



**Chester-le-Street**  
District Council

<b>Report to:</b>	Executive
<b>Date of Meeting:</b>	1 December 2008
<b>Report from:</b>	Head of Corporate Finance
<b>Title of Report:</b>	Mid Year Financial Monitoring Position
<b>Agenda Item Number:</b>	13

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## **1. PURPOSE AND SUMMARY**

- 1.1 The report summarises the Council's General Fund 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.
- 1.2 The Executive is recommended to note the financial monitoring information detailed in section 5 of the report and approve the use of the HRA balance to meet the shortfall in expected Right to Buy sales income.

## **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 corporate priorities.

## **4. IMPLICATIONS**

- 4.1 Financial

The financial implications are detailed throughout the report.

#### 4.2 Local Government Reorganisation Implications

The main implication is to ensure that the Council has adequate financial resources to help establish the new Council while delivering 'Business as Usual'. There is a requirement if any potential resource issues arise that are not included in the Authority's budgets for 2008/09 to consult with the County Treasurer. In addition the financial monitoring process is used also to develop the Council's Medium Term Financial Strategy and clearly affects next year's budget plans. The Chief Executive and I had a meeting with the County Treasurer on 5 November 2008 to inform him of the current position and the steps we were taking to address the projected overspend.

#### 4.3 Legal

There are no legal implications arising from the report.

#### 4.4 Personnel

There are no personnel implications.

#### 4.5 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.

#### 4.6 Diversity

There are no diversity implications.

#### 4.7 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 2008/09 budget process identified that income projections were a key area of risk.

The closure of the Housing Revenue Account and Local Government Reorganisation were identified as significant risks when approving the 2008/2009 General Fund budget, for which plans were in place.

The economic climate has produced a number of additional risks to budget management and these have included interest rates, energy prices, fuel costs, general inflation, income generation and debt recovery.

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.

#### 4.8 Crime and Disorder

There are no Crime and Disorder implications.

#### 4.9 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.

#### 4.10 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 2008/09 budget is summarised below:-

#### Initial General Fund Forecast Outturn

	<b>£'000</b>
Leisure Services	+ 112
Environmental Health and Planning	+ 72
Environmental Services	+ 34
Revenues and Benefits	+ 18
Finance and Accountancy	0
Human Resources	0
Regeneration	+ 130
Corporate Development Unit	- 25
Legal and Democratic Services	+ 75
Corporate Functions	+ 12
Other Corporate	+ 187
<b>Initial Forecast Overspend</b>	<b>+ 615</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 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.

	£'000	£'000
Projected Overspend as per Appendix A	615	
<u>Add</u>		
Additional Leisure Services Overspend	13	
Revenue Underspend on People & Place Priorities	41	
Procurement Savings Shown Throughout Services	35	
Additional Income Shown Throughout Services	45	
Projected Loss in External Interest	24	
Overspend on Members Allowances (Pension Costs)	10	
		783
<u>Less</u>		
Projected Savings-Freeze on Supplies Expenditure		145
Over Provision of MRP in 2008/2009		114
Projected Salary Savings above Contingency		80
Use of Local Government Reorganisation Contingency		219
Savings Identified by Leisure Services		42
Additional Development Control Income Identified		31
Savings from the Corporate Training Programme		70
Revised Projected Overspend		82

#### 5.5 Leisure Services

The end of year position for leisure services is expected to show an overall overspend against budget of £83,000 (£112,000 plus additional overspends £13,000 less identified savings £42,000). This can be further analysed and details are shown in Appendix B attached.

#### 5.6 Environmental Health and Planning

This service area is expected to show an overall overspend against its budget for the year of £41,000 (£72,000 less additional income identified). This is mainly due to development control and building control income expected to be £24,000 below budget. The only other significant factor is a projected £21,000 shortfall in fees from administering Disabled Facilities Grants due to a reduced capital programme.

#### 5.7 Environmental Services

There are a number of issues within Environmental Services which amount to a predicted net overspend for the year amounting to just over £34,000. Car Park fine income is likely to be under budget by £12,000. Vehicle, fuel prices and agency costs are affecting Refuse Collection and Street Cleansing services and are expected to be over budget by just over £47,250. In addition the utilities, fuel oil and telephone costs at Sacriston Depot are projected to be over by approximately £23,000. However, additional income has been generated amounting to just under £53,000 in respect of Grounds

Maintenance and Cemeteries which reduces the net projected overspend for the year.

#### 5.8 Revenues and Benefits

The service is showing a net overspend against budget for the year of approximately £18,000. However the service has made significant salary savings which are shown in the salary contingency which is reflected in Other Corporate Services. Overall the service area will be under spent at the end of the financial year.

#### 5.9 Regeneration

The service is showing a net overspend against budget for the year of approximately £130,000. The main reason is a forecast shortfall in Market income of £95,000 for the year. In addition CCTV expenditure is expected to be over budget by £20,000 due to salaries costs and the cost of maintaining the equipment. An amount of £20,000 has been identified as being required to carry out maintenance works and health and safety related testing at the Communal Rooms.

#### 5.10 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.

#### 5.11 Legal & Democratic Services

Due to the economic downturn Land Charges income is projected to be under budget by £75,000 at the end of the financial year.

#### 5.12 Other Corporate

The end of year position for Other Corporate issues is expected to show an overall overspend against budget of £187,000. This is mainly due to a predicted shortfall in the Right to Buy sales income amounting to £109,990. We estimated 21 sales at £9,999 per property (as per the Stock Transfer Agreement). To date we have only generated and received £79,992 from the sale of 8 properties.

#### 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 £83,000.

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.

The consent to close the Housing Revenue Account (HRA) from 31 March 2009 has been received from the Secretary of State and the confirmation is attached as Appendix C. The authority therefore will have access to the HRA balance of £1.563 Million, less £430,000 already included as a drawdown in

the 2008/2009 General Fund Budget and existing Early Retirement / Voluntary Redundancy (ER/VR) costs. Subject to approval the HRA balance could also be used to fund the shortfall in projected Right to Buy sales income (£109,990).

I am also investigating the possibility that Minimum Revenue Provision was over provided for in 2005/2006. This is potentially a further saving of £80,000 that could reduce the revised projected overspend highlighted above.

Heads of Service will also continue to work with budget holders to explore what else can be done to reduce expenditure and maximise income.

Members will be aware that the County Treasurer has already authorised expenditure to address ER/VR costs from Council reserves. It is likely that further expenditure may be required to address ER/VR costs as the new Unitary structure is put in place and the County Treasurer has suggested that our reserves would be the initial funding source for such expenditure. Members will be aware from this report that we are proposing the utilisation of the Local Government Re-organisation contingency of £219,000 to address this year's budget position and therefore the costs associated with the ER/VR approved expenditure will initially fall to the General Fund balance which is now supported by the HRA balance being made available in this year.

## **11. RECOMMENDATIONS**

- 11.1 The Executive is recommended to note the financial monitoring information detailed sections 5-7 of the report.
- 11.2 The Executive is recommended to approve the use of the HRA balance to fund the shortfall in projected Right to Buy sales amounting to £109,990.

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