

## CABINET ITEM COVERING SHEET PROFORMA

### AGENDA ITEM

### REPORT TO CABINET

11 SEPTEMBER 2008

### REPORT OF CORPORATE MANAGEMENT TEAM

## COUNCIL DECISION

Corporate Management & Finance - Lead Cabinet Member – Councillor Laing

### FINANCIAL POSITION UPDATE, QUARTER 1 APRIL - JUNE 2008

1. Summary

This report provides Members with information on the Council's projected outturn position for the period Quarter 1, the Medium Term Financial Plan (MTFP) and the level of working balances.

2. Recommendation

1. That the overall report is noted.
2. The revised MTFP be noted (paragraph 4).
3. The level of working balances be noted and retained at £9.1 million (paragraphs 8 to 9).
4. That re-profiled approved capital expenditure of (£824,000) and a reduced programme of (£118,000) be approved (paragraphs 11 and 13).

3. Reasons for the Recommendations/Decision

This report highlights the projected outturn position for 2008/09, approves revisions to the capital programme and provides members with information on the revised MTFP.

4. Members Interests

Members (including co-opted Members with voting rights) should consider whether they have a personal interest in the item as defined in the Council's code of conduct (**paragraph 8**) and, if so, declare the existence and nature of that interest in accordance with paragraph 9 of the code.

Where a Member regards him/herself as having a personal interest in the item, he/she must then consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest (**paragraphs 10 and 11 of the code of conduct**).

A Member with a prejudicial interest in any matter must withdraw from the room where the meeting considering the business is being held -

- in a case where the Member is attending a meeting (including a meeting of a select committee) but only for the purpose of making representations, answering questions or giving evidence, provided the public are also allowed to attend the meeting for the same purpose whether under statutory right or otherwise, immediately after making representations, answering questions or giving evidence as the case may be;
- in any other case, whenever it becomes apparent that the business is being considered at the meeting;

And must not exercise executive functions in relation to the matter and not seek improperly to influence the decision about the matter (**paragraph 12 of the Code**).

**Further to the above, it should be noted that any Member attending a meeting of Cabinet, Select Committee etc; whether or not they are a Member of the Cabinet or Select Committee concerned, must declare any personal interest which they have in the business being considered at the meeting (unless the interest arises solely from the Member's membership of, or position of control or management on any other body to which the Member was appointed or nominated by the Council, or on any other body exercising functions of a public nature, when the interest only needs to be declared if and when the Member speaks on the matter), and if their interest is prejudicial, they must also leave the meeting room, subject to and in accordance with the provisions referred to above.**

**AGENDA ITEM**

**REPORT TO CABINET**

**11 SEPTEMBER 2008**

**REPORT OF CORPORATE  
MANAGEMENT TEAM**

**COUNCIL DECISION**

**FINANCIAL POSITION UPDATE, QUARTER 1,  
APRIL – JUNE 2008**

**SUMMARY**

1. This report provides Members with information on the Council's projected outturn position for the period Quarter 1, the Medium Term Financial Plan (MTFP) and the level of working balances.

**RECOMMENDATION**

- a. That the overall report is noted.
- b. The revised MTFP be noted (paragraph 4).
- c. The level of working balances be noted and retained at £9.1 million (paragraphs 8 to 9).
- d. That re-profiled approved capital expenditure of (£824,000) and a reduced programme of (£118,000) be approved (paragraphs 11 and 13).

**FINANCIAL POSITION**

**Projected Outturn**

2. The position for 2008/09 is structured around three "ring-fenced" financial areas:
  - General Fund
  - Housing Revenue Account
  - Capital
3. Paragraphs 4 to 13 summarise the Council's position, with regard to these funds.

**General Fund**

4. The following table details the current MTFP position of each service. This is compared to the projected position, based on financial information to the end of March, as reported to Cabinet on 16<sup>th</sup> July, 2008.

