



**Chester-le-Street**  
District Council

<b>Report to:</b>	Executive
<b>Date of Meeting:</b>	3 December 2007
<b>Report from:</b>	Accountancy Manager
<b>Title of Report:</b>	Mid Year Financial Monitoring Position
<b>Agenda Item Number:</b>	

---

## **1. PURPOSE AND SUMMARY**

- 1.1 The report summarises the Council's actual financial performance for the first six months of the year as compared with its estimated position. It identifies key issues arising from the financial monitoring processes and advises the Executive of actions taken to address these. It also summarises the proposed 2008/09 budget process.
- 1.2 The Executive is recommended to note the financial monitoring information detailed in sections 5–9 of the report and approve the 2008/09 budget process outlined in section 10.

## **2. CONSULTATION**

- 2.1 Corporate Management Team has been consulted on the report.

The financial monitoring data has been discussed with Heads of Service and the extrapolated full year position has been based on the outcome of these discussions.

## **3. CORPORATE PLAN AND PRIORITIES**

- 3.1 The Council's budget sets out the financial resources which will be used to deliver the Council's plan and corporate priorities.

The financial monitoring process is used to develop the Council's Medium Term Financial Strategy and clearly affects next year's budget plans.

## **4. IMPLICATIONS**

### **4.1 Financial**

The financial implications are detailed throughout the report.

#### 4.2 Legal

There are no legal implications arising from the report.

#### 4.3 Personnel

There are no personnel implications.

#### 4.4 Other Services

It has been necessary for some service areas to identify savings to help address some of the potential problem areas identified during the financial monitoring process.

#### 4.5 Diversity

There are no diversity implications.

#### 4.6 Risk

The financial monitoring information and, more importantly, the corrective actions taken, help manage the risks associated with potential problem areas in the budget. The risk analysis which supported the 2007/08 budget process identified that income projections were a key area of risk.

The action to manage this was to ensure that income levels were carefully monitored and reported and that if income is below budget, action will have to be taken to identify compensating savings or additional income elsewhere.

#### 4.7 Crime and Disorder

There are no Crime and Disorder implications.

#### 4.8 Data Quality

Every care has been taken in the development of this report to ensure that the information and data used in its preparation and the appendices attached are accurate, timely, consistent and comprehensive. The Council's data quality policy has been complied with in producing this report.

#### 4.9 Other Implications

There are no other implications.

### **5. GENERAL FUND REVENUE**

- 5.1 Appendix A shows the general fund revenue position to date for each service area and forecasts this to the end of the year.

5.2 Based on the position to date, the expected end of year position compared with the 2007/08 budget is summarised below:-

	<b>£000</b>
Leisure Services	+ 210
Environmental Health and Planning	- 50
Environmental Services	+ 58
Community Services	+ 7
Revenues and Benefits	- 25
Finance and Accountancy	0
Human Resources	0
Regeneration	+ 67
Corporate Development Unit	- 25
Legal and Democratic Services	0
Income Targets	+ 45
	<b>+ 287</b>

5.3 Clearly this forecast is not acceptable and Corporate Management Team and Heads of Service have been working together to ensure there is no overspend at the end of the financial year. The following actions have been taken to correct the situation highlighted by the mid year monitoring position:-

- Corporate Management Team met with specific Heads of Service to consider proposals to offset overspends in their service areas.
- All Heads of Service have been notified that there is a freeze on all supplies and services related expenditure. If there is a need to spend any of these budgets approval has to be sought from the Chief Executive or myself before an order can be raised.
- All vacant posts that arise are carefully considered by the Chief Executive, Head of Organisational Development and myself for approval.

5.4 The following table indicates the impact the above actions have already had on the revised expected end of year position.

