

24th NOVEMBER 2005

REPORT OF DIRECTOR OF RESOURCES

Portfolio: RESOURCE MANAGEMENT

REVENUE BUDGETARY CONTROL REPORT 2005 - 2006 POSITION AT 30th SEPTEMBER 2005

1. SUMMARY

This report summarises individual spending forecasts for the nine portfolios for 2005/2006, which shows that:

- The General Fund is expected to use balances of around £515,000 compared to a budgeted use of £800,000.
- The Housing Revenue Account is currently predicting an overspend of £201,000 on its revenue operations
- The Training and Employment Service is anticipated to make an operating loss in the region of £95,000, in line with the initial budget forecast.

2. RECOMMENDATIONS

- That the financial position for 2005/2006 be considered.
- That a further report be submitted to Cabinet, detailing the position as at the 31st December and final outturn as at 31st March in line with the budgetary Control Monitoring Arrangements 2005/06 reported to Management Team on 22nd August 2005.
- That detailed reports be submitted to the Strategic Working Groups in order to monitor progress throughout the year at a more detailed level..

3. DETAILED FINANCIAL POSITION AT 30th SEPTEMBER 2005

3.1 Monitoring Arrangements for 2005-2006

The budgetary control monitoring arrangements for 2005-2006 have been enhanced by ensuring that the Councils four Strategic Working Groups receive regular reports in respect of those areas of responsibility, but at a more detailed level than is presented to Cabinet for consideration.

The report presented to the Cabinet meeting on the 15th September was subsequently referred to the respective Strategic Working Groups for consideration, a small number of issues have been referred to Officers to examine and report back on at the next working group meeting, though it is not anticipated that the outcome of these reviews will impact on the financial positions previously reported.

As indicated in the September 2005 report the budgetary control framework will be further enhanced during the year to include the monitoring of budgets

susceptible to market forces which could lead to budget problems [e.g. Bar & Catering Income, Planning Fees etc.]

3.2 General Fund

The following table covers the first six months of 2005/2006 (April – September) and shows: -

- The approved budget for each of the main portfolios.
- The profiled budget for the first six months of 2005/2006.
- The actual income and expenditure as recorded in the Council's Financial Management System.
- Projected Probable Outturn for 2005/2006 based on spend to date and known commitments.
- Variance between the annual budget and the projected probable outturn.

The original approved budgets have been revised to take account of a full re-apportionment of asset charges across all Portfolios.

The Budgets take account of the release of funds to key growth areas with effect from 1st August 2005 which was initially frozen pending the receipt of the proceeds of a major land sale at Newton Aycliffe.

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

	Budget 2005/06 £'000	Budget To Date £'000	Spend To Date £'000	Probable Outturn £'000	Variance £'000
<i>Resource Management*</i>	687	423	452	726	39
<i>Culture and Recreation</i>	3,857	1,934	1,862	3,898	41
<i>Environment</i>	4,407	2,242	2,101	4,466	59
<i>Housing</i>	624	358	336	606	(18)
<i>Regeneration</i>	1,591	811	681	1,515	(76)
<i>Community Safety</i>	675	440	421	687	12
<i>Supporting People</i>	1,023	4,845	4,430	713	(310)
<i>Contingency</i>	346	-	-	496	150
	13,210	11,053	10,283	13,107	(103)
<i>Use of Balances</i>	(800)			(515)	285
<i>Unanticipated Income</i>	-		(182)	(182)	(182)
Budget Requirement	12,410	-	-	12,410	-

*Includes Performance Management & Welfare & Communications Portfolios

On the basis that the whole of the contingency sum is fully utilised in 2005/2006 there will be an anticipated use balances of £515,000 against a budgeted use of balances of £800,000.

In preparing the probable outturn position, no account has yet been taken of the possible impact of the Job Evaluation exercise, which should be concluded later this year. It is difficult to forecast what impact this may have on service costs but at this stage it is assumed that the contingency sum will be sufficient to meet any likely costs of the scheme.

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

3.2.1. Resource Management

The projected spend to the 31st March 2006 is £726,000 compared to an initial budget of £687,000; an estimated overspend of £39,000. [Previous report £58,000 overspend]

The main factors that contribute to this overspend are as follows: -

- Staffing Budgets are examined collectively for control purposes and at this stage some additional savings are being achieved over and above those that were anticipated when the 2005-2006 budgets were determined.
- The Long Service Award scheme for employees with 15 and 25 years of services is anticipated to cost £28,000 this year.
- Additional Job evaluation analyst costs which are expected to be in the region of £43,000.
- A downturn in investment rates being received and lower than anticipated investment levels mean that investment income has fallen by £192,000.