## MTFP (MS / MC) – 2008/09 PROJECTED OUTTURN

| Reserves (MS)/MC        | Approved Position at 31/03/2009<br>(MS) / MC's<br>£'000's | Projected Outturn Position at 31/03/2009<br>(MS) / MC's<br>£'000's | Projected Outturn Position at 31/03/2010<br>(MS) / MC's<br>£'000's | Projected Outturn Position at 31/03/2011<br>(MS) / MC's<br>£'000's | Projected Outturn Position at 31/03/2012<br>(MS) / MC's<br>£'000's |
|-------------------------|---|--|--|--|--|
| CESC                    | (857)   | 0  | 0  | 0  | 0  |
| D & NS                  | (1,183)   | (690)  | (209)  | 0  | 0  |
| RESOURCES               | (89)  | (127)  | (161)  | (159)  | 0  |
| TES                     | 0   | 0  | 0  | 0  | 0  |
| LAW & DEMOCRACY         | (26)  | (40)   | (30)   | (44)   | (57)   |
| POLICY & COMMUNICATIONS | (56)  | (125)  | (158)  | (111)  | (46)   |
| <b>TOTAL</b>            | <b>(2,211)</b>  | <b>(982)</b>   | <b>(558)</b>   | <b>(314)</b>   | <b>(103)</b>   |

5. Details of budget variances are incorporated into the performance aspects of this report. There have been some movements since the position reported to Cabinet in July and there are signs that the economic climate and the "Credit Crunch" are having an impact through increased costs and calls on the Council's services. The major variations are identified as follows:

### Children, Education and Social Care

6. The significant reasons for the changes to the financial position, since previously reported, are detailed as follows:
- Foster Allowances – there has been an increase in the number of children in in-house and independent foster placements, which has resulted in an increase in costs of £161,000;
  - Agency Placements – the Council has had to accommodate additional numbers of children requiring specialist residential placements to meet their complex and challenging needs and placements in secure accommodation, resulting in an increase in costs of £528,000;
  - Premature Retirement / Redundancy Costs – it is anticipated that expenditure arising from the closure King Edwin Special School will be met from Dedicated Schools Grant, subject to agreement of the Schools Forum, that will result in a saving of £189,000;
  - Direct Payments – there are additional numbers of elderly, physical disability and mental health clients receiving direct payments packages, resulting in costs of £195,000;
  - Adult Education - funding received from the Learning and Skills Council has remained at a standstill level for a number of years and this has resulted in an inflationary

pressure of £128,000. An action plan and amalgamation with Training and Employment Services is currently being considered and will be reported in due course.

### Development & Neighbourhood Services

7. The projected surplus for Development and Neighbourhood Services expected at 31<sup>st</sup> March, 2009, has reduced since the report to Cabinet in July by £493,000. The most significant variations identified in June are as follows:
- Street Lighting – Members will be aware of the current national climate and the cost of energy. In relation to the Council’s Development and Neighbourhood Service, the financial impact will be in the region of £230,000, covering the cost of electricity. The estimate for energy costs is based on invoices received to the end of June and it is possible that these costs may rise further during the remainder of the year, increasing this projected overspend. The “Street Lighting Energy Saving Strategy” report on this agenda provides more detail on this issue, but it is not expected that the initiatives covered in the report will identify significant savings in the short term.
  - Direct Services – (£168,000 overspend) arising from increases in the cost of fuel (£343,000), partly offset by various salary savings within the service.
  - Planning – (£80,000 overspend) an under-recovery on income caused by a decrease in applications received by the Council in the first 3 months of the financial year.

( ) Denotes savings or underspends.

