

## CABINET

13 NOVEMBER 2012

<b>Title:</b> Budget Monitoring 2012/13 - April to September 2012	
<b>Report of the Cabinet Member for Finance</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> Graham Farrant, Chief Executive	
<b>Summary:</b> <p>This report provides Cabinet with an update of the Council's revenue and capital position for the six months to the end of September 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.</p> <p>At the end of September 2012, total service expenditure for the full year is projected to be £176.8m against the approved budget of £177.4m, a projected under spend of £0.6m. Explanatory summaries are contained in section 2 of this report.</p> <p>The current projected under spend of £0.6m would result in the General Fund balance increasing to £14.9m.</p> <p>The Housing Revenue Account (HRA) is projected to break even, maintaining the HRA reserve at £8.3m. 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 September stands at £150.5m. Capital budgets cannot contribute to the General Fund revenue position although officers ensure that all appropriate capitalisations occur.</p>	
<b>Recommendation(s)</b>	
The Cabinet is recommended to:	
(i) Note the projected outturn position for 2012/13 of the Council's revenue budget at 30 September 2012, as detailed in paragraphs 2.3 to 2.11 and <b>Appendix A</b> of the report;	
(ii) Note the progress against the 2012/13 savings targets at 30 September 2012, as detailed in paragraph 2.12 and <b>Appendix B</b> of the report;	

- (iii) Note the position for the HRA at 30 September 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 30 September 2012, as detailed in paragraph 2.14 and **Appendices D and E** of the report;

### **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.
- 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 under spend of £0.6m for the end of the financial year, made up as follows:
- £0.3m over spend in Finance and Resources due to pressures in the Revenues & Benefits court costs income budgets;
  - (£0.4m) under spend in the Chief Executive Directorate from vacancies;
  - (£0.5m) under spend in Central Expenses against the interest budgets.

The initial forecast of a £0.6m under 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 and ensure a balanced position by year end to maintain the available level of balances.

- 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 £14.9m.

At the end of September 2012, the HRA is forecasting to break even and maintain the HRA reserve at £8.3m.

	<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	14,912	10,000
Housing Revenue Account (including Rent Reserve)	8,269	8,269	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 Sep 2012 £'000</b>	<b>Over/(under) Budget Projection £'000</b>
<u>Directorate Expenditure</u>			
Adult and Community Services	62,598	62,598	-
Children's Services	70,132	70,132	-
Housing and Environment	21,867	21,867	-
Finance and Resources	22,020	22,320	<b>300</b>
Chief Executive	794	428	<b>(366)</b>
Central Expenses	(32)	(532)	<b>(500)</b>
<b>Total Service Expenditure</b>	<b>177,379</b>	<b>176,813</b>	<b>(566)</b>

The current projection would increase the General Fund to £14.9m, 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>	<b>2011/12 Outturn</b>	<b>2012/13 Budget</b>	<b>2012/13 Projection</b>
	£'000	£'000	£'000
Net Expenditure	69,951	<b>62,598</b>	<b>62,598</b>
Projected over/(under)spend			-

The Adult and Community Services forecast outturn position at period 6 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 stage in the financial year, the Directorate is confident these savings will be realised.

## 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>70,132</b>	<b>70,132</b>
Projected over/(under)spend			-

At period 6 the Service is reporting a year end balanced position. There is a headline service pressure of £157k with pressures continuing in Complex Needs and Social Care relating to assessment and care management, Section 17, SEN and NRP transport. Management actions are in place to hold back all non-essential spend in light of budgetary pressures. The forecast underlying pressure assumes the receipt of £337k Social Work Improvement Fund grant which is still to be confirmed by the DfE.

## 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 £196.1m with £20.4m being retained centrally.

## 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>21,867</b>	<b>21,867</b>
Projected over/(under)spend			-

The Housing and Environment General Fund budget is currently forecast to break even which is an improved position from the £500k reported overspend in Housing General Fund for period 5.

The main pressure within the Housing General Fund still remains. This pressure is within the Housing Advice Service and is caused by an increase in the number of people presenting, and being accepted, as statutorily homeless. This increase, coupled with the low availability of locally sourced and affordable private sector licensed (PSL) properties and council owned dwellings, has led to the increased use of bed and breakfast accommodation. Bed and breakfast accommodation is a high cost placement to the Council as a result of the benefit cap on this type of accommodation leading to a loss of housing benefit subsidy for the Council.

However, further in-year action plans have now been formulated to mitigate this current pressure although there are a number of risks in the deliverability of these actions plans which will be closely monitored. There are also factors outside of the

control of the service such as a higher than anticipated increase in demand for homeless placements and the prevailing market conditions within the private sector rented market which may lead to an increased pressure.

A freeze on spend, where possible, has also been applied to ensure that the department comes in on budget.

The department started the year with a savings target of £2.3m. A high proportion of the savings will be fully delivered but there is currently an overall pressure of around £513k. This is mainly due to significant pressures facing the Housing General Fund in respect of temporary accommodation which in turn affects the deliverability of the £350k saving for CUS/SAV/10 (see 2.12 below).

