

Item 4

REPORT TO CABINET

25TH NOVEMBER 2004

REPORT OF DIRECTOR OF RESOURCES

Portfolio: RESOURCE MANAGEMENT

REVENUE BUDGETARY CONTROL REPORT – POSITION AT 30TH SEPTEMBER 2004

SUMMARY

This report summarises individual spending forecasts for the seven portfolios for 2004/2005, which shows that:

- The General Fund is expected to contribute to balances by around £348,000 compared to a budgeted use of £300,000, which provides an opportunity to make some early provision for Job Evaluation costs.
- The Housing Maintenance Budget is currently overspent and if not corrected will require a greater use of capital receipts to replace revenue funding to the capital programme.
- The Training and Employment Service is anticipated to produce an operating surplus in the region of £100,000, against an original forecast break-even position.

RECOMMENDATIONS

- That the financial position for 2004/2005 be noted.
- That in view of the position on the General Fund, a sum of £350,000 be set aside to help meet the initial costs of Job Evaluation.
- That a further report be submitted to Cabinet, detailing the position at the 31st December 2004 (nine months position).

DETAILED FINANCIAL POSITION AT 30TH SEPTEMBER 2004

General Fund

The following table covers the first six months of 2004/2005 (April – September) and shows:-

- The approved budget for each of the main portfolios.
- The profiled budget for the first six months of 2004/2005.
- The actual income and expenditure as recorded in the Council's Financial Management System.
- Projected Probable Outturn for 2004/2005 based on spend to date and known commitments.
- Variance between the annual budget and the projected probable outturn.

Cabinet and Council subsequently reviewed the Budget Framework in July 2004, in light of the additional Capital Receipts being generated and the extra Investment Income being received. As a result, the Budget Framework was changed to provide an increased contingency provision of £300,000 taking the approved budget to £12,300,000.

The overall financial position for the General Fund is therefore as follows:-

	Budget 2004/05 £'000	Budget To Date £'000	Spend To Date £'000	Probable Outturn £'000	Variance £'000
<i>Resource Management</i>	3,737	2,179	3,346	3,341	(396)
<i>Culture and Recreation</i>	2,039	970	1,084	2,155	116
<i>Environment</i>	3,525	1,825	1,729	3,677	152
<i>Housing</i>	420	201	281	370	(50)
<i>Regeneration</i>	1,095	592	535	1,015	(80)
<i>Community Safety</i>	500	385	283	450	(50)
<i>Supporting People</i>	859	4,423	4,403	819	(40)
<i>Contingency</i>	425	-	-	425	-
	12,600	10,575	11,661	12,252	(348)
<i>Use of Balance</i>	300	-	-	(48)	(348)
Budget Requirement	12,300	10,575	11,661	12,300	-

On the basis that the whole of the contingency sum is fully utilised in 2004/2005 there will be an anticipated contribution to balances of £348,000 against a budgeted use of balances of £300,000. This represents a potential underspend of £648,000 to the General Fund.

In preparing the probable outturn position, no account has been taken of the possible impact of the Job Evaluation exercise, which will be concluded in Spring 2005. It is difficult to forecast what impact this may have on service costs but, bearing in mind the relatively healthy financial position set out above, it may be prudent to set aside some of the anticipated savings on the General Fund to help with initial costs. It is therefore proposed that a sum of £350,000 be identified for this purpose.

The main features that contribute to the overall underspend include:-

Resource Management

The projected spend to the 31st March 2005 is £3,341,000, compared to an initial budget of £3,737,000; an estimated underspend of £396,000.

Cabinet has already approved use of the contingency fund during 2004/2005 amounting to approximately £200,000. It is anticipated that the whole of the contingency will be fully utilised during the remaining part of the year to help meet key priorities as identified in the Medium Term Financial Plan.

The significant savings within this portfolio largely relate to improvements in the Council's Treasury Management position. On the one hand, interest charges will fall as a result of debt rescheduling undertaken towards the end of last year and after the 2004/2005 budgets had been approved. On the other hand, additional income will be

received from the investment of the substantial capital receipts generated from recent land sales.

Culture and Recreation

The projected spend to 31st March 2005 is £2,155,000 compared to the initial budget approval of £2,039,000, a net overspend of £116,000.

The main factors contributing to the current overspend projection are as follows:-

- The initial budgets for the swimming pools at Shildon and Fishburn were based on an operating cost of £10,500. The projected total outturn is £34,100, which whilst lower than the final costs for 2003/2004, still represents an overall additional cost of £23,600. The main concern relates to the income generating capacity of the pools. This is being carefully examined and a report will be prepared for future consideration.
- During the current financial year there have been significant alterations to Newton Aycliffe and Spennymoor Leisure Centres, which resulted in large areas of the Centres being unavailable for use. This has had a major impact on income generation, amounting to £40,000.
- Staffing costs are likely to overspend by approximately £36,000 as a consequence of temporarily filling posts relating to maternity and redeployment of staff due to illness.
- The Director of Leisure Services is looking carefully at his current spending commitments and expects to make significant inroads into the current overspend position by the 31st March 2005.

Environment

Projected net expenditure to 31st March 2005 is £3,677,000 compared to the original budget approved of £3,525,000 - an overspend of £152,000 (or 4.3%).

