

## CABINET

28 SEPTEMBER 2010

### REPORT OF THE CABINET MEMBER FOR FINANCE, REVENUES AND BENEFITS

<b>Title:</b> 2010/11 Budget Monitoring - April to July 2010	<b>For Decision</b>
<p><b>Summary:</b></p> <p>This report updates Cabinet with the Council's revenue and capital position for 2010/11 based on data to end July 2010.</p> <p>The council started the 2010/11 financial year in a better financial position than twelve months ago with General Fund (GF) balances estimated at £8.1m, and a robust budget process to set meaningful 2010/11 budgets.</p> <p>Central Government has already indicated that nationally local government will need to contribute £1.165bn toward the £6.2bn of in-year savings. The specific impact on the council is a reduction in funding of up to £5.5m. In order to protect the council's position the Corporate Director of Finance and Resources has instructed the council to continue with the measures put in place during 2009/10 to contain spend. In addition, each department has identified specific savings to mitigate this loss of resources. Cabinet approval for in-year savings is requested.</p> <p>The projected service overspends (not taking account of any in-year savings required) have increased from £2.1m to £3.9m since June 2010. The main reasons being additional projected overspends in Children's and Customer Services Departments. The 2010/11 budget includes a £3m contribution to GF balances. If these service pressures materialise then General Fund balances would not increase to the targeted £10m but reduce to £7.2m.</p> <p>The Housing Revenue Account (HRA) is projected to incur a deficit of £102k. Its balance declining from £3.4m to £3.3m. The HRA is a ring fenced account and cannot make contributions to the General Fund.</p> <p>In regard to the Capital Programme, the current projection is that spend will be within budget. Capital budgets cannot contribute to the General Fund although officers are working to ensure that all appropriate capitalisations occur. This report requests a number of changes to the capital programme in the form of transfers, re-profiles and budget adjustments.</p> <p><b>Wards Affected:</b> All</p>	
<p><b>Recommendation(s)</b></p> <p>The Cabinet is recommended to:</p> <ul style="list-style-type: none"><li>(i) Note the current projected outturn position for 2010/11 of the Council's revenue and capital budget as detailed in paragraphs 3 and 5 of the report, and Appendices A and C;</li><li>(ii) Note the position for the HRA as detailed in paragraph 4 of the report and Appendix B;</li></ul>	

- (iii) Note the actions already in place to control spend and tackle the in-year reduced funding;
- (iv) Approve the budget changes proposed in the Customer Services' original savings programme - paragraph 3.1.3;
- (v) Approve the capital transfers, re-profiles and budget adjustments as detailed in paragraph 6 of this report and Appendix D;
- (vi) Approve the proposed in-year savings detailed in paragraph 7 and in Appendix E.
- (vii) Approve the delegation to
  - a). the Corporate Directors of Finance & Resources and Customer Services and relevant Portfolio Holders that any future Customer Services budget transfers for any remaining £554k identified be implemented,
  - b). the Corporate Director of Finance & Resources and relevant Portfolio Holder to allocate and implement the £3m targeted savings within Finance and Resources as these become identified.

**Reason(s)**

As a matter of good financial practice, the Cabinet should be regularly updated with the position on the Council's budget. In particular, this paper alerts Members to particular efforts to reduce in year expenditure in order to manage the financial position effectively.

**Comments of the Chief Financial Officer**

This report indicates the assessment that the council will face significant pressures in remaining within its original 2010/11 budget. This is before reduced resources arising from the Governments in-year actions to reduce the national deficit. The Corporate Director of Finance and Resources has already implemented actions to control spend and set departments savings targets to contribute towards the reduced resources.

**Comments of the Legal Partner**

Previous reports have advised Members of the obligation upon a billing authority to set a balanced budget each year by virtue of section 32 Local Government Finance Act 1992 taking account of required expenditure, contingencies and reserves among other things. Section 43 makes corresponding provision for major precepting authorities. Those sections require the relevant authorities to set an 'appropriate' level of reserves for the year in question. The reserves may be drawn upon during the year even if as a result they fall below the minimum. Members will note that the comments made in relation to reserves and the budget position for this year going forward.