## 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>22,020</b>	<b>22,320</b>
Projected over/(under)spend			<b>300</b>

The Finance & Resources department is currently forecast to overspend by approximately £300k which is an improvement of £318k from the period 5 projection. There is a continued pressure arising from the under-recovery of court cost income in Revenues & Benefits of approximately £600k. This pressure is being contained by deliberate actions to deliver underspends in other areas of the Department such as keeping posts vacant and a freeze on expenditure where possible.

Further action plans are currently being formulated to further reduce the projected overspend so that the Department will break even by the year end. Progress will be reported at period 7.

For 2012/13 the department had a total savings target of £2.591m and all of the individual savings are forecast to be delivered.

A new risk has emerged this month in relation to the benefit subsidy budgets. It has been reported by Elevate that the Council is close to breaching the Local Authority Error Rate thresholds. If the thresholds are breached the Council is then unable to reclaim 100% subsidy from DWP and depending on the level of the breach this loss could range from around £450k to £860k. Elevate are now allocating additional resources to mitigate the current position. No provision has been made in the above projections but the position is being closely monitored.

## 2.10 Chief Executive

<b>Directorate Summary</b>	2011/12 Outturn	2012/13 Budget	2012/13 Projection
	£'000	£'000	£'000
Net Expenditure	122	<b>794</b>	<b>428</b>
Projected over/(under)spend			<b>(366)</b>

The services within the Chief Executive department are currently forecast to underspend by £366k which is an improvement of £137k from the £229k underspend reported at the end of period 5.

This improvement is mainly as a result of in year staffing vacancies in the Legal team and also the prudent use of supplies & services and training budgets across the department.

For 2012/13 the department had a total savings target of £2.3m and there is currently a projected shortfall in delivery of £136k in respect of the HR targets but this is being managed by reductions in other expenditure.

## 2.11 Central Expenses

Directorate Summary	2011/12 Outturn	2012/13 Budget	2012/13 Projection
	£'000	£'000	£'000
Net Expenditure	(1,941)	48	<b>(452)</b>
Projected over/(under)spend			<b>(500)</b>

Due to the management of our cash balances a net under spend of £500k is projected against the budgets for interest payable and interest receivable.

## 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**.

Directorate Summary of Savings Targets	Target £'000	Projection £'000	Shortfall £'000
Adult and Community Services	3,392	3,392	-
Children's Services	3,410	3,410	-
Housing and Environment	2,331	1,818	<b>513</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>18,375</b>	<b>649</b>

## 2.13 Housing Revenue Account (HRA)

The Housing Revenue Account is currently expected to break even in 2012/13. There are some budget pressures in relation to additional work required to re-provide the R&M service as an in-house operation which is currently predicted to be in the region of £450k.

There are further pressures in Supervision & management relating to energy costs £200k and a one- off contribution to Housing Strategy team for the work involved in the implementation of the new self-financing implementation of £200k. In addition to the above, there is also a £138k pressure as a result of the budgeted rental increase for garages not being approved.

The above pressures are being mitigated in-year by a higher than budgeted net rental surplus of £248k, mainly arising from the renting of decanted/ general needs properties for temporary accommodation that would have otherwise remained void. In addition, interest of £324k on borrowing of £8.5m for the Decent Homes capital programme will not now be paid as a result of slippage in the programme. The HRA is also benefitting from an estimated additional £350k of interest on cash balances as a result of larger cash balances arising from the deferral of elements of the capital schemes (see 2.14 below) and unplanned longer-term investment activity post settlement.

In order for the HRA to break-even the Revenue Contribution to Capital has been reduced by £181k which will be accommodated by a reduction in the investment contingency allocation within the Business Plan.

There is a risk that the pressure on the revenue budgets as a result of the implementation of the new repairs service will increase as the work streams progress but this is being closely monitored.

In 2011/12 there was a budgeted £1.4m contribution to HRA revenue reserves which led to a brought forward revenue reserves balance of £8.3m but there is no further budget contribution in 2012/13 to increase this reserve balance.

## 2.14 Capital Programme

The Capital Programme budget has been updated to reflect re-profiling of slippage into 2013/14 and hence is lower than reported last month for 2012/13.

<b>Directorate Summary of Capital Expenditure</b>	<b>Budget £'000</b>	<b>Projected Outturn £'000</b>	<b>Projected Variance £'000</b>
Adult & Community Services	6,106	5,977	(129)
Children's Services	62,575	61,969	(606)
Housing & Environment	53,918	51,911	(2,007)
Finance & Resources	27,917	26,726	(1,191)
<b>Total</b>	<b>150,516</b>	<b>146,583</b>	<b>(3,933)</b>

A detailed Capital Programme is provided at **Appendix D**.

