

## CABINET

24 JULY 2012

<b>Title:</b> Budget Monitoring 2012/13 - April to May 2012	
<b>Report of the Cabinet Member for Finance and Education</b>	
<b>Open Report</b>	<b>For Decision</b>
<b>Wards Affected:</b> All	<b>Key Decision:</b> Yes
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<b>Accountable Divisional Director:</b> Jonathan Bunt, Divisional Director of Finance	
<b>Accountable Director:</b> Tracie Evans, Corporate Director of Finance and Resources	
<b>Summary:</b> <p>This report provides Cabinet with an update of the Council's revenue and capital position for the two months to the end of May 2012 projected to the year end.</p> <p>The Council began the current financial year in a better financial position than the previous year with a General Fund (GF) balance of £14.3m (subject to audit).</p> <p>At the end of May 2012, total Service expenditure for the full year is projected to be £178.5m against the approved budget of £177.4m; a projected over spend of £1.1m. Explanatory summaries are contained in section 2 of this report.</p> <p>The current projected over spend of £1.1m would result in the General Fund balance decreasing to £13.2m.</p> <p>The Housing Revenue Account (HRA) is projected to over spend by £0.2m mainly due to a pressure on the repairs and maintenance expenditure budget. This overspend will result in a reduction to the brought forward HRA reserves, leaving a balance of £8.1m. The HRA is a ring-fenced account and cannot make contributions to the General Fund.</p> <p>The Capital Programme has been updated to reflect project roll-overs and changes approved at Cabinet and the budget at the end of May stands at £190.0m. Capital budgets cannot contribute to the General Fund revenue position although officers ensure that all appropriate capitalisations occur.</p>	
<b>Recommendation(s)</b> <p>The Cabinet is recommended to:</p> <ul style="list-style-type: none"><li>(i) Note the projected outturn position for 2012/13 of the Council's revenue budget at 31 May 2012, as detailed in paragraphs 2.3 to 2.11 and Appendix A of the report;</li><li>(ii) Note the progress against the 2012/13 savings targets at 31 May 2012, as detailed in</li></ul>	

paragraph 2.12 and Appendix B of the report;

- (iii) Note the position for the HRA at 31 May 2012, as detailed in paragraph 2.13 and Appendix C of the report;
- (iv) Note the projected outturn position for 2012/13 of the Council's capital budget at 31 May 2012, as detailed in paragraph 2.14 and Appendices D and E of the report;
- (v) Approve the following transfers from the Contingency Budget as detailed in paragraph 2.15 of the report:
  - a). A one off transfer of £100,000 to meet the shortfall in savings within Housing and Environment caused by the delay in implementing controlled parking zones (CPZs);
  - b). A one off transfer of £100,000 to meet the shortfall in savings within Housing and Environment caused by the delay in obtaining approval to replace orange recycling bags with wheelie bins;
  - c). A recurring transfer of £200,000 to Finance and Resources to reflect the cessation of the rebate system under the Council's former contract with Matrix.

#### **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.

## **1 Introduction and Background**

- 1.1 The Final Outturn report to Cabinet on 26 June 2012 reported that, as at 31 March 2012, general fund balances stood at £14.3m; an increase of £3.5m on the position twelve months earlier. This position is subject to confirmation following completion of the audit of the Council's Statement of Accounts.
- 1.2 This report provides a summary of the Council's General Fund and HRA revenue and capital positions. It also provides an update on progress made to date in the delivery of the agreed savings targets built into the 2012/13 budget setting out risks to anticipated savings and action plans to mitigate the risk.
- 1.3 It is important that the Council regularly monitors its revenue and capital budgets to ensure good financial management. This is achieved within the Council by monitoring the financial results on a monthly basis through briefings to the Cabinet Member for Finance and Education and reports to Cabinet. This ensures Members are regularly updated on the Council's overall financial position and enables the Cabinet to make relevant financial and operational decisions to meet its budgets.

## **2 Current Overall Position**

- 2.1 The current Directorate revenue projections indicate an over spend of £1.1m for the end of the financial year of which:
  - £0.6m over spend arises in Housing and Environment due to housing people in temporary accommodation and pressures on savings;

- £0.5m over spend in Finance and Resources due to pressures in the Revenues & Benefits court costs and related income budgets.

The initial forecast of a £1.1m over spend would result in the Council's General Fund balance remaining above the budgeted target of £10.0m. 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 net out-goings.

- 2.2 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 £10.0m. The General Fund balance at 31 March 2012 was £14.3m and the current projected balance for the end of the financial year is £13.2m.

At the end of May, the HRA is forecasting an over spend of £0.2m that will reduce the HRA reserve to £8.1m.

	<b>Balance at 1 April 2012</b>	<b>Projected Balance at 31 March 2013</b>	<b>Target Balance at 31 March 2013</b>
	£'000	£'000	£'000
General Fund	14,346	13,183	10,000
Housing Revenue Account (including Rent Reserve)	8,269	8,072	8,269

- 2.3 The current full year projection to 31 March 2013 across the Council for the General Fund is shown in the table below.