3.2.2. Culture and Recreation

The projected spend to 31st March 2006 is £3,898,000 compared to the initial budget approval of £3,857,000, a net overspend of £41,000. [Previous report £47,000 overspend]

There has been little change in the factors contributing to the overspend position since the last report these are summarised as follows:-

- Disruption at Spennymoor Leisure Centre as a consequence of the capital works being carried out for the Gymnasium extension has led to a higher than anticipated income reduction.
- Income targets set for the Bars are unlikely to be achieved as a result of changes in usage policy. [£16,000]
- Projections indicate that there will be additional costs of running Locomotion amounting to £58,000, 50% of which will be met by the NRM.
- Discontinued use of the Shildon pool has saved £11,000.
- The Director of Leisure Services is looking carefully at his current spending commitments and expects to make further significant inroads into the current overspend position by the 31st March 2006.

3.2.3. Environment

Projected net expenditure to 31st March 2006 is £4,466,000 compared to a revised budget approved of £4,407,000 - an overspend of £61,000. [Previous report £46,000 overspend]

The main issues that are having an impact on the anticipated final position are broadly similar to the September report to Cabinet.

- Loss of licensing income of £15,000 as a result in delays in implementing the new powers & duties.
- The impact of the revised disposal arrangements using Thornley Transfer station has increased costs by £40,000.
- The impact on the refuse collection service as a result of the down turn in demand for the skip service has resulted in loss of income amounting to £25,000.
- The Director of Neighbourhood Service is looking carefully at his current spending commitments and expects to make significant inroads into the current overspend position by the 31st March 2006 especially in relation to Street Scene Services.

3.2.4. Housing General Fund

Projected spend to the 31st March 2006 is £606,000 compared to a revised budget approval of £624,000; an estimated underspend of £18,000 [Previous report £49,000 underspend], which is mainly as a result of: -

- Significant additional costs in bringing more Homeless units into service [£21,000]
- Loss of ERDF grant in respect of the Aycliffe Neighbourhood Management service.

3.2.5. Regeneration

The projected spend to the 31st March 2006 is £1,515,000 compared to an original budget approval of £1,591,000, an underspend of £76,000. [Previously £87,000]

There has been little change in the reasons for the overspend which are: -

- Additional income being generated from increases in Planning Fee income.
- Lower than anticipated occupancy rates on the Industrial Units, together with higher levels of rent - free periods and other incentives are likely to result in a shortfall of rental income of £52,000.

3.2.6. Community Safety

The projected spend to the 31st March 2006 is £687,000 compared to a revised budget approval of £675,000 - an overspend of £12,000 (or 1.7%). [Previous report £11,000] The revised budget now reflects the transfer of staff and functions from the Environmental Protection Team to Neighbourhood Wardens.

- The Council is in the process of appointing the additional Neighbourhood Wardens that were delayed because of the uncertainty of resources pending the receipt of the proceed from significant land sales.
- The main reason for the projected overspend relates to
 - Increased costs in respect of overtime payments in the Control Room

- Increased leasing costs associated with the recent replacement of Neighbourhood Wardens vehicles.

3.2.7. Supporting People

The projected spend to the 31st March 2006 is £713,000, compared to an original budget approval of £1,023,000, an estimated underspend of £310,000. [Previous report £239,000 underspend]

There are no significant changes to the projections / issues previously reported which related in the main to the impact of the changes in respect of Housing Benefit Subsidy, resulting in an additional subsidy entitlement of £230,000.

3.3 Housing Revenue Account (HRA)

The projected position to the 31st March 2006 is an estimated overspend of £201,000, although there will be a net contribution to reserves as a result of the recovery of pre-ballot LSVT costs from Sunderland Housing Group

There are no significant changes to the projections / issues previously reported which were: -

- An increase in net rental income after accounting for losses in respect of empty houses and a reduced bad debts provision.
- The Housing Maintenance Budget will be overspent by around £200,000. These increased costs are partly as a result of works associated with the storm damage in the early part of the year. 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.
- At this stage of the financial year it is assumed that the Contingency sum will be fully utilised during 2005-2006 partly to meet the costs of job evaluation.

Following the unsuccessful LSVT Sunderland Housing Group will reimburse the Council pre-ballot costs, which will be added to reserves.

3.4 Training and Employment Services

The initial budget prepared for 2005/2006 predicted that the trading account would make an operating loss of about £95,000 [excluding asset charges] by the 31st March 2006. Current projections indicate that after the six-month stage the operating this forecast remains unchanged.