Variances by area are largely due to slippage and are summarised below:

### **Adult & Community Services**

- Community Services, Heritage & Libraries – (£196k) under spend
- Leisure Services – £67k over spend

### **Children's Services**

- Schools – (£437k) under spend
- Other schemes – (£169k) under spend

### **Housing & Environment**

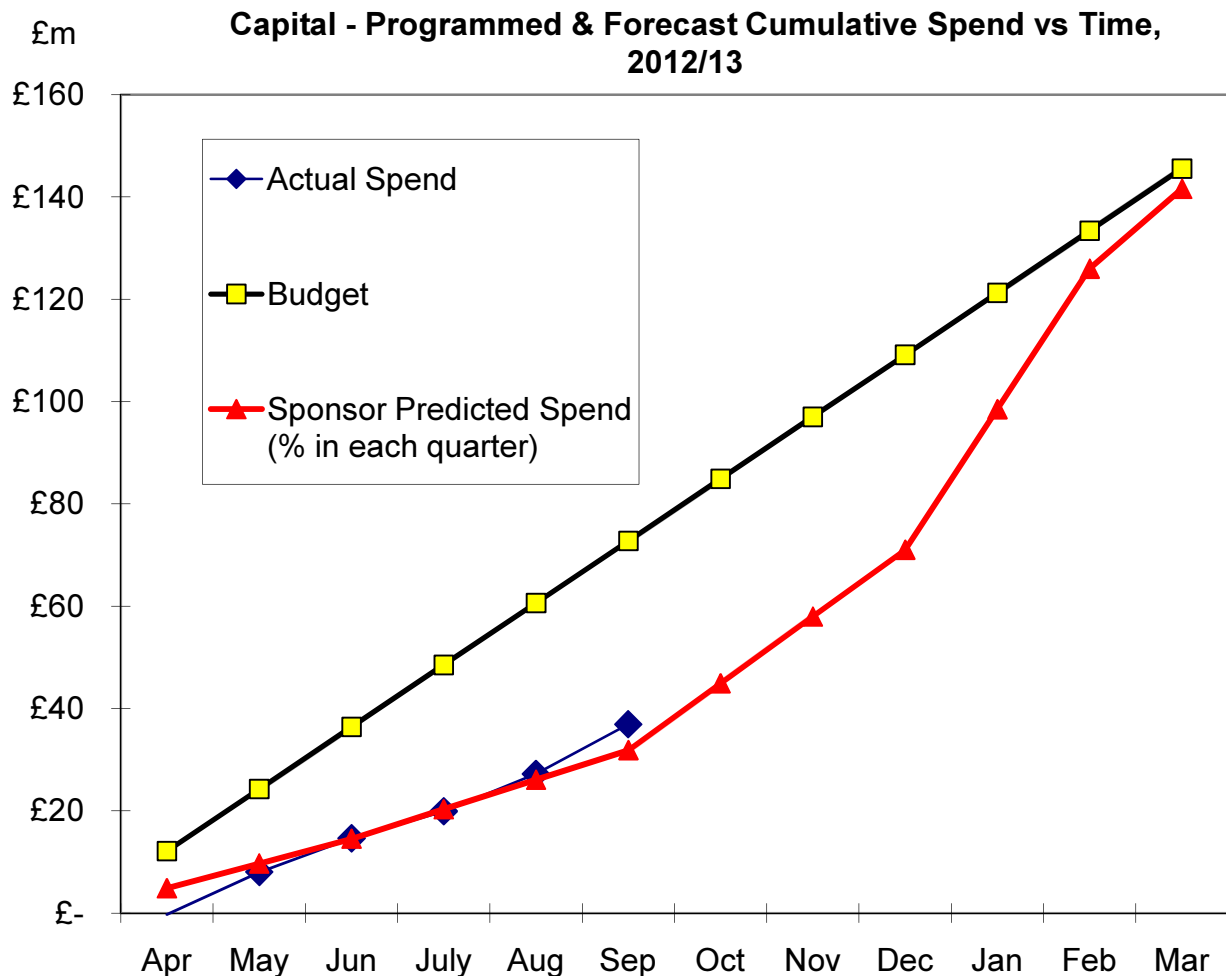
- Housing Revenue Account – (£1,919k) under spend after re-profiling £32m into 2013/14.
- Other schemes – (£88k) under spend

## Finance & Resources

- Asset Strategy – break even
- ICT – (£1,147k) under spend
- Regeneration – (£44k) under spend

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

Year to date capital expenditure totals £36.9m representing only 25% of the annual budget after re-profiling at the half way point of the year. The following graph compares projected spend against programmed spend for the year:



This illustrates that actual spend to date is well below budgeted levels and project sponsors are forecasting that 50% of expenditure will occur in the final quarter of the financial year (January – March 2013). Given the current low level of expenditure and high degree projected towards the end of the year it is likely that the level of slippage will be higher than currently reported.

### 2.15 Financial Control

At the end of September 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**

Local authorities are required by law to set a balanced budget for each financial year. During the year there is an ongoing responsibility to monitor spending and ensure the finances continue to be sound. This does mean as a legal requirement there must be frequent reviews of spending and obligation trends so that timely intervention can be made ensuring the annual budgeting targets are met.

### **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 List of Appendices**

**Appendix A** – General Fund expenditure by Directorate

**Appendix B** – Savings Targets by Directorate

**Appendix C** – Housing Revenue Account Expenditure

**Appendix D** – Capital Programme

**Appendix E** – Explanation for Capital Variances