

Item 4

REPORT TO CABINET

19th FEBRUARY 2009

REPORT OF DIRECTOR OF RESOURCES

Portfolio: STRATEGIC LEADERSHIP

REVENUE BUDGETARY CONTROL REPORT – POSITION AT 31st DECEMBER 2008 AND PROBABLE OUTTURN 2008/09

1. SUMMARY

This report summarises the projected outturn position on the Council's revenue activities that shows:

- The General Fund is expected to use balances of around £0.843m compared to a budgeted use of £0.790m – an increase of £0.053m, before the use of provisions.
- The Housing Revenue Account is currently showing a balanced budget position with income matching expenditure.
- The Training and Employment Service was transferred to Bishop Auckland College during the year and a final account position for the service is currently being calculated.

Details in respect of significant Balance Sheet items are also included in Paragraph 7 in order to provide a wider perspective on the Council's financial standing.

2. RECOMMENDATIONS

It is recommended that: -

- Cabinet notes the position as at 31st December 2008 and the projections for the financial year

3. DETAILED FINANCIAL POSITION

3.1 Monitoring Arrangements for 2008-2009

Under the Council's budgetary control monitoring arrangements for 2008/09 regular reports will be considered by Cabinet detailing the Council's financial position as at 30th September 2008 and 31st December 2008. In addition more detailed reports will be considered by the various Strategic Working Groups on a similar reporting cycle.

The expectation is that issues arising from any significant variances from approved budgets will be considered by the Groups who will instigate corrective action where necessary and ensure that their deliberations are reported back to Cabinet at the next budgetary review opportunity.

3.2 General Fund

The following table covers the financial year 2008/09 and shows: -

- The approved budget for each of the main portfolios.
- The actual income and expenditure as recorded in the Council's financial management system as at 31st December 2008
- Forecasted outturn for 2008/09 based on spend to date and known commitments
- The variance between the annual budget and the projected outturn.

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

	Budget 2008/09 £'000	Spend to Date £'000	Probable Outturn £'000	Variance £'000
Strategic Leadership	1,479	583	1,476	(3)
Healthy Borough				
- Community Health	162	128	159	(3)
- Leisure & Culture	3,987	2,807	4,037	50
Strong Communities				
- Housing	740	535	874	134
- Safer Communities	1,175	812	1,073	(102)
Prosperous Borough				
- Learning & Employment	251	30	204	(47)
- Social Regeneration & Partnership	1,869	1,108	1,875	6
Attractive Borough				
- Environment	5,716	4,114	5,641	(75)
- Planning & Development	496	465	509	13
Other Efficiency Savings	(80)	-	-	80
	15,795	10,582	15,848	53
Use of Balances	790	-	843	(53)
Budget Requirement	15,005	-	15,005	-

3.2.1 Probable Outturn 2008/09

The overall forecasted outturn position for the General Fund shows that spending is broadly in line with the planned position, with a variance of only **£53,000** on an operational budget of **£15.795m**.

This position has been maintained despite the significant pressures on the budget which are directly attributable to the current economic climate with the Council, in common with other organisations, experiencing severe pressure in energy and fuel bills, a downturn in income and reduced investment returns following a downturn in housing land sales and lower investment rates.

The above position has been mitigated because the Council is achieving higher than forecasted savings in employees budgets but is also managing other budgets very closely to aid the consolidated position.

Salaries and Wages costs amount to approximately 30% of the gross spend on the Council's General Fund services, and as a consequence the relevant budgets are monitored very closely on a monthly basis. The Council set a savings target of £480,000 equivalent to a turnover rate of 5%. It is anticipated that the performance target set will be achieved by the 31st March 2009. In addition, it is estimated that an additional £900,000 will be saved over and above this target due to a higher level of staff turnover mainly as a result of local government reorganisation.

The following section concentrates on factors that are having an impact on individual Portfolio budgets.

3.2.2. General Fund

Portfolio	Area of Spend	Comment
Strategic Leadership		<p>Overall spending is in line with the planned position, however, the following key pressures on the budget should be noted: -</p> <p>A net increase in the capital financing charges budget of £115,900 due to reduced investment income arising from a delay in a capital receipt from the sale of surplus land and lower investment rates.</p> <p>Energy costs in the civic buildings budget are largely explain the £41,000 overspend on this budget.</p> <p>Savings on staff salaries [as explained in paragraph 3.2.1] have reduced the impact of the above pressures resulting in a small projected underspend for this portfolio.</p>
Healthy Borough	Community Health	There are no areas that are currently causing budget concerns, a small underspend of £2,850 is anticipated.