Similarly Members are reminded of the Council's ongoing duty under section 28 Local Government Act 2003 to keep its financial position under review and if it appears that there has been a deterioration in its position it must take such action as it considers necessary to deal with the situation. Members will note the progress highlighted in this report and wish to satisfy themselves that sufficiently robust actions are being taken to manage service delivery within a shrinking budget base.

Previous reports have made reference to the duty of the Section 151 Officer to issue a notice under 114 Local Government Finance Act 1988 that no financial expenditure take place without her express authorisation if it appears to her that the expenditure incurred by the authority (including proposed expenditure) in a financial year is likely to exceed the resources (including sums borrowed) available to meet that expenditure. While financial challenges remain the Council's position is reported to have significantly improved. For future budget monitoring reports this power will only be referred to if the Council's position worsens to the point where this becomes a realistic option.

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## 1. Background

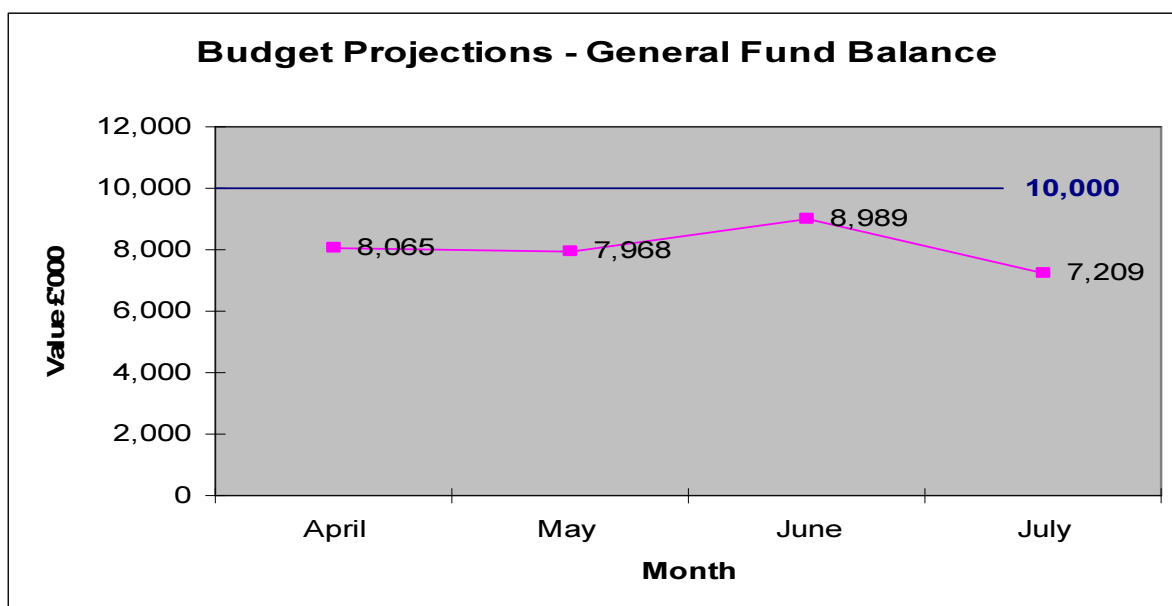
- 1.1 The Outturn report to Cabinet on 8 June 2010 reported that, as at 31 March 2010, general fund balances stood at £8.1m, an increase of £4.4m on the position twelve months earlier. This position is subject to review by external audit and therefore may change prior to the finalisation of the accounts at the end of September.
- 1.2 This report provides a summary of the Council's General Fund (GF) revenue, HRA and Capital positions and consequent balances based on recurring pressures from last year, risks to anticipated 2010/11 savings and any new pressures.
- 1.3 It is important that the Council regularly monitors its revenue and capital budgets to ensure good financial management. It is now practise within the Council for this monitoring to occur on a regular monthly basis through both monthly briefing to the Cabinet Member for Finance, Revenues and Benefits, and this report to Cabinet. This helps Members to be regularly updated on the Council's overall financial position and to enable the Cabinet to make relevant decisions as necessary on the direction of both the revenue and capital budgets.
- 1.4 The report is based upon the core information contained in the Oracle general ledger system supplemented by examination of budgets between the budget holders and the relevant Finance teams. In addition, for capital monitoring there is the work carried out by the Capital Programme Management Office (CPMO).