<b>Council Summary</b>	<b>Net Budget £'000</b>	<b>Full year projection at May 2012 £'000</b>	<b>Over/(under) Budget Projection £'000</b>
<u>Directorate Expenditure</u>			
Adult and Community Services	62,505	62,505	-
Children's Services	68,273	68,273	-
Housing and Environment	21,346	21,952	<b>606</b>
Finance and Resources	20,450	21,007	<b>557</b>
Chief Executive	377	377	-
Central Expenses	4,428	4,428	-
<b>Total Service Expenditure</b>	<b>177,379</b>	<b>178,542</b>	<b>1,163</b>

The current projection would reduce the General Fund to £13.2m, which is over the minimum level recommended by the Corporate Director of Finance and Resources.

## 2.4 Directorate Performance Summaries

The key areas of potential over spend and risks are outlined in the paragraphs below.

## 2.5 Adult and Community Services

<b>Directorate Summary</b>	2011/12 Outturn	2012/13 Budget	2012/13 Projection
	£'000	£'000	£'000
Net Expenditure	69,951	<b>62,505</b>	<b>62,505</b>
Projected over/(under)spend			-

The Adult and Community Services forecast outturn position at period 2 of the 2012/13 financial year is to break-even.

A challenging savings target of £3.4m is built into the 2012/13 budget and, at this early stage in the financial year, the Directorate is confident these savings will be achieved.

## 2.6 Children's Services

<b>Directorate Summary</b>	2011/12 Outturn	2012/13 Budget	2012/13 Projection
	£'000	£'000	£'000
Net Expenditure	69,729	<b>68,273</b>	<b>68,273</b>
Projected over/(under)spend			-

At period 2 the Service is reporting a year end balanced position. There is a headline service pressure of £227k with pressures continuing in Complex Needs and Social Care relating to assessment and care management, Section 17 and SEN transport. Management actions are in place to hold back all non-essential spend in light of budgetary pressures.

## 2.7 Dedicated School Grant (DSG)

The DSG is a ring fenced grant to support the education of school aged pupils within the borough. The grant is allocated between the Schools and Centrally Retained budget in agreement with the Schools Forum. The indicative 2012/13 DSG allocation is £195.6m with £20.4m being retained centrally. Final DSG allocation figures are expected in summer 2012.

## 2.8 Housing and Environment

<b>Directorate Summary</b>	2011/12 Outturn	2012/13 Budget	2012/13 Projection
	£'000	£'000	£'000
Net Expenditure	23,579	<b>21,346</b>	<b>21,952</b>
Projected over/(under)spend			<b>606</b>

The Housing and Environment General Fund budget is currently forecast to over spend by £606k. This is split between a forecast overspend position of £300k in

Environmental Services (E&E), and £306k in Housing services (HSG). This projected overspend includes the shortfall in savings outlined below.

The Housing General Fund is currently forecast to over spend by £306k which is mainly due to increased pressure within the temporary accommodation budgets which were also subject to a £350k saving for 2012/13.

The Environment and Enforcement (E&E) service is currently forecast to over spend by £300k. In 21010/11 a zero-based budgeting exercise was undertaken and identified a £600k shortfall in the 2012/13 budget. No additional budget was provided to meet this shortfall.

The savings are largely forecast to be delivered although there is a small shortfall on a number of the savings within E&E which cumulatively add up to around £300k.

It is anticipated that once alternative action plans are in place then the forecast over spend will reduce but at this point in the year the benefit of the action plans cannot be forecast with certainty.

## 2.9 Finance and Resources

<b>Directorate Summary</b>	2011/12 Outturn	2012/13 Budget	2012/13 Projection
	£'000	£'000	£'000
Net Expenditure	25,523	<b>20,450</b>	<b>21,007</b>
Projected over/(under)spend			<b>557</b>

At this early stage in the financial year, the Finance & Resources Directorate is projecting a £557k over spend mainly as a result of pressures within the Revenues & Benefits court costs and related income budgets. An analysis is currently being undertaken to identify the strand of income to which the pressure relates e.g. rent collection or council tax. Once this has been completed there may be additional charges to the HRA if the pressure relates to rent collection. The department is currently considering how to mitigate these pressures to ensure services are delivered within its overall approved working budget.

## 2.10 Chief Executive

<b>Directorate Summary</b>	2011/12 Outturn	2012/13 Budget	2012/13 Projection
	£'000	£'000	£'000
Net Expenditure	122	<b>377</b>	<b>377</b>
Projected over/(under)spend			-

The services within the Chief Executive directorate are currently forecast to breakeven. At present, the service is expecting to contain the £136k projected savings shortfall. All divisions are working towards providing a service within the approved working budgets for 2012/13.

## 2.11 Central Expenses

<b>Directorate Summary</b>	<b>2011/12 Outturn</b>	<b>2012/13 Budget</b>	<b>2012/13 Projection</b>
	£'000	£'000	£'000
Net Expenditure	(1,941)	4,428	<b>4,428</b>
Projected over/(under)spend			-

The central expenses budget is currently projecting to break even. The budget will be kept under close review as the year develops to identify any variances that may arise.