Portfolio	Area of Spend	Comment
	Leisure & Culture	<p>The overall position for this Portfolio is a projected overspend of £50,000.</p> <p>The previous position reported to Cabinet estimated an overspend of £133,000, principally due to increased energy costs at the leisure centres.</p> <p>Since that report, spending has been closely examined and additional savings of £83,000 have been identified to reduce the overspend, which include salary savings.</p>
Strong Communities	Housing General Fund	<p>The overall position for this portfolio is a projected overspend of £134,000, which is broadly in line with the figure previously reported to Cabinet. The reasons for this include:</p> <p>Selective Licensing income for Private Sector Landlords is estimated to be around £7,000 against a budget of £66,000 – a shortfall of £59,000.</p> <p>There is a reduction in fee income in respect of home improvement agency grant administration of £51,000. The budget anticipated a capital programme of around £1.4m, however the actual programme was set at £1m and the reduced level of activity means that less income will be generated.</p> <p>The salary savings target of £28,000 for this portfolio is not being achieved.</p>
	Safer Communities	<p>The overall position is a saving of £102,000, compared to the previous report which projected a balanced budget.</p> <p>This change is attributable to staff salary savings in the Safer Communities Management, Neighbourhood Wardens and Control Room budgets. Additional grant for Domestic Violence has also helped contribute to the overall underspend.</p>
Prosperous Borough	Learning and Employment	<p>The overall position for this portfolio is a projected underspend of £47,000.</p> <p>There are a number of vacancies within the Economic Development Section which have resulted from staff turnover. Also there has been a slight increase in the amount of LEGI grant received to cover administration costs.</p>
	Social Regeneration and Partnership	<p>In overall terms the outturn position is expected to be in line with the planned budget with a small overspend of £6,000.</p> <p>The position at September 2008 projected a saving of £56,000 for this portfolio. The change reflects additional costs of £100,000 in respect of concessionary fares which have been mitigated by savings and additional grants to reduce the overspend.</p>

Portfolio	Area of Spend	Comment
Attractive Borough	Environment	The overall position for this portfolio is a projected underspend of £75,000. Included in the above is an overspend of £136,000 on waste recycling due to reduction in income for sale of waste. This is being mitigated by savings in a number of other budget areas, which mostly relate to staffing, to give an overall underspend.
	Planning and Development	There are no major issues in this portfolio and it is anticipated that there will be small overspend of £13,000.

3.3 Volatile Budgets – Position at 31st DECEMBER 2008

An earlier report to this Cabinet introduced the concept of Volatile budget reporting and outlined the actions being taken to monitor those specific budgets that were considered to be 'volatile' in nature. The following table shows the anticipated outturn position on these 'uncertain' areas of the budget:

Budget Head	Budget 2008/09 £	Anticipated Outturn £	Variance £	Volatility Status
Land Charges	232,000	80,000	152,000	Red
Investment Interest	1,330,000	1,250,000	80,000	Amber
Building Control Fees	175,000	145,000	30,000	Red
Planning Fees	460,000	460,000	-	Green
Trade Waste Income	230,660	224,000	6,660	Amber
Fixed Penalty Notices	10,000	750	9,250	Red
Energy Costs (1)	856,840	1,154,150	297,310	Red
Leisure Centres				
- Catering (2)	142,500	89,300	53,200	Red
- Bars (2)	210,000	163,300	46,700	Red
- Use of Facilities	1,339,000	1,236,100	102,900	Amber

(1) The additional costs of £297,310 are allocated to the revenue accounts as follows - £206,600 to the general fund £79,250 to the HRA and £11,460 to Chilton Depot.

(2) Although bars and catering are collectively showing a shortfall in income of around £100,000, operating costs of these functions have reduced by the same amount which means that the budget is cost neutral.

The volatility status indicates the final outturn on the specific budget head, with **red** indicating that the target was not achieved, **amber** indicating that the target was not achieved but the overall variance is within acceptable tolerances and **green** indicating that the income target was achieved or exceeded.

All of the above budget heads have been incorporated within the control figures for the relevant Portfolios and commentary has been included where appropriate within the relevant sections of this report, especially where Budget holders have taken

account of falling income streams and reduced operating expenses accordingly, this particularly applies to the bar & catering activities within the Leisure Centres.

3.4 Housing Revenue Account (HRA)

As reported to Council on 29th February 2008 in the Budget Framework Report 2008/09 the HRA forecast working balance at 31st March 2008 was £1.4m. This outturn position for 2007/08 reflected an additional use of balances of £700,000 due to expenditure being incurred in that year on pension costs relating to the Mears partnering agreement and to LSVT costs. These costs had been budgeted for in the following year 2008/09, and it was therefore anticipated that a contribution to balances of £700,000 would be made in 2008/09 to reflect the earlier spend, with the aim of returning balances to their previous level of £2.1m.