## 2 Current Overall Position

- 2.1 The impact of the current revenue projections to the end of the financial year is that the Council's General Fund balance will not increase by the anticipated £3m but reduce to £7.2m. The Chief Finance Officer has a responsibility under statute to ensure that the Council maintains appropriate balances. Actions have already been put in place to reduce the Council's cash out-goings.
- 2.2 In the report to Members regarding the setting of the 2010/11 annual budget and Council Tax, the Corporate Director of Finance and Resources, after consideration of the factors outlined in the CIPFA guidance on Local Authority Reserves and Balances 2003, set a target GF reserves level of £10m. The current projected balance for the end of the financial year is below this level. Whilst the external auditor has not offered an opinion on a minimum acceptable level of general balances the Local Government Act 2003 requires the Authority to set an appropriate level of reserves.

When setting the HRA budget for 2010/11 the surplus anticipated for 2009/10 was £3.392m leading to estimated balances as at 31 March 2011 of £4.369m. The final 2009/10 outturn surplus was £2.423m giving the current opening balance of £3.4m.

	<b>Balance at 1 April 2010</b>	<b>Projected Balance at 31 March 2011</b>	<b>Target Balance at 31 March 2011</b>
	£000	£000	£000
General Fund	8,065	7,209	10,000
Housing Revenue Account (including Rent Reserve)	3,400	3,233	4,369



2.3 The current projected variance at the end of the year across the Council for the General Fund is shown in the table below.

	<b>July Projected Variance £000</b>	<b>June Projected Variance £000</b>	<b>May Projected Variance £000</b>
<u>Service Expenditure</u>			
Adult and Community Services	0	0	0
Children's Services	2,764	1,488	2,030
Customer Services	1,092	546	967
Finance & Resources	0	42	100
General Finance	0	0	0
<b>Total Service In-Year Pressures</b>	<b>3,856</b>	<b>2,076</b>	<b>3,097</b>
<u>Corporate Issues</u>			
Budgeted contribution to balances	3,000	3,000	3,000
<b>Total In-Year Pressures</b>	<b>856</b>	<b>(924)</b>	<b>97</b>

- 2.4 Additional to the risks identified in the tables above are other pressures where the financial consequence is not yet known and where Directors and Head of Services are attempting to manage the issues. If, however, these pressures come to fruition either wholly or in part, then the financial position will worsen.

### **3 General Revenue Services**

- 3.1 The departmental positions are shown in Appendix A. The key areas of potential overspend and risks are outlined in the paragraphs below.

#### **3.1.1 Adult and Community Services**

The Adult and Community Services budget position as at the end of July 2010 remains challenging. At this stage of the year the Department continues to project a broadly break-even budget position for year end with the caution that this is based on activity for the first 4 months.

The Department and its Management Team have a track record of dealing with issues and pressures throughout the year to deliver a balanced budget. At this stage all budget pressures are being managed within the overall budget for the department.

#### **3.1.2 Children's Services**

The department is currently projecting an overspend of £2.764m. The increased risk largely relates to an increase in the Safeguarding and Rights placement budget overspend (£3m) which is driven by the level of children we are currently providing services to and an underlying demand on our services. The figure includes a projected £300k overspend on the legal budget reflecting an increase in child protection cases and the associated increase in court fees, other disbursements and cost of Counsel. Children's Services DMT are continuing to identify compensating savings, review commitments that can be held back or not renewed, and consider alternative arrangements to help tackle this potential overspend.

There are other pressures reported and anticipated within Children's Services for which actions are being taken to contain the risks within budget. The government's ongoing cuts in specific grant funding (including £108k from the Training and Development Agency grant; £60k from Buddy Programme; cessation of Contact Point grant from Quarter 2) are creating significant pressures that the service now has to manage.