The earlier report advised Members that Job-Centre Plus has announced that the Adult Learning contract is being substantially reduced with effect from 1st October 2005, the exact scale of the reduction is still uncertain but it will have a significant affect on the service currently being delivered. The impact is currently being assessed and a number of options / alternative means of service delivery are being examined and a report will be prepared for Cabinet's consideration at the earliest opportunity.

4. Further revenue developments during 2005-2006

Since the budgets were approved in February there have been a number of developments that have provided the Council with additional resources which have been made available to provide enhanced service delivery. These were set out in

some detail in the report to Cabinet on the 15th September 2005 but are summarised below for easy reference: -

- Cabinet considered a report on the 29th September in respect of the use of the Planning Delivery Grant allocation of £270,000 for 2005-2006. £73,500 is to be spent on upgrading the ICT systems and a further £166,000 on a revised staffing structure to enhance the planning service. Planning Delivery Grant of £131,000 is available in 2006-2007 to continue the funding of the revised staffing arrangements.
- The Council has again been awarded a DEFRA Performance Standards Grant for Recycling and Composting amounting to £27,267, which is to be used to help the Council achieve its 18% recycling target.
- The outcome of further Rating Appeals has resulted in a refund of £165,000 [after Agents commissions], which has been added to the Contingency Sum.
- The Council has achieved its stretch performance targets in relation to the County-wide Local Public Service Agreement and a claim in respect of the performance reward grant in the region of £268,000 has been submitted to the ODPM. A report outlining how these resources will be used will be prepared for Cabinet's consideration in due course.

5. Collection Fund Surplus

The Council as billing authority for council tax and non domestic rates purposes maintains on behalf of the authorities which precept on the Council a separate set of accounts known as the Collection Fund. Whilst these accounts are not part of our normal budgetary control reporting arrangements any surplus or deficit on the fund has a direct impact on future council tax levels in the Borough. The projected surplus as at the 31st March 2006 is currently in the region of £730,000 of which £171,000 represents the Councils share,[compared with £250,000 for 2005-2006]. This estimated surplus is subject to fluctuation depending upon collection rates and levels of debt written off and can only be taken into account in the determination of Council Tax levels.

6. Revenue Reserves 2005-2006

Attached at **appendix 1** is a schedule detailing all of the Council's revenue reserves, which reflects the latest budget spending projections outlined above. It is anticipated that reserves totalling £10,235.8m will be available to the Council as at 31st March 2006. Details of how the Council will use these will be included in the review of the Medium Term Financial Plan which will be considered by Cabinet later this year.

7. Revenue Provisions 2005-2006

In approving the Annual Statement of Accounts for 2005-2006 to Council in June 2005 the Director of Resources was given authority to create revenue provisions in the sum of £197,000 that would be utilised to meet specific additional commitments in 2005-2006 for which no budgetary provision had been made. In addition the Council has other revenue provisions amounting to £1,274,000 that relate in the main to premiums and discounts on debt rescheduling that will be charged to revenue accounts over a number of years in accordance with approved accounting practices. A full schedule of all the Provisions held is attached at **appendix 2**.

8. Balance Sheet Management

The report to Cabinet in September introduced the concept of reporting on significant items from the Councils "balance sheet", and in particular those items that may have a material impact on the Council if not reviewed on a regular basis.

This report updates the previous position in respect of :-

- **External Loan Debt** – monies borrowed by the Council.
- **Short Term Investments** – surplus cash invested by the Council.
- **Sundry Debtors** – sums owed to the Council in respect of Rents, Council Tax, overpaid Housing Benefits, Mortgages and Accounts Receivable. **[See Appendix 3 for further analysis]**

Performance Management arrangements closely monitor the above areas on at least a monthly basis to ensure that the Councils Treasury Management strategy is being adhered to in respect of the first two items and in respect of the last item debt recovery action is instigated where debts are not settled within expected time scales.

