

## AGENDA ITEM

### REPORT TO EXECUTIVE SCRUTINY

24 MARCH 2009

### REPORT OF CORPORATE DIRECTOR OF RESOURCES

## QUARTER 3 MEDIUM TERM FINANCIAL PLAN UPDATE AND 2009/10 BUDGET

### SUMMARY

This report outlines the Council's financial performance to 31 December 2008 and updates to the Medium Term Financial Plan (MTFP) from 2009/10 incorporating the recent budget decisions.

### RECOMMENDATION

That the updated MTFP, level of working balances and revised Capital Programme be noted.

### CURRENT FINANCIAL POSITION – DECEMBER 2008

1. The following table details the current MTFP position of each service compared to that projected as at the end of December 2008.

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

Reserves (MS)/MC	Approved Position at 31/12/2008  (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
CECSC	(633)	(1,181)	(380)	(83)	0
D & NS	(1,203)	(1,708)	(664)	(497)	(165)
RESOURCES	(50)	(116)	0	0	0
TES	0	0	0	0	0
LAW & DEMOCRACY	(51)	(93)	(76)	(51)	(31)
PPC	(133)	(403)	(172)	(123)	(69)
<b>TOTAL</b>	<b>(2,070)</b>	<b>(3,501)</b>	<b>(1,292)</b>	<b>(754)</b>	<b>(265)</b>

#### Children, Education and Social Care

2. There are a number of areas where spend has been delayed until 2009/10 and areas where costs are lower than previously anticipated. This has resulted in an improved position as at 31 March 2009, however the majority of this has been utilised in setting the 2009/10 budget. The main areas are:

- Adult Services – Expenditure which was anticipated in this year, mainly in respect of ISA's will not now be incurred until 2009/10 (£125,000)

- Elderly Placement Budgets – the overspend in this area is now anticipated to be less than previously reported (£140,000)
- The PCT have agreed responsibility for some costs, and a grant has been retained for spend in the next financial year (£100,000)

#### Development & Neighbourhood Services

3. There are a number of areas where expenditure and use of managed surplus have been delayed until next financial year. In addition, there are some area where savings have been made which has increased the level of managed surplus as at March 2009 by £500,000, although the majority of this increase is utilised to fund the delayed expenditure throughout 2009/10. The main areas are:
  - Planning – Costs associated with the Local Development Framework (£100,000) will now be incurred in 2009/10
  - Environmental Improvements – Although the budget has been allocated to members, it is unlikely that all costs will actually be incurred in the current financial year (£100,000)
  - Technical Services – Insurance charges in respect of structural maintenance are lower than anticipated saving £150,000. This has been incorporated into the medium term financial plan in following years.

#### Policy, Performance and Communications

4. Expenditure relating to the establishment of a regional performance framework has been delayed and will now be incurred in 2009/10 (£200,000).

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

5. The Council's current policy is to hold 3% of General Fund expenditure as balances (equates to £7.6 million at 1st April 2008). The current projected level of working balances at 1 April 2009 is reported as £8.6m, a reduction of £500,000 since September position, due to further reductions in interest rates.
6. The working capital available at 31 March 2009, of £8.6 million is equivalent to 3.3% of our 2009/10 Net Budget Requirement (equates to approximately £870,000 above the 3%). The available surplus has been incorporated into the resources utilised in the 2009/10 budget process referred to below.

#### **2009/10 BUDGET AND REVIEW OF MTFP**

7. At the Council meeting on 25 February 2009 Members set the budget and council tax for the coming year (2009/10) based on previous year's indicative increase of 4.3%. The report presented took account of a number of pressures the Council is currently facing, not least of which the impact of the economic downturn. The pressures were categorised into "unavoidable" and "potential", the former are listed in the table below:

