

## CABINET

2 NOVEMBER 2010

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

<b>Title:</b> 2010/11 Budget Monitoring - April to August 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 August 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 required that nationally local government needs 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 officers to continue with the measures put in place during 2009/10 to contain spend. Last month Cabinet approved in-year savings of up to £8.4m to address this shortfall in resources.</p> <p>The projected service overspends (not taking account of the in-year savings) have reduced from £3.9m to £3.2m since July 2010. The main reason for this drop is a reduction in projected overspends in the Customer Services Department. The 2010/11 budget includes a £3m contribution to GF balances. If the projected service pressures materialise then GF balances would not increase to the targeted £10m but decrease by £0.2m to £7.9m.</p> <p>Further proposed calls on the contingency will reduce the balance to £1.2m</p> <p>The Housing Revenue Account (HRA) is projected to incur a deficit of £417k. Its balance declining from £3.4m to £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 over the revised and appraised budget but following further appraisals expected to be within budget. Capital budgets cannot contribute to the General Fund although officers are working to ensure that all appropriate capitalisations occur.</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) Approve from contingency the sum of
- £220k to enable specific back log maintenance projects to be undertaken
  - £750k to fund the one-off expert financial, legal and procurement costs for the set up of the Joint Venture
  - £684k to regularise the General Finance budgets which contains budgeted corporate savings which the service departments are achieving
  - £100k to meet the anticipated shortfall in income arising from not implementing the proposal to charge staff for parking in council owned sites

**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 continues to 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 departments resources have been reduced to contribute towards the reduced corporate 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 the reported position and 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.

Members will wish to be satisfied that appropriate actions are being taken to deal with any projected overspends and deliver services in the tougher economic climate the council finds itself in.

<p><b>Head of Service:</b> Jonathan Bunt</p>	<p><b>Title:</b> Corporate Financial Controller</p>	<p><b>Contact Details:</b> Tel: 020 8724 8427 E-mail: <a href="mailto:jonathan.bunt@lbbd.gov.uk">jonathan.bunt@lbbd.gov.uk</a></p>
<p><b>Cabinet Member:</b> Councillor Geddes</p>	<p><b>Portfolio:</b> Finance, Revenues and Benefits</p>	<p><b>Contact Details:</b> Tel: 020 8227 2116 E-mail: <a href="mailto:cameron.geddes2@lbbd.gov.uk">cameron.geddes2@lbbd.gov.uk</a></p>

## **1. Background**

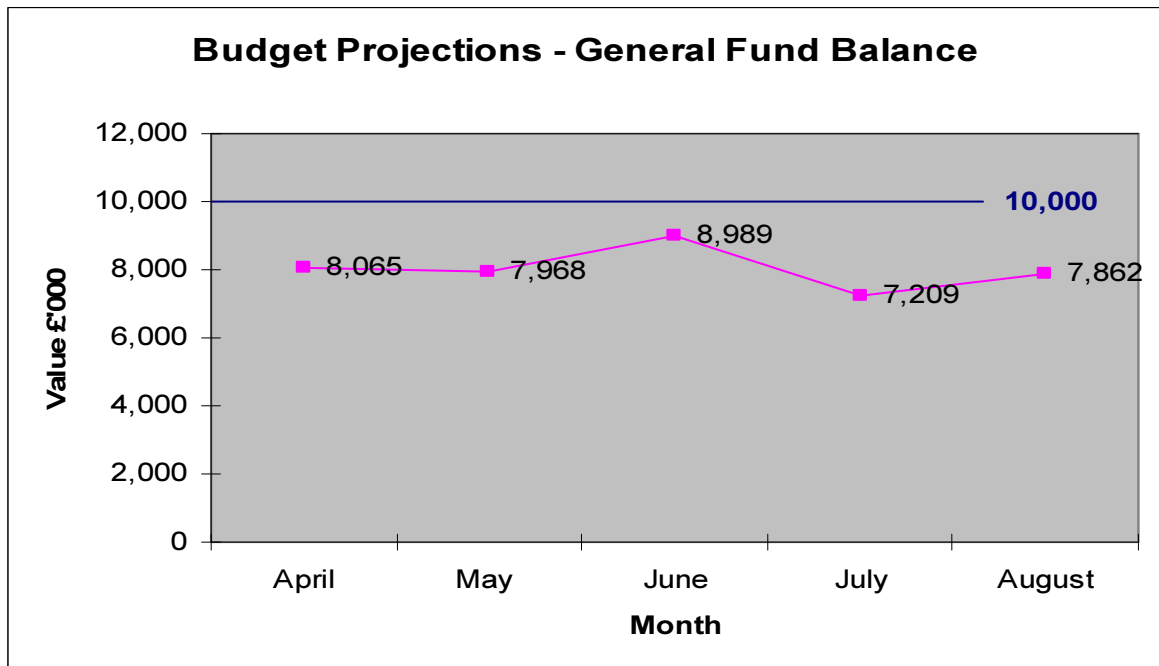
- 1.1 The Outturn report to Cabinet on 8 June 2010 reported that, as at 31 March 2010, general fund balances stood at £8.1m, an increase of £4.4m on the position twelve months earlier. This position is subject to review by external audit and therefore may change prior to the finalisation of the accounts.
- 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, any new pressures and the effect of the reduced in-year resources.
- 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 by £0.2m to £7.9m. 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	7,862	10,000
Housing Revenue Account (including Rent Reserve)	3,400	2,983	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>August Projected Variance</b>	<b>July Projected Variance</b>	<b>June Projected Variance</b>	<b>May Projected Variance</b>
	£'000	£'000	£'000	£'000
<u>Service Expenditure</u>				
Adult and Community Services	0	0	0	0
Children's Services	2,732	2,764	1,488	2,030
Customer Services	471	1,092	546	967
Finance & Resources	0	0	42	100
General Finance	0	0	0	0
<b>Total Service In-Year Pressures</b>	<b>3,203</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	3,000
<b>Total In-Year Pressures</b>	<b>203</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 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 5 months. The department set it self some challenging savings targets this year which it is managing. In general no significant budget pressures are being experienced in the department.

