

CABINET

22 January 2013

Title: Budget Monitoring 2012/13 - April to November 2012	
Report of the Cabinet Member for Finance	
Open Report	For Decision
Wards Affected: All	Key Decision: Yes
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Summary: <p>This report provides Cabinet with an update of the Council's revenue and capital position for the eight months to the end of November 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 November 2012, total service expenditure for the full year is projected to be £176.5m against the approved budget of £177.4m, a projected under spend of £0.9m. Explanatory summaries are contained in section 2 of this report.</p> <p>The current projected under spend of £0.9m would result in the General Fund balance increasing to £15.2m.</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 November stands at £148.5m. Capital budgets cannot contribute to the General Fund revenue position although officers ensure that all appropriate capitalisations occur.</p>	
Recommendation(s) <p>The Cabinet is recommended to:</p> <ul style="list-style-type: none">(i) Note the projected outturn position for 2012/13 of the Council's revenue budget at 30 November 2012, as detailed in paragraphs 2.3 to 2.11 and Appendix A of the report;(ii) Note the progress against the 2012/13 savings targets at 30 November 2012, as detailed in paragraph 2.12 and Appendix B of the report;	

- (iii) Note the position for the HRA at 30 November 2012, as detailed in paragraph 2.13 and Appendix C of the report; and
- (iv) Note the projected outturn position for 2012/13 of the Council's capital budget at 30 November 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 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 £0.9m for the end of the financial year, made up as follows:
 - £0.2m over spend in Finance and Resources due to pressures in the Revenues & Benefits court costs income budgets;
 - (£0.6m) under spend in the Chief Executive Directorate from vacancies;
 - (£0.8m) under spend in Central Expenses against the interest budgets.

The initial forecast of a £0.9m 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 £15.5m.

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

	Balance at 1 April 2012	Projected Balance at 31 March 2013	Target Balance at 31 March 2013
	£'000	£'000	£'000
General Fund	14,346	15,481	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.

Council Summary	Net Budget £'000	Full year projection at Oct 2012 £'000	Over/(under) Budget Projection £'000
<u>Directorate Expenditure</u>			
Adult and Community Services	62,914	62,914	-
Children's Services	70,155	70,155	-
Housing and Environment	21,866	21,866	-
Finance and Resources	21,674	21,891	217
Chief Executive	802	212	(590)
Central Expenses	(32)	(794)	(762)
Total Service Expenditure	177,379	176,244	(1,135)

The current projection would increase the General Fund to £15.5m, 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

Directorate Summary	2011/12 Outturn	2012/13 Budget	2012/13 Projection
	£'000	£'000	£'000
Net Expenditure	69,951	62,914	62,914
Projected over/(under)spend			-

The Adult and Community Services forecast out-turn position at the end of month 8 of the 2012/13 financial year is to break-even.

A challenging savings target of £3.392m (alongside a further £370k of Senior Manager & Policy Team savings) is built into the 2012/13 budget. There are pressures on some of the savings targets, but overall these will be managed to ensure that the savings target is realised.

2.6 Children's Services

Directorate Summary	2011/12 Outturn	2012/13 Budget	2012/13 Projection
	£'000	£'000	£'000
Net Expenditure	69,729	70,155	70,155
Projected over/(under)spend			-

A full budget monitoring exercise was not undertaken for November as the departmental finance team is focussing on working through the financial implications of the school funding reforms. The high risk demand led placement budgets were however monitored and no changes from the previous month are forecast.

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

Directorate Summary	2011/12 Outturn	2012/13 Budget	2012/13 Projection
	£'000	£'000	£'000
Net Expenditure	23,579	21,866	21,866
Projected over/(under)spend			-

The Housing and Environment General Fund budget is currently forecast to breakeven, which is consistent with that reported in period 8. However, there are still significant pressures within these budgets.

The main pressure is in the Housing General Fund, particularly in relation to the high numbers of homeless placements in Bed and Breakfast accommodation. These placements are a significant cost to the Council as a result of the benefit cap on this type of accommodation, therefore, leading to an increased net spend by the Council

This pressure is being mitigated with a number of in-year action plans, and there are a number of risks in the deliverability of these plans which are being closely monitored. In addition, 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 than what is currently forecasted.

A freeze on spend, where possible, has also been applied to ensure that the department overall can come in on budget by year end.