	2009/10 £000	2010/11 £000	2011/12 £000
<b><u>D&amp;NS</u></b>			
Planning Fees	150	150	150
Concessionary Fares	275	275	275
Police Community Support Officers	50	125	125
Housing Benefit Grant Reduction	34	151	231
Waste	200	200	200
Voluntary Sector Support	123	0	0
<b><u>CESC</u></b>			
Demand Pressures	600	600	600
Estimated Growth	575	925	1275
<b><u>Capital Schemes</u></b>			
Environmental Improvements			400
CSDPA			250
Repairs & Maintenance			400
Cemeteries			150
Highways	150	150	150
Investment Income		1925	1925

Further, it explained that additional resources, from a review of insurance arrangements, a release of Grant Exit Reserve and additional income from the LATS Trading Scheme, had been identified to fund some of these pressures and; that one-off resources, generated from PSA Reward Grant, Collection Fund Surplus and Working Balances, would also be used (paragraph 6).

8. In addition the report identified that in order to fund the level of pressures additional resources would be required. The management team identified that in order to generate short-term efficiencies, a freeze on supplies and services budgets and an allowance for staff turnover in line with the Council's current levels of vacancies, would be incorporated, resulting in savings of £1,400,000 in 2009/10, rising to £2,600,000 in 2011/12. This provided a surplus of £224,000 across the 3 years of the MTFP which was added to the remaining one-off resource leaving a balance of £1.342million for capital or invest to save schemes.
9. In considering the "potential" pressures the report suggested the Council needed to future proof its MTFP, proposing that all services be subject to review over the coming 3 years through an Efficiency, Improvement and Transformation Programme. Scrutiny involvement in the programme is considered elsewhere on this agenda.

## **HOUSING REVENUE ACCOUNT**

10. The level of balances on the Housing Revenue Account are still anticipated to be £1.1million, and the 2009/10 account has been prepared on this basis.

## **CAPITAL**

11. The current capital position as at 31 December 2008 is shown below:

	Approved Budget £000's	Outturn £000's	Variance £000's
Children, Education and Social Care	15,687	14,756	(931)
Development & Neighbourhood Services	52,333	45,738	(6,595)
Resources (inc Law & Democracy)	1,137	985	(152)
<b>Total Programme</b>	<b>69,147</b>	<b>61,479</b>	<b>(7,678)</b>

12. The movement from the approved is mainly due to reprofiling of approved schemes, the details of which are given below.

### Re-profiling of approved expenditure

#### Resources

The construction of the new computer room has been delayed and expenditure will be incurred in the next financial year. (100,000)

#### Development & Neighbourhood Services

SPLASH – the costs associated with the scheme have been reprofiled and some costs will now be delayed until 2009/10. (170,000)

Regeneration – Various regeneration schemes, including acquisitions have been delayed until 2009/10 (5,300,000)

Developer Agreements – a number of schemes have been put on hold by Developers due to the downturn in the economic market. (998,000)

Cemeteries – various delays caused by unexpected repairs and traffic issues. (153,000)

#### Children, Education and Social Care

Redbrook/Roseworth Schools – the project will now be completed early in the 2009/10 financial year. (400,000)

Early years – A number of schemes, mainly in relation to extended schools will be undertaken in 2009/10. (530,000)

13. Although there were no available Council Capital Resources to allocate, the Medium Term Capital Plan from 2009/10 includes major Council investments such as Billingham Forum, Splash and Preston Hall, which are funded from Prudential Borrowing, as well as the Government funded schemes outlined below:

	2009/2010	2010/2011	2011/2012
Social Services	206,000	206,000	206,000
Transport	3,578,808	3,886,340	3,886,340
Education	11,517,753	13,553,019	8,108,610
Housing	13,959,052	13,354,400	13,354,400
Waste Infrastructure	333,000	123,000	0
Community Protection	62,276	62,276	62,276
	29,656,889	31,185,035	25,617,626

## **FINANCIAL AND LEGAL IMPLICATIONS**

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

## **RISK ASSESSMENT**

17. 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**

18. The report supports the Sustainable Community Strategy.

## **EQUALITY IMPACT ASSESSMENT**

19. 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 2009/10 budget cycle.

## **CONSULTATION, INCLUDING WARD COUNCILLORS**

20. Not applicable.

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