In July 2008 tenants were formally balloted as to whether they supported the Council's proposal to transfer the stock and associated assets to Sedgefield Borough Homes. They voted in favour of the proposal and the Council is therefore proceeding with the stock transfer, subject to final approval of the valuation, the terms of the transfer contract and obtaining all necessary statutory consents.

Council considered a detailed report on the 6th August 2008 providing financial implications of pursuing the stock transfer. Project teams have been created, which are working detailed project plans, to ensure that LSVT is delivered by the end of March 2009.

The outturn report to the end of March 2009 projects a balanced budget position, assuming no contribution to balances of £700,000. This reduction in the contribution to balances is attributable to an over spend of £384,500 on repairs and maintenance, plus a loss of one weeks rental income of around £330,000 as a result of the proposed transfer of the stock prior to the year end. This position assumes that the contingency provision is maintained.

It should be noted that the final position of the HRA will need to be reviewed to incorporate the implications of the costs and issues arising from the LSVT process.

3.5 Training and Employment Services

The initial budget prepared for 2008/09 predicted that the trading account would require the use of £14,690 in balances and was prepared on the basis of a full year of operation.

A key priority project in the Council's Transition Plan 2008-09 was the merger of the Council's Training and Employment Service with Bishop Auckland College. The training function was successfully transferred at the beginning of November 2008

Following the transfer, there are still some residual costs outstanding which we are awaiting before a final account position can be established.

4. Further revenue developments during 2008-2009

- There have been no further awards additional budgets since the last report was prepared.

5. Revenue Reserves 2008/09

The Council held reserves totalling **£7.646m** at the 1st April 2008 [excluding the Collection Fund] with the budget framework report in respect of 2008-2009 assuming that **£1.985m** would be utilised in this financial year. The current projection is a use of reserves amounting to **£2.060m** as indicated below: -

	Planned	Revised
FUND	£'000	£'000
Balances at 1st April 2008	7,646	7,646
Revenue Purposes		
- Budget Support Fund	790	843
- Debt Management Fund	106	106
- Economic Development Fund	90	77
- LABGI Economic Growth Funds	554	554
- Other Funds	75	75
- Housing Revenue Account	70	-
Capital Purposes		
- Asset Management Fund	200	302
- Private Sector Housing Fund	100	103
Anticipated Balance at 31st March 2009	5,661	5,586

The split of revenue reserves as at 31st March 2009 would be as follows: -

	GENERAL FUND	HRA
	£'000	£'000
Balances at 1st April 2008	6,213	1,433
Anticipated Use in 2008/09	2,060	-
Anticipated Balance at 31st March 2009	4,153	1,433

The Council is currently dealing with a number of claims in relation to Equal Pay and should a settlement be reached before the 31st March 2008, the costs will need to be met from its available reserves (which are not reflected in the use of resources above).

There could also be additional costs in respect of Early Retirement / Voluntary Retirement cases linked to local government reorganisation that need to be met and these have not been included in the revenue budget forecasts as the numbers and costs of these are uncertain at this stage.

6. Revenue Provisions 2008/09

In view of the Council's favourable outturn position in 2007/08 provision was made to carry forward unused resources amounting to **£751,300** into the current year to meet specific needs identified within the Budget and Policy Framework.

In addition the Council has received grant funding in respect of specific initiatives that was unspent at the 31st March 2008 amounting to **£641,900**. The budget framework already assumes that most of this grant funding will be utilised in 2008/09. The use of the provisions is being monitored as part of these budgetary control arrangements.

7. Balance Sheet Management

Best practice recommends that Council's should report significant items from the "balance sheet", and in particular those items that may have a material impact on the Council if not reviewed on a regular basis.

Based on CIPFA guidance it is considered prudent to report on at least the following items: -

- **External Loan Debt** – monies borrowed by the Council.
- **Short Term Investments** – surplus cash invested by the Council.
- **Current Debtors** – sums owed to the Council in respect of Rents, Council Tax, Overpaid Housing Benefits, Mortgages and Accounts Receivable.

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 31st December 2008 was **£23.556m**, an increase of **£4.956m** from the position at 1st April 2008 of **£18.600m**. The increase reflects additional borrowing taken to facilitate the Government's repayment of the Council's housing 'attributable' debt which stands at **£23m**.