- **External loan debt**
 - The value of loans outstanding at the 30th September 2005 was £18.835m, down from £18.987m at the 31st March 2005.
 - The current strategy does not anticipate any new borrowing in the current financial year and consequently external loan debt at 31st March 2006 is expected to have reduced to £18.678m, an overall reduction in the year of £309,000.
- **Short Term Investments**
 - As at the 30th September 2005 the Council had £28.018m on short-term deposit with Financial Institutions. The original budget forecast of investment income was £1.4m, but delays in the receipt of the land sale proceeds and the recent reductions in Bank Base rate will see investment income fall to approximately £1.208m. The Council will however actively pursue investment opportunities throughout the year in order to maximise investment returns. The reduction in investment income has been fully accounted for in the budgetary control statement.
- **Sundry Debtors**
 - Recovery of all sums due to the Council promptly can have a significant material impact on the cash-flow of the Council and lead onto higher than expected investment returns as indicated above if it is actively managed.
 - As at the 31st March 2005 the Council recorded in its Annual Accounts that the amounts due from debtors amounted to £9.955m. A significant proportion of this debt related to year-end grant claims which is a normal position, at this time of year and will be certified and paid as an outcome of the external audit process.
 - However some of the outstanding debt has to be actively managed to ensure that it is eventually collected and is not written off as a “bad debt”. As at the 30th September the following analysis is available

Type of Debt	Total Arrears	Current Arrears	Aged Arrears
	£	£	£
Current Housing Rents	616,749	266,164	350,585
Former Tenants Housing Rents	912,470	-	912,470
Council Tax	2,234,629	811,922	1,422,707
Accounts Receivable	754,105	703,383	50,722
Housing Benefit Overpayments	304,880	151,060	153,820
Mortgages	1,018	1,018	-
Total Outstanding debt	4,823,851	1,933,547	2,890,304

Current arrears is debt less than 60days old & Aged arrears is debt older than 60days

- Housing Rent is a weekly charge on the property. The five area teams manage current arrears with former tenants being managed by a centralised debt recovery team. Both Teams work to an approved policy document which involves a number of stages culminating in seeking repossession where a current tenant fails to make arrangements to pay and referral to a certified bailiff in former tenant arrears cases.
- Council Tax is an annual charge and the arrears above reflect those accounts where no arrangements have been agreed to collect the initial charge by instalments. When accounts fall into arrears Liability Orders are obtained from the Magistrates Court. Where this procedure fails to obtain settlement of the debt a range of other recovery processes are initiated including use of certified bailiffs and committal proceedings. Whilst the level of arrears looks high it must be taken in the context of the overall total debit in excess of £253 million. The Council has a very good collection rate and since Council Tax was introduced it has achieved a collection rate in excess of 99%.
- Accounts Receivable debt can relate to any of the services that the Council provides. Debt recovery action is the responsibility of the department that provides the service and raises the initial invoice. If the department is unable to collect the debt the Director of Resources may refer the debt to a certified Bailiff for further recovery action
- Housing Benefit overpayments usually arise where a person in receipt of benefit has failed to notify the Council of a change in circumstances that would effect their entitlement. If the claimant is still in receipt of benefit the overpayment is automatically recovered at the rate of £8.55 per week. Where the claimant is no longer in receipt of benefit or has vacated the property an accounts receivable invoice is sent. In instance where a former claimant moves back into the Borough and becomes eligible for benefit the debt is reinstated and recovered from on-going entitlement.
- Mortgages debt is all less than 60 days old, and arrangements are in hand to recover the debt outstanding.

9. Training Issues

Effective Budget monitoring is dependant upon Heads of Service and Budget Holders taking ownership of the budgets they manage to ensure services are delivered in accordance with Councils priorities as outlined in the Corporate Plan. To-date Heads of Service have received a training session on their roles and responsibilities in respect of budget preparation and Budget Monitoring and further

sessions are planned for other budget holders. Consultations are being held with IPF Ltd. to develop an appropriate course around the financial aspects of service planning and a training package is being formulated in respect of continued end user training in respect of the Councils' Financial management system.

10. CORPORATE POLICY IMPLICATIONS

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

11. RESOURCE IMPLICATIONS

There are no further resource implications arising from this report.

12. CONSULTATIONS

Comprehensive consultation has previously been held during the construction of the 2005/2006 Budget Framework. This report does not contain any proposals or recommendations requiring further consultation.

13. OTHER MATERIAL CONSIDERATIONS

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

14. OVERVIEW AND SCRUTINY IMPLICATIONS

Consultation and engagement with Overview and Scrutiny Committees has previously been held in development and review of the 2005/2006 Budget Framework.

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Ward(s): Not Ward Specific

Background Papers: ~ Report to Special Council 25th February 2005 – Budget Framework 2005/2006.
 ~ Report to Council 29th June 2005- Statement of Accounts 2004-2005
 ~ Report to Cabinet 15th September 2005- Revenue Budgetary Control Report – Position at 31st July 2005

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.	✓	
2. The content has been examined by the Council's S.151 Officer or his representative.	✓	
3. The content has been examined by the Council's Monitoring Officer or his representative.	✓	
4. Management Team has approved the report.	✓	

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