
**REVENUE BUDGET MONITORING
APRIL TO AUGUST 2008**

Responsible Cabinet Member – Councillor Stephen Harker, Resources

Responsible Director - Paul Wildsmith, Director of Corporate Services

SUMMARY REPORT

Purpose of the Report

1. To update Members on the approved Revenue Budget and to agree actions to reduce net expenditure.

Summary

2. Council approved the 2008-09 Revenue Budget on 28 February 2008. Cabinet approved some minor amendments on 8th July. This report compares projected outturn with the approved budget.
3. The projected General Fund corporate reserves position and departmental balances as at 31 March 2009 show a significant deterioration in the Council's projected financial standing. In total the Council's projected position at 31 March 2008 is £1.8m worse than the existing MTFP.
4. The projected overspends detailed in this report can be accommodated by the resources available to the Council however corrective action needs to be implemented to reduce net expenditure.

Recommendations

5. It is recommended that Cabinet :-
 - (a) Note the current projected increase in expenditure compared with the approved revenue budget.
 - (b) Request officers to continue to review the revenue budget and seek options to reduce the overspend, and report back to Cabinet.

Reasons

6. The recommendations are supported by the following reasons :-
 - (a) To make Cabinet aware of the latest financial position of the Council.

- (b) To consider options to mitigate the potential consequences of the projected increases in expenditure.

Paul Wildsmith
Director of Corporate Services

Background Papers

No Background papers were used in the preparation of this report.

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S17 Crime and Disorder	This report has no implications for crime and disorder.
Health and Well Being	There are no issues relating to health and wellbeing which this report needs to address
Sustainability	There are no issues relating to environmental impact.
Diversity	There are no specific implications for diversity
Wards Affected	All wards are affected equally.
Groups Affected	The proposals do not affect any particular groups within the community
Budget and Policy Framework	The report highlights potential changes to the Council's budget.
Key Decision	The report does not represent a key decision
Urgent Decision	For the purpose of the 'call-in' procedure this does not represent an urgent matter.
One Darlington: Perfectly Placed	The Revenue Budget referred to in the report supports delivery of the Sustainable Community strategy through appropriate deployment of the Council's resources

MAIN REPORT

Information and Analysis

7. The projected General Fund corporate reserves position and departmental balances as at 31 March 2009 are summarised in **Appendix 1**. Detailed budget management projections for 2008-09, based on income and expenditure for April – August 2008 are shown in **Appendices 2 and 3(a) to 3(f)**. Members will note from the detail included in this report that the global economic conditions are having a detrimental financial impact on the Council.
8. Housing Revenue Account (HRA) financial information is shown in **Appendix 4**. The HRA remains healthy and needs no further comment in this report.

Corporately Managed Resources

9. Subject to audit, the General Fund reserves at 31 March 2008 are £8.930M. As reported to Cabinet on 8 July 2007/08, this is £0.296M below the approved MTFP.
10. Increased savings of £0.205M on the insurance contract have been achieved. These additional resources have been used to deliver improvements in the Concessionary Travel scheme. There is a projected improvement of £0.104M on financing costs. Increases in energy costs, not yet reflected in departmental projections, are expected to add £0.400M to costs across the Council. Current difficulties in achieving planned levels of capital receipts, reported in the Capital Monitoring report, also impact on the revenue budget.
11. Projected Corporate balances available for 2009-10 onwards are £0.931M below the approved MTFP, as detailed in **Appendix 1**.

Departmentally Managed Resources

12. Departments brought forward additional resources of £0.207M from 2007/08, but these are either committed or planned to be fully used in 2008-09. Departmental balances at the end of 2008-09 are projected to be £0.885M below the MTFP. The principal variances are highlighted below.
13. Children's Services projected overspend is £0.150M. Children & Families overspend of £0.301M is due to additional external placements, which are largely unavoidable. School Improvement & Development overspend relates to Skills +. Work is currently being undertaken with Darlington College to ensure that this scheme becomes sustainable. This may, however, take some time for the corrective actions and resulting savings to come to fruition. Planning and Resources projected underspend of £0.380M is due to vacant posts and also delays in the opening of Haughton Children's Centre. Partnerships overspend is principally due to increased Transport costs.
14. Community Services projected overspend is £0.651M.
 - (a) Highways and Engineering are projecting an overspend of £0.350M. Global markets have seen a dramatic down-turn in both development and housing growth. This is directly felt within the Highways Service. Income generated by design, supervision and adoption has not materialised to the levels that existed in previous years. Similarly, in previous years the Highways budget has relied on major capital projects attracting significant fee levels. It was anticipated that some major transport projects would

materialise, attracting significant fee levels, but this does not look probable during this financial year. These are still potentially viable projects and decisions are expected from central government around December 2008.

- (b) Income has also dropped because we have improved the performance of utility companies at roadwork's by improved systems of monitoring and penalising them. Whilst creating a financial pressure the improved performance positive is in terms of benefits to road users and the Council demonstrating they are fulfilling their duty under the Traffic Management Act.
 - (c) There has been an increase in demand on resource from legislation and internal initiatives/controls. This has increased the required amount of resources to deliver both design and regulatory services, whilst staffing levels have remained static for a number of years. There has been a change in balance between regulatory functions and design services within the highway function. This has significantly impacted on capacity within the service.
 - (d) Potential further pressure areas are being monitored and investigated. The areas being watched are winter maintenance, which is largely dependant upon the severity of the winter and issues surrounding testing and inspection of the ageing highway infrastructure.
 - (e) Adult services projected overspend is £0.167M due to a shortfall in Supporting People income, as a result of reduced numbers of service users that meet the grant criteria.
 - (f) DLO profits are projected to be £0.110M lower than budgeted. The budgeted increase in workload, turnover and profit is not now expected to be fully achieved in 2008-09. This is in part, attributable to the current economic climate.
15. Corporate Services projected overspend of £0.178M is due to parking income being below target. These are two main causes of this underachievement of income, firstly consumer resistance to long stay price increase and secondly the delay in the development of the Oval which has meant additional income anticipated particularly in the Chestnut Street car park following the proposed closure of Kendrew Street has not materialised.
16. Chief Executive's projected underspend of £0.094M is principally due to vacant posts and staff turnover.
17. Clearly, actions need to be taken urgently to reduce net expenditure. Officers are currently reviewing all budgets in detail, to identity detailed savings in the current year and in future year plans.
18. Planned savings and efficiency gains for 2008/09 are compared with projected outturn in **Appendix 5**.

Outcome of Consultation

19. There has been no consultation in the preparation of this report