	<b>£000</b>
Leisure Services	+ 120
Environmental Health and Planning	- 50
Environmental Services	+ 30
Community Services	+ 7
Revenues and Benefits	- 33
Finance and Accountancy	0
Human Resources	0
Regeneration	+ 45
Corporate Development Unit	- 25
Legal and Democratic Services	0
Income Targets	+ 45
	<b>+ 139</b>

## 5.5 Leisure Services

The end of year position for leisure services is expected to show an overspend against budget of £120,000. This can be further analysed as follows:-

	<b>£000</b>	
Leisure Centre	35	Mainly Sickness Cover
Golf Course	45	Shortfall in Income
Selby Cottage	45	Agency Fees
Special Events	25	Shortfall in Income
Riverside	20	Various
Shortfall in Vacancy Savings	30	(£51k target v £21k projected)
Shortfall in Procurement Efficiencies	10	
Less: Savings identified by Leisure Services	(90)	
	<b>120</b>	

## 5.6 Environmental Health and Planning

This service area is expected to show an overall underspend against its budget for the year, mainly due to development control income being above budget.

## 5.7 Environmental Services

There are a number of overspends within Environmental Services as a result of the impact of Single Status as well as an additional costs from a number of Job Re-evaluations. Together these are expected to result in an overall overspend against budget for the year of £89,000. However additional income has been generated amounting to £31,000 which was reflected in the original projections and further savings of £28,000 have been identified which reduce the net projected overspend for the year to £30,000.

## 5.8 Community Services

The forecast overspend is due to utility costs.

## 5.9 Revenues and Benefits

The service is expected to show a net underspend against budget for the year of approximately £33,000; £25,000 is due the recovery of legal fees; in addition savings of £8,000 have been identified.

#### 5.10 Regeneration

There is a forecast shortfall in market income of £60,000 for the year, offset to some extent by additional income from the Industrial Units amounting to £15,000.

#### 5.11 Corporate Development Unit

The forecast underspend of £25,000 for the year is due to income received in the year which was not budgeted for.

#### 5.12 Additional Income

The 2007/08 budget includes an amount of £45,000 from additional income from fees and charges (excluding Leisure Services). Planning and Environmental Services have contributed towards this target, however the additional income has been reflected in the projected outturn figures for the relevant service area.

#### 5.13 Summary of General Fund Position

Based on the mid-year monitoring information, the overall end of year forecast for the General Fund Revenue account shows an overspend of £139,000.

Action has already been taken as highlighted in 5.3 above to limit expenditure against controllable budgets to ensure offsetting savings are identified so there is no call on the general fund balance at the year end. There are also a number of senior level vacancies that will have an impact on reducing the level of overspend further. Heads of Service will also continue to work with budget holders to explore what else can be done to reduce expenditure.

If the overspends and shortfall in income cannot be offset by compensating savings, then these can only be funded from reserves, and this will have to include earmarked reserves, such as the Venture Fund.

### **6. HOUSING REVENUE ACCOUNT**

6.1 Appendix B shows the Housing Revenue Account position to date which is an underspend on profiled budget amounting to £267,149.

6.2 The net underspend to September is mainly attributable to salary savings (£110,000), IT Modules (£150,000) and Stock Transfer Contingency budgets (£41,000).

6.3 The planned and responsive repairs budgets are within the Property Services heading as highlighted in Appendix B. There are variations within this budget area at the half year stage but it is expected that these will even out by the transfer date.

- 6.4 The forecast underspend for the full year - as shown in Appendix B is estimated at £341,000. The actual balance on the HRA as at 31 March 2007 on closure of the 2006/2007 accounts was £1,300,310 meaning that the projected balance at the end of the year is £1,641,310. This is on the assumption that the DLO trading account breaks even.
- 6.5 The financial position of the DLO as at the end of September is a deficit of £6,363. It is expected that the account will break even at the end of the trading period.

## 7. GENERAL FUND CAPITAL PROGRAMME

- 7.1 Appendix C summarises the General Fund Capital Programme.
- 7.2 The approved General Fund Capital Programme amounts to £5.369 million in total.