The main issues that are having an impact on the anticipated final position are:-

- Significant reduction in income in respect of licences, which, because of Government delays in introducing the new legislation, mean that fee income will be £55,000 lower than anticipated.
- During the time when the Council had a substantial window replacement programme, an internal skip service was established, which helped generate additional income for the Refuse Collection Service. Although it has been reducing over the last couple of years, the pace of the reduction in the skip service has increased in the current year and the outturn forecast reflects potential loss of income of £97,000.

Housing General Fund

Projected spend to the 31st March 2005 is £370,000, compared to the original budget approval of £429,000; an estimated underspend of £50,000 (or 12%), which is mainly as a result of delays in filling staff posts.

Regeneration

The projected spend to the 31st March 2005 is £1,015,000 compared to an original budget approval of £1,095,000; an estimated underspend of £80,000.

The main reasons for the underspend are salary savings resulting from the delay or non-filling of vacant posts within the Neighbourhood Services Department.

Community Safety

The projected spend to the 31st March 2005 is £450,000 compared to an initial budget approval of £500,000 - an underspend of £50,000 (or 10%).

At the time the budget was prepared, the service was about to be fundamentally reviewed, following the Consultant's report into the service. At that time it was not clear what the outcome would be and as a consequence a provisional budget was set at £500,000.

The service has been fully reviewed and the new arrangements are now in place. Savings have largely been made as a result of delays in filling vacant posts whilst the review was being undertaken.

Supporting People

The projected spend to the 31st March 2005 is £819,000, compared to an original budget approval of £859,000, an estimated underspend of £40,000 (or 4.7%).

The main factors which contribute to the underspend are:-

- The Government fundamentally changed the way Housing and Council Tax Benefit was funded for 2004/2005. For example, Rent Rebates, which was previously accounted for in the HRA, were transferred into the General Fund. This created some uncertainty and transitional arrangements were put in place to protect the General Fund. The full implications of these changes have now been assessed, resulting in additional subsidy of £83,000. It is pleasing to note that the overall levels of benefit payments have increased, along with the number of claimants receiving benefit during the course of this financial year.
- The Council is faced with additional costs of £19,000 in respect of the Concessionary Travel Scheme; resulting from an increased share of the passes issued across the scheme. An independent consultant is currently reviewing the present scheme and method of reimbursement to the Bus Companies.

Housing Revenue Account (HRA)

- The budgetary position at the end of September 2004, shows that the Housing Maintenance Budget is currently overspent by around £200,000. If this is not corrected the overspend is projected to amount to £450,000 in a full year. In budget terms this can be offset by reducing the level of revenue support to finance the capital programme and replacing it with a greater use of capital receipts. In doing this there will be no call on the Housing Revenue Account working balance as anticipated when the original budget was prepared.
- The Director of Housing is carefully examining the current spending profile in order to see what action can be taken to mitigate the overspend position.

A number of other changes to the Housing Revenue Account are anticipated which, whilst being cost neutral overall, are summarised below:-

- Rental income is lower than originally budgeted due to the continued buoyancy in the Right-to-Buy sales market. The shortfall in rental income is partly offset by reduced void rent losses (£150,000).
- There is an anticipated shortfall in Supporting People income of £147,000, although this is partly offset by operational savings on the Carelink Budget.
- Significant savings on interest charges amounting to £180,000 have been achieved as a result of debt rescheduling undertaken towards the end of last year and after the 2004/2005 budgets had been approved.

Training and Employment Services

The initial budget prepared for 2004/2005 showed that the trading account would break even by the 31st March 2005. Current projections indicate that as a consequence of significantly higher occupancy levels on the training schemes, there will now be an operating surplus in the region of £100,000 for the year; this is after additional expenditure on ICT communication lines between the Green Lane Offices and the Coulson Street Training Centre has been met.

CORPORATE POLICY IMPLICATIONS

This report does not contain proposals that would require any changes to the Council's agreed policy framework and corporate objectives.

RESOURCE IMPLICATIONS

There are no further resource implications arising from this report. Planned spending commitments are in line with previously approved capital spending programmes set for the Council's portfolios.

CONSULTATIONS

Comprehensive consultation has previously been held during the construction of the 2004/2005 Budget Framework. This report does not contain any proposals or recommendations requiring further consultation.

OTHER MATERIAL CONSIDERATIONS

There are no other significant material considerations arising from the recommendations contained in this report.

OVERVIEW AND SCRUTINY IMPLICATIONS

Consultation and engagement with Overview and Scrutiny Committees has previously been held in development and review of the 2004/2005 Budget Framework.

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Ward(s): Not Ward Specific

Background Papers: ~ Report to Special Council 27th February 2004 – Budget Framework 2004/2005.
~ Report to Council 28th July 2004 – Budget Framework 2004/2005 – Use of Capital Receipts.

Examination by Statutory Officers

	Yes	Not Applicable
1. The report has been examined by the Council's Head of the Paid Service or his representative	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. The content has been examined by the Council's S.151 Officer or his representative	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3. The content has been examined by the Council's Monitoring Officer or his representative	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4. The report has been approved by Management Team	<input checked="" type="checkbox"/>	<input type="checkbox"/>

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