The Department and its Management Team have a track record of dealing with issues and pressures throughout the year to deliver a balanced budget.

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

The department is projecting an overspend of £2.7m, consistent with the position reported last month. This overspend directly relates to the increased demand on the Safeguarding and Rights placement budget and the overspend on the legal budget due to increased costs associated with child protection cases as reported last month. Children's Services DMT are making a combined effort to identify compensating savings, review commitments that can be held back or not renewed or stopped in year to help tackle the potential overspend.

The pressures reported last month related to the government's intended cuts in specific grant funding (including £108k from the Training and Development Agency grant; £60k from Buddy Programme and the cessation of Contact Point grant from Quarter 2). These remain significant pressures that the service has to find additional savings towards or consider cuts to the existing service. A pressure (£400k) related to buses for SEN children is being managed through the implementation of a Transport Strategy.

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

There is no overspend reported in this area but there are pressures of circa £614k (£688k reported last month) on non maintained fees for SEN children. This will be taken to the Schools Forum for discussion/resolution. The need to provide additional school places from September 2010 without additional funds is the other main in-year pressure.

#### **3.1.3 Customer Services**

The department is still projecting an overspend but at the reduced level of £471k, down by £620K from the previous figure of £1.09m reported at the end of July 2010. This decrease is mainly as a result of positive movements in E&E Division and the Housing General Fund.

Whilst there are projected underspends in premises, transport and supplies & services costs in E&E, the overall overspend projected reflects additional spend on staffing costs and a projected underachievement of income on trade waste and passenger transport.

The Housing service has turned a forecast overspend of £102k in the previous period to an underspend of £216k. This positive movement mainly relates to confirmation of external grants to be used to fund spend associated with empty properties.

Customer Services DMT is actively reviewing action plans to ensure they are robust enough to continue to drive costs down through efficiency savings.

#### **3.1.4 Finance and Resources**

The department is projecting a break even position as per last month. Significant work has been undertaken by both the departmental and divisional management teams to ensure the in-year budget pressures being experienced by some services are contained and spend is focused on achieving both its cash limited budget and the £3m savings target it has been allocated. A number of posts are being held vacant in order to achieve these targets.

There remains a concern about the expected income from marketing & communication activities which require close monitoring. The pressures in Legal Services in relation to the cost of recruitment and use of locum lawyers is still an issue which the service's management is making a concerted effort to address.

#### **3.1.5 General Finance and Contingency**

The General Finance budget currently contains an allowance for £1m of corporate savings relating to reducing the use of consultants, reviews of PPP teams and PA's, and reducing mobile/blackberry spend. The actions to achieve these have been implemented and service departments are including the reduced costs in their projected outturn. It is now proposed to call on the contingency for £684,000 in order to regularise the budget position in General Finance.

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 (NB Customer Services has returned £600k in relation to Revenues and Benefits not currently required) 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.

The contingency contains a sum of £220k for allocation to back log maintenance works. Members are asked to approve the release of this sum to enable specific maintenance projects to be undertaken.

Cabinet (16 March 2010) approved a sum of £300k from the Invest to Save fund to meet the expected initial one-off costs of expert financial, legal and procurement advice to create the Joint Venture. With dialogue taking longer than expected Cabinet are now asked to fund additional estimated one-off cost of £750,000. Approval is sought to fund this from contingency.

A corporate saving which proposed charging staff for parking in council sites has not been implemented. The anticipated additional income of £100k has not therefore been realised, and approval is sought to fund this from contingency.

If all the above is approved the contingency balance will be £1.2m.

#### **4 Housing Revenue Account**

4.1 The HRA is currently forecast to overspend by £417k compared to £102k projected overspend in July 2010. The key reasons for this is a projected overspend in supervision and management costs reflecting savings unlikely to be achieved in the security budget and the inclusion of pension costs previously not budgeted for, and an increase in bad debts provision due to an increased level of rent arrears, associated with the implementation of the Capita Housing Rents system. An action plan is in place to try and address the growing arrears.

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 overspend of £2.3m of the revised and appraised budget for 2010/11, but following further appraisals the spend is expected to be within budget. The departmental analysis is at Appendix C.

#### **6 Legal Issues**

6.1 See summary section for Legal Partner comments

#### **7 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. A Voluntary Severance Scheme has been run and over 100 staff will be leaving over the course of the next three months as a consequence. This will make a significant contribution to managing in-year pressures.

- **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. All departments are required to consider the equalities impacts of their savings plans, and to put in place mitigating actions where necessary.

- **Safeguarding Children**

All actions taken to mitigate the overspend of the placements budget in Safeguarding and Rights will need to be undertaken within a risk management framework to ensure that the safeguarding needs of individual children are not compromised.

- **Property / Asset Issues**

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

**8 Background Papers Used in the Preparation of the Report:**

- Councils Provisional Revenue and Capital Outturn 2009/10 – Cabinet 8 June 2010, Minute 8
- 2010/11 Budget Monitoring Report, Cabinet July 2010 Minute 26
- Youth Access Card, Executive 14 July 2009 Minute 29

**9 List of appendices:**

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

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

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