### **General Fund Balances and Earmarked Reserves**

8. The Council's current policy is to hold 3% of General Fund expenditure as balances (equates to £7.6 million at 1<sup>st</sup> April 2008). In the report to Cabinet in July the level of working balances at 1<sup>st</sup> April, 2008, was reported as £9.2 million. A summarised position, based on financial information to the end of June and taking account of a Member approval of working capital, is detailed below:

|   | £000's           |
|---|------------------|
| Total Working Capital at 1 <sup>st</sup> April, 2008                    | (9,181)          |
| Improvement in Working Capital in first quarter (*)                     | (802)            |
| Cabinet 16 <sup>th</sup> July approval – Waste Management and Recycling | <u>850</u>       |
| Projected Working Capital at 31 <sup>st</sup> March, 2009               | £ <u>(9,133)</u> |

|  | £000's  |
|--|---------|
| The improvements in working capital (*) are identified as follows:   |         |
| The Treasury Management Account has seen an improvement this year due to slower than anticipated spending and higher than forecast interest rates.         | (1,290) |
| Land Charge income – a change in legislation that allows Councils to only recover the cost of providing the service has resulted in a reduction in income. | 182     |
| Surplus property budget pressures arising from dilapidation claims   | 254     |

(£157,000) and security costs arising on the Saltersgill school site (£97,000). These costs will be replenished from the proceeds of the sale of the school.

9. The Total working capital available at 31<sup>st</sup> March, 2009, of £9.1 million is equivalent to 3.6% of our 2008/09 Net Budget Requirement (equates to approximately £1.4 million over the 3%). At this time, there are concerns over the increasing pressures faced by the council, identified in previous paragraphs, including i.e. rising energy prices, reduction in planning applications etc., and the Council is not expecting any significant changes in the level of resources allocated by the government. As a result, we recommend that we don't utilise balances and this position will continue to be reviewed on a quarterly basis as part of the updates on the Medium Term Financial Plan.

### Housing Revenue Account

10. The projected position has improved slightly from the financial report presented to Cabinet in July and the surplus is now projected to be £1.1 million at the 31 March 2009. Members will be aware that at budget setting the delivery of the Housing capital programme relied on a number of capital receipts and Right To Buy (RTB) sales. The current economic climate is starting to affect the level of RTB's and the impact on the programme is currently being assessed.

### Capital

11. The Capital budget for 2008/09 is outlined in the following table:

|                                      | Approved Budget<br>£000's | Outturn<br>£000's | Variance<br>£000's |
|--------------------------------------|---------------------------|-------------------|--------------------|
| Children, Education and Social Care  | 15,991                    | 15,591            | (400)              |
| Development & Neighbourhood Services | 52,850                    | 52,732            | (118)              |
| Resources (inc Law & Democracy)      | 2,062                     | 1,638             | (424)              |
| Total Programme                      | 70,903                    | 69,961            | (942)              |
|                                      |                           |                   |                    |

12. Since budget setting the capital budget has been amended to reflect increases within the Children, Education and Social Care service for a Standards Fund Grant received to fund the Computers for Pupils scheme (£543,000) and within Development and Neighbourhood Services, a developer contribution received to supplement the Integrated Transport block (£205,000).
13. The movement from the approved budget includes a reduced programme of £(118,000) and a re-profiling of approved expenditure of £(824,000). The major reasons for the movements are as follows:

**Re-profiling of approved expenditure** **£000's**

**Children, Education and Social Care**

The Links Primary School – This scheme covers the replacement of mobile classrooms on the site. Design work has now been completed, however, tenders are not expected back until December 2008. Work on site is expected to start in April 2009. (400)

**Resources**

Accommodation – accommodation works associated with Phase 2 of the Access to Services agenda (the opening of a second multi-service centre in Stockton) will not now commence until 2009/10. (424)

**Financial and Legal Implications**

- 14 To update the MTFP and outline the outturn position as at 31 March 2009 on General Fund, Capital and the HRA and complies with the requirements of the Accounts and Audit Regulations 2003.

**Risk Assessment**

- 15 This review of the MTFP and projected outturn report is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

**Sustainable Community Strategy Implications**

- 16 The report supports the Sustainable Community Strategy.

**Equality Impact Assessment**

- 17 The report was not subject to an Equality Impact Assessment. The report does not seek approval for a new policy and an assessment was taken on the MTFP report submitted as part of the 2008/09 budget cycle.

**Consultation including Ward/Councillors**

- 18 Not applicable.

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Background papers: MTFP Files and Reports