
REVENUE BUDGET MONITORING 2009-10 – QUARTER 1

**Responsible Cabinet Member - Councillor Chris McEwan,
Efficiency and Resources Portfolio**

Responsible Director - Paul Wildsmith, Director of Corporate Services

SUMMARY REPORT

Purpose of the Report

1. To provide an early forecast of the 2009-10 revenue budget outturn as part of the Council's continuous financial management processes.

Summary

2. The current economic climate and outlook specifically for the public sector, particularly beyond 2011, mean that financial management is of paramount importance.
3. The Council's financial results for 2008-09, reported separately on today's agenda, are satisfactory, with a small increase in resources carried forward to 2009-10. Some pressures on the 2009-10 budget are already apparent, though it is currently forecast that these will be largely containable within approved resources by savings that have been or will be achieved.

Recommendation

4. It is recommended that :-
 - (a) The forecast revenue outturn for 2009-10 and actions being taken to manage the Council's finances and services be noted.
 - (b) Further regular reports be made to monitor progress and take prompt action if necessary.

Reasons

5. The recommendations are supported by the following reasons :-
 - (a) To continue effective management of resources.
 - (b) To continue to deliver services to agreed levels.

Paul Wildsmith
Director of Corporate Services

Background Papers

No background papers were used in preparing this report other than those referred to in the report.

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S17 Crime and Disorder	There are no specific crime and disorder implications in this report
Health and Well Being	There are no specific Health and Well Being implications in this report
Sustainability	There are no specific sustainability issues in this report
Diversity	The report does not contain any proposals that impact on diversity issues
Wards Affected	All wards are affected
Groups Affected	No specific groups are particularly affected
Budget and Policy Framework	The report does not propose changes to the budget or policy framework
Key Decision	The report does not require a key decision
Urgent Decision	The report does not require an urgent decision
One Darlington: Perfectly Placed	The subject matter of the report, the Councils financial standing and financial management, is critical to delivery of the SCS, but this report does not contain new proposals.
Efficiency	The report contains updated information regarding efficiency savings contained in the MTFP.

MAIN REPORT

Information and Analysis

6. This is the first revenue budget management report to Cabinet for 2009-10, providing information relating to the latest financial forecast to 31st March 2010. It is brought to Cabinet earlier in the year than has previously been the case, to further strengthen financial management arrangements.
7. To enable timely information to be presented to Cabinet and in accordance with the statutory report publication requirements, this report has been completed before the end of the first quarter. As the Council operates frequent, regular and predictive budget management processes, including quarterly reports to Cabinet, changes in projected outturn, which are inevitable in a large and complex organisation, will be reported to future meetings.
8. The information used for this report is taken from the financial records for April and May 2009 and service managers' projections for the remainder of the year, using their knowledge of events affecting the services they manage.
9. As part of their examination of the development of the 2009-13 Medium Term Financial Plan (MTFP), Resources Scrutiny Committee decided to establish a Review Group to enable more frequent (monthly) review of financial management information. It is proposed, however, that the Cabinet reporting frequency will remain quarterly, though additional reports can be brought if or when required.
10. The overall projected position is that corporate General Fund reserves at 31st March 2010 are projected to be £712,000 higher than planned in the 2009-13 MTFP, but departmental reserves are forecast to be £746,000 in deficit. The position is summarised in **Appendix 1** with further detail in **Appendix 2**.

2008-09 Outturn

11. The 2008-09 outturn forms the starting point for monitoring the Council's financial standing in comparison with its MTFP for 2009-13. The accounts for 2008-09 are close to being finalised, subject to audit, and are separately reported in detail to today's Cabinet. In summary, the results for 2008-09 are satisfactory, with an improvement in revenue balances of £152,000, after taking account of commitments that roll forward to 2009-10.

2009-10 Monitoring

12. At this early stage in the year the majority of outturn projections are very close to budgets. A number of variances are, however, projected and the significant ones are detailed below.

Departmental Resources

13. Children's Services – a planned one-off saving of £370,000 in 2009-10 through funding from the PCT is now expected to be £220,000. Discussions are continuing regarding future years funding but at this stage a cautious view is being taken and no further savings are included in the MTFP.

14. Adult Social Care - planned savings of £257,000 in 2009-10, rising to £670,000 per annum by 2011-12 are included in the MTFP. The latest projection, based on the single bid received for the service review exercise, is that savings of around £65,000 will be achieved this year, rising to £468,000 by 2011-12. Whilst these are still very substantial savings, they are around £200,000 per annum below the planned level.
15. Corporate Services income – parking income has continued to decline, to levels below those projected in the MTFP. The current projection is a shortfall of £359,000 (13% of budget). The potential for income generally and parking in particular to be further reduced was identified as a risk in assessing the minimum safe level of reserves in the MTFP. Initiatives are being evaluated to mitigate this reduction and one proposal is on the reported on the agenda of Cabinet's 7th July meeting.
16. Admin Review – savings of around £250,000 per annum have been achieved but the scope for substantial further savings now appears to be limited. Remaining admin functions and resources are diverse, widely spread and generally service-specific, unlike the cross-departmental core admin functions in which previous savings were made. Future savings need to be made as part of routine management functions, rather than a specific review. Planned future savings of £280,000 are included in the MTFP and now will need to be found from elsewhere in the Council's budget.
17. Procurement and Energy – procurement savings of £270,000 and a saving of £100,000 on energy are included in the 2009-10 budget. There are also challenging targets for saving up to £800,000 per annum on procurement in the MTFP to 2013. Work is continuing to deliver these plans and some savings are already being achieved. Latest projections are that planned savings in 2009-10 will be achieved.
18. Detailed analysis of each department's budget and projected outturn is shown in **Appendices 3a to 2e**.
19. Schools balances are shown in **Appendix 3f** and continue to be within appropriate ranges

Corporate Resources

20. Financing costs – unprecedentedly low short-term interest rates have further reduced investment income by around £200,00 per year compared with the MTFP. Savings have, however, been achieved by using some investments to repay debt. In the unusual circumstances of short-term rates being significantly below long-term rates, the Council can benefit by reducing both investments and borrowing. There are constraints on the extent to which this can be done and a risk, which is managed, that rates could rise quickly, potentially cancelling out the advantage and making it more expensive to borrow again when the need arises. Opportunities to gain further benefit will continue to be sought, though management of risk has to be the first priority in this area. At present, financing costs are projected to be £314,000 better than budgeted, but this budget is currently less predictable than it has been for a very long time.

21. Since the MTFP was prepared inflation has continued to fall and is forecast to continue to remain low for some time. Pay award expectations are consequently reduced and employee costs are projected to be around £600,000 below budget in 2009-10. Individual budgets have not, so far, been reduced but a centrally held saving projection is included in the summary projections shown in Appendix 2.

Housing Revenue Account

22. The Housing Revenue Account balance is projected to be on line with budget, as shown in **Appendix 4.**

Conclusion

23. The Council's projected revenue reserves at the end of 2009-10 are £34,000 below the planned position. Departmental reserves are projected to be in deficit by £746,000 and corporate reserves in surplus compared with the MTFP by £712,000. Management action is continuing to deliver improvements in efficiency both the current year and the longer term.

Outcome of Consultation

24. No consultation has been carried out in preparing this report.