

AGENDA ITEM:

**REPORT TO EXECUTIVE
SCRUTINY**

30 SEPTEMBER 2008

**REPORT OF CORPORATE
MANAGEMENT TEAM**

**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.

RECOMMENDATIONS

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).

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 16th July, 2008.

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

Reserves (MS)/MC	Approved Position at 31/03/2009 (MS) / MC's £'000's	Projected Outturn Position at 31/03/2009 (MS) / MC's £'000's	Projected Outturn Position at 31/03/2010 (MS) / MC's £'000's	Projected Outturn Position at 31/03/2011 (MS) / MC's £'000's	Projected Outturn Position at 31/03/2012 (MS) / MC's £'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)
TOTAL	(2,211)	(982)	(558)	(314)	(103)

5. 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 31st 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.
 - 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 1st April 2008). In the report to Cabinet in July the level of working balances at 1st 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 st April, 2008	(9,181)
Improvement in Working Capital in first quarter (*)	(802)
Cabinet 16 th July approval – Waste Management and Recycling	<u>850</u>
Projected Working Capital at 31 st 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 (£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.	254

9. The Total working capital available at 31st 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 £000's	Outturn £000's	Variance £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

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

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

The report supports the Sustainable Community Strategy.

Equality Impact Assessment

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

Not applicable.

Julie Danks
Corporate Director of Resources

Contact Officer: Julie Danks
Telephone Number 526357
Email address: brian.simpson@stockton.gov.uk

Background papers: MTFP Files and Reports