## 2.12 In Year Savings Targets

The delivery of the 2012/13 budget is dependent on meeting a savings target of £19.0m. Directorate management teams are monitoring their targets and providing a monthly update of progress which is summarised in the table below. A detailed breakdown of savings and explanations for variances is provided in appendix B.

<b>Directorate Summary of Savings Targets</b>	<b>Target £'000</b>	<b>Projection £'000</b>	<b>Shortfall £'000</b>
Adult and Community Services	3,392	3,392	-
Children's Services	3,410	3,410	-
Housing and Environment	2,331	1,672	<b>659</b>
Finance & Resources	2,591	2,591	-
Chief Executive	2,300	2,164	<b>136</b>
Central Expenses	5,000	5,000	-
<b>Total</b>	<b>19,024</b>	<b>18,229</b>	<b>795</b>

## 2.13 Housing Revenue Account (HRA)

The Housing Revenue Account is currently expected to over spend by £197k in 2012/13. The forecast overspend is in relation to the repairs and maintenance contract. In recent years there has been a continued reduction in both the budget for repairs and maintenance and the associated target cost agreed with the repairs contractor. Although there is no formal agreement as yet with Enterprise to the target price for 2012/13, as this is the final year of the contract, it is expected that payments to Enterprise will be circa £19.0m, in line with the 2011/12 final account. As the budget has been set at £18.8m there is therefore a £200k pressure for repairs and maintenance costs.

For 2012/13 the HRA budget has been set to make a revenue contribution to capital (RCCO) of £36.7m, which has been incorporated in the HRA business plan. Although it is possible to reduce the RCCO to absorb the overspend in 12/13, the budgeted amount has been fully utilised in the Business Plan. Therefore, the £0.2m overspend will result in a reduction to the brought forward HRA reserves, leaving a balance of £8.1m.

A detailed HRA is provided in appendix C.

## 2.14 Capital Programme

The Capital Programme budget has been updated to reflect the capital roll forwards approved by Cabinet on 22 May 2012 and all subsequent approvals.

<b>Directorate Summary of Capital Expenditure</b>	<b>Budget £'000</b>	<b>Projected Outturn £'000</b>	<b>Projected Variance £'000</b>
Adult & Community Services	5,568	5,386	(182)
Children's Services	63,084	65,799	2,715
Housing & Environment	87,087	85,391	(1,696)
Finance & Resources	34,276	34,881	605
<b>Total</b>	<b>190,015</b>	<b>191,457</b>	<b>1,442</b>

A detailed Capital Programme is provided at appendix D.

Variances by area are summarised below:

### Adult & Community Services

- Community Services, Heritage & Libraries - (£182k) under spend

### Children's Services

- Schools - £2,730k over spend
- Other schemes - (£15k) under spend

### Housing & Environment

- Housing Revenue Account - (£1,629k) under spend
- General Fund Housing - (£74k) under spend
- Environment & Enforcement - £6k over spend
- Parks and Open Spaces - £1k over spend

### Finance & Resources

- Asset Strategy - £295k over spend
- ICT - (£89k) under spend
- Regeneration – £399k over spend

Explanations for project variances over £100k are provided in appendix E.

## 2.15 Transfer From Contingency Requesting Approval

Cabinet are requested to approve the following transfers from contingency:

- A one off transfer of £100k to meet the shortfall in savings within Housing and Environment caused by the delay in implementing controlled parking zones (CPZs);
- A one off transfer of £100k to meet the shortfall in savings within Housing and Environment caused by the delay in obtaining approval to replace orange recycling bags with wheelie bins;
- A recurring transfer of £200k to Finance and Resources (F&R). The Matrix contract which has now ended, worked on a rebate system. In light of the new Adecco contract which started on the 11<sup>th</sup> of June, this rebate system

would no longer be in place. There is a £200k income target in F&R which will now not be achieved causing a pressure for the department.

## **2.16 Financial Control**

At the end of May all key reconciliations have been prepared and reviewed and no major reconciling items unexplained.

## **3 Options Appraisal**

The report provides a summary of the financial position at the relevant year end and as such no other option is applicable for appraisal or review.

## **4 Consultation**

The report has been circulated to appropriate Divisional Directors for review and comment. Specific implications are noted in section 6.

Individual Directorate elements have been subject to scrutiny and discussion at their respective Directorate Management Team meetings.

## **5 Financial Implications**

This report details the financial position of the Council.

## **6 Legal Issues**

There are no legal implications for a budget monitoring report.

## **7 Background Papers Used in the Preparation of the Report**

- Final Revenue and Capital Outturn 2011/12; Cabinet 26 June 2012;
- Budget Framework 2012/13; Cabinet 14 February 2012.

## **8 Appendices**

- A – General Fund expenditure by Directorate
- B – Savings Targets by Directorate
- C – Housing Revenue Account Expenditure
- D – Capital Programme
- E – Explanation for Capital Variances