Short Term Investments

- As at the 31st December 2008 the Council had **£22.400m** on short-term deposit with Financial Institutions, compared with **£21.770m** at the 31st March 2008. The original budget forecast of investment income was **£1.330m** and the current projections indicate an outturn of **£1.250m** and this is the figure that has been taken into account in the forecast for Strategic Leadership Portfolio shown above.
- The Council will however continue to actively pursue investment opportunities throughout 2008/09 in order to maximise investment returns taking into account in the Treasury Management Strategy.

Current 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 2008 the Council recorded in its Annual Statement of Accounts that the amounts due from debtors amounted to **£8.758m**. [£9.026m for 2006-07]. A proportion of this debt related to year-end grant claims, which is a normal position at this time of year and these have now been 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 31st December 2008 the following analysis is available.

Type of Debt	Position @31/03/2008	Position @ 31 st December 2008		
		Total Arrears	Current Arrears	Aged Arrears
	£	£	£	£
Current Housing Rents	430,519	455,809	237,520	218,289
Former Tenants Housing Rents	521,372	487,590	-	487,590
Council Tax – Current year	1,548,570	1,663,586	215,754	1,447,832
Council Tax – Prior Years	1,890,030	2,090,855	41,790	2,049,065
Accounts Receivable	1,117,653	807,195	613,235	193,960
Housing Benefit Overpayments	555,515	651,743	396,314	255,429
Mortgages	338	151	151	-
Total Outstanding debt	6,063,997	6,156,929	1,504,764	4,652,165
Position 31st March 2008		6,063,997	1,563,639	4,500,358

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

- Housing Rent is a weekly charge on the property. The five area Housing Management teams manage current arrears with former tenants being managed by a centralised debt recovery team. All 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 Certificated 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 Certificated Bailiff and committal proceedings. Whilst the level of arrears looks high it must be taken in the context of the overall total debit raised since the introduction of Council Tax now exceeds £350m, the Councils collection rate to-date is in excess of 99% of amounts due.
- 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 Certificated 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 affect their entitlement. If the claimant is still in receipt of benefit the overpayment can be recovered at the maximum rate of £9.00 per week. [£12.00 in cases of proven

fraud]. Where the claimant is no longer in receipt of benefit or has vacated the property an accounts receivable invoice is sent to the person if a forwarding address is known. 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 current arrears [i.e. less than 60 days old] and arrangements are in hand to recover the debt outstanding from the one debtor in arrears.

8. LINKS TO CORPORATE OBJECTIVES & VALUES

The details contained in the report support the Council's corporate value of being responsible with and accountable for public finances.

9. RESOURCE IMPLICATIONS

There are no further resource implications arising from this report.

10. CONSULTATIONS

Comprehensive consultation has previously been held during the construction of the 2008/09 Budget Framework. This report does not contain any proposals or recommendations that require further consultation. The relevant Departments have been consulted in projecting the levels of spending during the current year.

11. OTHER MATERIAL CONSIDERATIONS

11.1 *Links to Corporate Objectives/Values*

The Council's Corporate Objectives and Values have guided the preparation of the 2008/09 Budget Framework throughout. Resource availability has been fully re-assessed and directed to assist in achieving the Council's key priorities as set out in the Corporate Plan.

11.2 *Risk Management*

The budget framework report to Council on the 29th February 2008 highlighted a number of risk areas that needed to be monitored to ensure the effective delivery of the 2008/09 spending plans.

There have been no further risks identified during the preparation of this report apart from the continued need by the relevant budget holders to monitor the budgets closely during the year to ensure that spending plans are met. Where potential overspends of expenditure or reduced levels of income are forecast early action should be taken to address the problems faced in order to achieve the performance targets set in the budget framework.

11.3 *Health and Safety*

No additional implications have been identified.

11.4 *Equality and Diversity*

No material considerations have been identified.

11.5 *Legal and Constitutional*

The Budget Framework has been prepared in accordance with the Council's Constitution and full account has been taken of new statutory requirements, e.g. the

new statutory minimum concessionary fares scheme. No other legal or constitutional implications have been identified.

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

12. OVERVIEW AND SCRUTINY IMPLICATIONS

Consultation and engagement with Overview and Scrutiny Committees has previously been held to develop and review the 2008/09 Budget Framework.

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Ward(s): Not Ward Specific

Background Papers:

- ~ Report to Council 29th February 2008 – Budget Framework 2008-2009.
- ~ Report to Council 29th February 2008 – Treasury Management Strategy 2008-2009.
- ~ Report to Council 29th June 2008- Statement of Accounts 2007 – 2008
- ~ Report to Cabinet 20th November 2008 – Revenue Budgetary Control

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. Management Team has approved the report.	<input checked="" type="checkbox"/>	<input type="checkbox"/>

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