#### **Dedicated School Grant (DSG)**

There is no overspend reported in this area but there are pressures of circa £688k on non maintained fees for SEN children. This will be taken to the Schools Forum for discussion/resolution.

#### **3.1.3 Customer Services**

The forecast overspend of £546k for June has increased to £1.09m for July. The main reasons for this £544k increase is an estimated shortfall in trade waste income, potential overspends in employee expenses and services and supplies, and a risk to savings due to a delay envisaged in the implementation of the Fleet procurement

contract. These key risk areas are being monitored and action plans are in place to manage these pressures.

The table below summarises how the Department's original savings target of £3.15m has been revised to provide a more deliverable programme of savings across the divisions and to reflect the re-organisations in both Revenues and Benefits (R&B) and Barking and Dagenham Direct (B&DD), and timing of fleet management contract. Cabinet is asked to approve these changes and the consequent budget adjustments.

Ref	Original Savings Target	£000	Revised Savings Target	£000
1	Fleet Procurement-Contract start delayed until October	810	Delay in implementation	356
2	Additional services on ground maintenance to the HRA		Currently expected to achieve	610
3	Restructure winter activity in Parks	156	Currently expected to achieve	156
4	E&E-Staff restructure in Divisional support to achieve target operation model.		Currently expected to achieve	166
5	Vacancy Management across E&E		Pressure on salary budget around Overtime and the use of agency staff	400
6	Parking income - improved process		Issues around collection due to problems with new Civica system	150
7	Staff Restructure in BD&D	781	Achieved	306
8	Revised structure in One Stop Shop -BD&D	200	Achieved	200
9	Staff Restructure in R&B	1053	Achieved	656
10	Efficiency savings across Housing	150	Currently expected to achieve	150
		<b>3,150</b>		<b>3,150</b>

### 3.1.4 Finance and Resources

The department overall is projecting a breakeven projection against its budget. Nevertheless there are pressures on the achievement of income levels in a number of areas that are being managed. There are pressures in Legal Services in relation to the cost of recruitment and use of locum lawyers which is being carefully monitored to ensure that an overspend does not arise or new funding is identified to cover some of these costs.

### 3.1.5 General Finance

General Finance continues to project to remain within its budget in 2010/11. As part of setting a robust 2010/11 budget the council agreed a contingency budget of £6m. £3.48m was allocated from contingency by Cabinet on 8 June and £120k at the 6 July Cabinet. Previously agreed by the Executive on 14 July 2009, £68k has been transferred from contingency to Children's Services in relation to the Youth Access Card. This leaves a balance of £2.355m.

#### 4 Housing Revenue Account

4.1 A detailed review of the HRA in July resulted in a reduction in full year outturn forecast to £102k overspend compared with a £167k overspend projected in June. This change is due in part to increased rental streams as a result of improved turnaround time of void properties and the offset of the previously reported £350K unbudgeted Leaseholder Insurance Premium by other savings within the service.

4.2 The detailed HRA position is shown in Appendix B.

#### 5 Capital Programme

5.1 At this stage in the year, it is projected that there will be an underspend of £1.2m of the budget for 2010/11. This projection only takes account of schemes that have been approved and appraised. The departmental analysis is at Appendix C.

#### 6 Capital Schemes Re-profiles/ Adjustments

6.1 A review of the delivery of all projects has been undertaken and reprofiling of a number of capital projects is required as shown in Appendix D (i). The yearly expenditure changes that these proposed profiles will have are shown in the table below:

Year	2010/11	2011/12	2012/13	Total
	£'000	£'000	£'000	£'000
<b>Current Profile</b>	30,362	2,873	1,188	34,423
<b>Proposed Profile</b>	25,263	7,953	1,207	34,423
<b>Adjustment</b>	<b>(5,099)</b>	<b>5,080</b>	<b>19</b>	<b>0</b>

6.2 To ensure the optimal use of capital resources, virements to several schemes are requested:

- Barking Town Centre Public Realm (£340k) to Town Square Acquisitions.
- Family & Child Health Centre (£599k) to London Road Market Square.
- Voice & Data Communication (£11k), Desk Top Management (£35k) and Citrix Server Upgrade (£51k) to One Barking & Dagenham ICT project.