	<b>£000</b>
General Fund Slippage from 2006/07	618
Regeneration Slippage from 2006/07	1,061
2007/08 Regeneration Schemes	845
2007/08 General Fund Schemes	1,339
SHIP 2	1,293
Staff time charged to capital schemes	213
	<b>5,369</b>

<b>Funded by</b>	<b>£000</b>
Housing Capital Receipts	2,061
Other Capital Receipts	1,888
Specified Capital Grant	127
SHIP 2 Funding	1,293
	<b>5,369</b>

7.3 The following 2007/08 General Fund Schemes remain unreleased:-

<b>Health and Safety Requirements</b>	<b>£000</b>
Industrial Sites (£12,000 released)	313
Civic Centre (Roof repairs to be funded from the 2006/07 Civic Centre provision which is included in the slippage)	200
Cemeteries, footpaths, headstones, memorials (£10,000) released	110
Car Parking Repairs	22
Fire detection equipment – depot	10
Signage at the Leisure Centre (6,000 released)	10
	<b>665</b>

<b>Business Critical</b>	<b>£000</b>
Wheelie Bins (£8,000 released)	9
Web Replacement (£3,000 released)	7
CAPS Upgrade	5
CRM Integration	14
Boiler Systems at Riverside	5
Electoral Roll Upgrade	5
Floodlighting	9
Gym Equipment	7
	<b>61</b>

<b>Statutory Requirements</b>	<b>£000</b>
Disabled Facilities Grants (£84,000 released)	48
COSY	160
Secure e-payments system	6
	<b>214</b>

7.4 A total of £940,000 of the 2007/08 approved capital programme therefore remains unreleased at the mid year position.

The release of further schemes is entirely dependent on asset sales.

## **8. HOUSING CAPITAL PROGRAMME**

8.1 Appendix D shows expenditure to date on the Housing Capital Programme.

8.2 The total programme amounts to £2,537,475 and is funded by the Major Repairs Allowance (MRA) of £1,837,475, capital receipts of £310,000, and direct revenue financing of £390,000.

- 8.3 The original housing capital programme was based on funding from the MRA for nine months of the year, assuming the housing stock transferred at the beginning of January; given the fact that the transfer is now scheduled for early February, an additional £198,608 will be available from the MRA to fund the capital programme.

## **9. ASSET SALES**

- 9.1 The Medium Term Financial Strategy assumed new asset sales would generate £2.5million in 2007/08; in addition to the receipt already expected from Phase 3 of the Pelton Fell land sale.

- 9.2 To date, asset sales amounting to approximately £350,000 have been agreed and will be received in the current financial year.

The proceeds from these, along with the final Pelton Fell receipt, have been fully allocated to approved schemes.

- 9.3 Land estimated to realise approximately £1.2 million is now being marketed. It is expected that at least some of these sales will proceed in the current financial year. This funding cannot be released at present, however, to support further capital schemes until it is certain that the proceeds will be received this year.

## **10. 2008/09 BUDGET PROCESS**

- 10.1 The 2008/09 budgetary process has, effectively, already started.

- 10.2 The mid year financial position summarised in this report will inform the budget process. Each Overview and Scrutiny Panel will consider the position of services within its remit throughout December.

- 10.3 The Executive's Forward Plan includes the 2008/09 revenue budget and capital programme for both its January and February meetings.

- 10.4 It is proposed that the Executive considers overall budget proposals for 2008/09 and reviews the Medium Term Financial Strategy at its meeting on 7 January 2008.

- 10.5 During January, Overview and Scrutiny Panels will consider budget proposals for the services within their remits.

- 10.6 It is proposed that the Executive considers the outcome of the Scrutiny Panels' work and its final budget and council tax proposals at a special meeting on 18 February 2008.

- 10.7 At its meeting on 28 February, Council will then determine its budget and council tax for 2008/09.

## 11. RECOMMENDATIONS

- 11.1 The Executive is recommended to note the financial monitoring information detailed sections 5-9 of the report and to approve the proposed 2008/09 budget process detailed in section 10.

**AUTHOR NAME:** Ian Herberson  
**DESIGNATION:** Accountancy Manager  
**DATE OF REPORT** December 2007  
**VERSION NUMBER:** 2.0

**AUTHOR CONTACT:** E-mail - [ianherberson@chester-le-street.gov.uk](mailto:ianherberson@chester-le-street.gov.uk)  
Telephone - 0191 3872343

This page is intentionally left blank