£000
Forecast net spending	20,420	20,300	20,209
Funded from			
Government support	-12,158	-12,158	-12,158
Collection fund adjustment	28	28	28
Council tax	-6,668	-6,668	-6,668
Reserves			
Contribution from delayed projects reserve	-25	-335	-335
Contribution to delayed projects reserve	200	250	250
General reserves	-1,797	-1,565	-1,326
Total reserves	-1,622	-1,650	-1,411
Total	-20,420	-20,448	-20,209

CONTINGENCIES INCLUDED IN THE BUDGET

	Budget	Estimated outturn	Variation	
	£000	£000	£000	
Turnover	-611	-363	248	The estimated outturn is that not all of the contingency will be met from staff savings
Additional planning and housing grant	-250	-251	-1	
Employee costs recharged to capital	-160	-419	-259	
	-1,021	-1,110	-79	The transfer of costs to capital is forecast to be exceeded

ANNEX B

POTENTIAL CHANGES TO THE 2009/10 BUDGET

	£000	
Known and costed		
Gate fees	131	
Central services staff saving	-78	Net of £25k target in MTP
Pay award 2.2% (budget 3%)	-170	
Extra interest due to increase in reserves at start of year	-48	
	-165	
Known but estimated		
Concessionary fares	150	
Gate fees	65	
Reduced interest due to fall in interest rates	-45	
	170	
Risk of not achieving/over-achieving budget		
Not achieving Leisure Centre savings	100	Budgeted increase -£583k
Extra interest - slippage on capital programme	-20	
Increased recharge from revenue to capital	-100	Budget -£100k
Non-achievement of turnover allowance	100	Budget £479k
	80	
OVERALL	85	

AMOUNTS COLLECTED AND DEBTS WRITTEN OFF**Collected**

The total amount of payments received, less customer refunds and transfers to other debts:

	April to Dec 2008	Jan to March 2009	Total
	£000	£000	£000
Type of Debt			
Council Tax	65,055	8,799	73,854
NNDR	47,600	6,288	53,888
Sundry Debtors	5,248	2,341	7,589
Excess Charges	111	39	150

Amounts written off

Whilst the amounts below have been written-off in this financial year, much of the original debt would have been raised in previous financial years.

	Up to £4k			Over £4k			TOTAL
	April to Dec 2008	Jan to Mar 2009	Total	April to Dec 2008	Jan to Mar 2009	Total	Total
	£000	£000	£000	£000	£000	£000	£000
Type of Debt							
Council Tax	84.2	8.3	92.5	0.0	0.0	0.0	92.5
NNDR	19.1	8.2	27.3	18.1	13.1	31.2	58.5
Sundry Debtors	22.6	16.1	38.7	0.0	0.0	0.0	38.7
Excess Charges	9.3	5.5	14.8	0.0	0.0	0.0	14.8

Authority to write off debts

The Head of Customer Services is authorised to write-off debts of up to £4,000, or more after consultation with the Executive Councillor for Finance, if she is satisfied that the debts are irrecoverable or cannot be recovered without incurring disproportionate costs. The Head of Financial Services deputises in her absence.