Detailed proposals are shown in Appendix D (ii).

6.3 As a consequence of the review, budget adjustments to several schemes are required because of the anticipated ending of some external funding streams and the outcome of a further analysis of budget approvals. The yearly expenditure changes that these adjustments will have are shown in the table below:

Year	2010/11	2011/12	2012/13	Total
	£'000	£'000	£'000	£'000
<b>Current Profile</b>	41,327	6,639	5,150	53,116
<b>Proposed Profile</b>	34,033	7,701	750	42,484
<b>Adjustment</b>	<b>-7,294</b>	<b>1,062</b>	<b>-4,400</b>	<b>-10,632</b>

The funding implications of these changes are shown below:

<b>Year</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>Total</b>
<b>External Funding</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Current Profile</b>	27,438	470	750	28,658
<b>Proposed Profile</b>	20,184	1,532	750	22,466
<b>Adjustment</b>	<b>-7,254</b>	<b>1,062</b>	<b>0</b>	<b>-6,192</b>
<b>Borrowing</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Current Profile</b>	13,889	6,169	4,400	24,458
<b>Proposed Profile</b>	13,849	6,169	0	20,018
<b>Adjustment</b>	<b>-40</b>	<b>0</b>	<b>-4,400</b>	<b>-4,440</b>

6.4 Detailed proposals are shown in Appendix D (iii).

## 7 In-Year Savings

7.1 The emergency budget announced by Government on 22 June 2010 resulted in a reduced level of Government resources to LBBD in 2010/11, and future years. As a result the Corporate Director of Finance and Resources identified the need for each department to make significant in-year savings.

7.2 This report identifies the proposals made by each department to achieve these in-year savings. Once approved departmental budgets will be reduced and future monitoring reports will report performance against the lower level of resources.

7.3 The council-wide in-year savings targets and proposals are set out in the table below. The detailed proposals by departments are set out in Appendix E.

	<b>In-Year Savings Target</b>	<b>Proposals</b>	<b>Variance</b>
	£'000	£'000	£'000
Adult & Community Services	1,800	1,800	0
Children's Services	1,800	1,800	0
Customer Services	1,800	1,246	554
Finance & Resources	3,000	836	2,150
<b>Council Wide Total</b>	<b>8,400</b>	<b>5,696</b>	<b>2,704</b>

Customer Services will continue to look for additional savings of £554k to meet their target of £1.8m. The Corporate Director of Finance and Resources will continue to work with Finance and Resources managers to specify the savings to meet the overall £3m target savings.

## 8 Legal Issues

8.1 See summary section for Legal Partner comments



## 9 Other Implications

- **Risk Management**

The final financial position for 2009/10 is still subject to review by the external auditor and is therefore at risk of change. The risk to the Council is that if the currently projected overspends are not eliminated the level of balances will fall to a level which is below the level recommended by the Corporate Director of Finance and Resources in order to meet potential future financial risks.

- **Staffing Issues**

As part of the measures to reduce in-year pressures a freeze on recruitment has been implemented. Recruitment will be limited to essential appointments only and overtime payments will be minimised.

- **Customer Impact**

As far as possible all restraints have been placed on non-essential services spend. Some cuts may directly or indirectly affect customers but every effort will be made to mitigate any impact on front line services.

- **Property / Asset Issues**

Some non-essential maintenance to properties may be re-phased

## 10 Background Papers Used in the Preparation of the Report:

- Councils Provisional Revenue and Capital Outturn 2009/10 – Cabinet 8 June 2010, Minute 8
- Youth Access Card, Executive 14 July 2009 Minute 29

## 11 List of appendices:

**Appendix A** – General Fund Revenue Budget Monitoring Statement – July 2010

**Appendix B** – Housing Revenue Account (HRA) Budget Monitoring Statement – July 2010

**Appendix C** – Capital Programme Budget Statement – July 2010

**Appendix D** – Capital Re-profiles – 2010 -2011

**Appendix E** – Proposed Departmental In-Year Savings