The department started the year with a savings target of £2.1m. A high proportion of the savings will be fully delivered but there is currently an overall pressure of around £350k. This is mainly due to significant pressures facing the Housing General Fund as mentioned above, which in turn affects the deliverability of the £350k saving on private sector licence properties (See appendix b).

2.9 Finance and Resources

Directorate Summary	2011/12 Outturn	2012/13 Budget	2012/13 Projection
	£'000	£'000	£'000
Net Expenditure	25,523	21,674	21,891
Projected over/(under)spend			217

The Finance & Resources department is currently forecast to overspend by approximately £217k, an improvement from last month's projection of £317k overspend. This is mainly as a result of additional income generated within the Assets & Facilities management areas. There is a continued pressure arising from the under-recovery of court cost income in Revenues & Benefits of approximately £700k and this is being mitigated by a freeze on expenditure within the department 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.

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 risk remains relating to the Revenues & Benefits local authority error rate. As at the end of November the local authority error rate has been reported as 0.46% and so is still below the lower threshold limit of 0.48%. If the error rate breaches this lower limit but remains below 0.54% there will be a scaled loss of subsidy but if the higher threshold is breached there will be a significant loss of subsidy to the Council. Additional resources have now been applied by Elevate to assist in mitigating the error rate. The position is being closely monitored by the Elevate client team who receive weekly updates and by the Chief Finance Officer at a Revenues & Benefit monthly performance monitoring meeting.

2.10 Chief Executive

Directorate Summary	2011/12 Outturn	2012/13 Budget	2012/13 Projection
	£'000	£'000	£'000
Net Expenditure	122	802	212
Projected over/(under)spend			(590)

The services within the Chief Executive department are currently forecast to underspend by £590k which is an improvement of £142k from the £448k underspend reported at the end of period 7.

This improvement is mainly as a result of in year staffing vacancies across the department and additional external income expected within the Marketing & Communications team.

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)	(32)	(794)
Projected over/(under)spend			(762)

Due to the management of our cash balances a net under spend of £762k 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	1,981	350
Finance & Resources	2,591	2,591	-
Chief Executive	2,300	2,164	136
Central Expenses	5,000	5,000	-
Total	19,024	18,375	486

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 Repairs & Maintenance 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 delays in implementation of the Garage strategy.

The above pressures are being mitigated in-year by a higher than budgeted net rental surplus of £672k, 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 £470k of interest on cash balances arising from the deferral of elements of the capital schemes, hence enabling unplanned longer-term investment activity. There is a risk that the pressure on the revenue budgets as a result of the implementation of the new repairs service will continue to 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. There is no further budget contribution in 2012/13 to increase this reserve balance; however, there is an increased contribution to capital resources of approximately £72k from £36.688m to £36.760, leaving an overall breakeven forecast in the HRA.

2.14 Capital Programme

The Capital Programme forecast is lower than reported last month due to slippage in the Schools Places programme for 2012/13.

Directorate Summary of Capital Expenditure	Budget £'000	Projected Outturn £'000	Projected Variance £'000
Adult & Community Services	6,110	6,000	(110)
Children's Services	64,117	37,238	(26,879)
Housing & Environment (non HRA)	7,637	7,673	36
HRA	51,670	35,232	(16,438)
Finance & Resources	19,040	17,631	(1,409)
Total	148,574	103,774	(44,800)

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 – (£92k) under spend
- Leisure Services – (£18k) under spend

Children's Services

Schools – (£26.9m) under spend – slippage on Schools Places programme into 2013/14. The sum included in the Capital Programme on schools included significant uncommitted amounts in the second half of the financial year. This was because of the need for substantial preparatory work to be undertaken prior to derivation of a robust way forward. A comprehensive report on this was provided to the meeting of the Cabinet on 13 November 2012 (Minute 51), and this identified projects to be undertaken in relation to grant funding to be received from the government of £75.6m.

The report also identified the anticipated incidence of spend for those projects, involving 20 sites. Having clarified this detail, the amount anticipated to be spent in 2012/13 has therefore been reprofiled and reflected in anticipated spend as

promptly as possible. The impact of this is that the forecast spend in 2012/13 has been reduced by £26.8m, fully reflecting the agreed Cabinet position at that meeting.

Housing & Environment

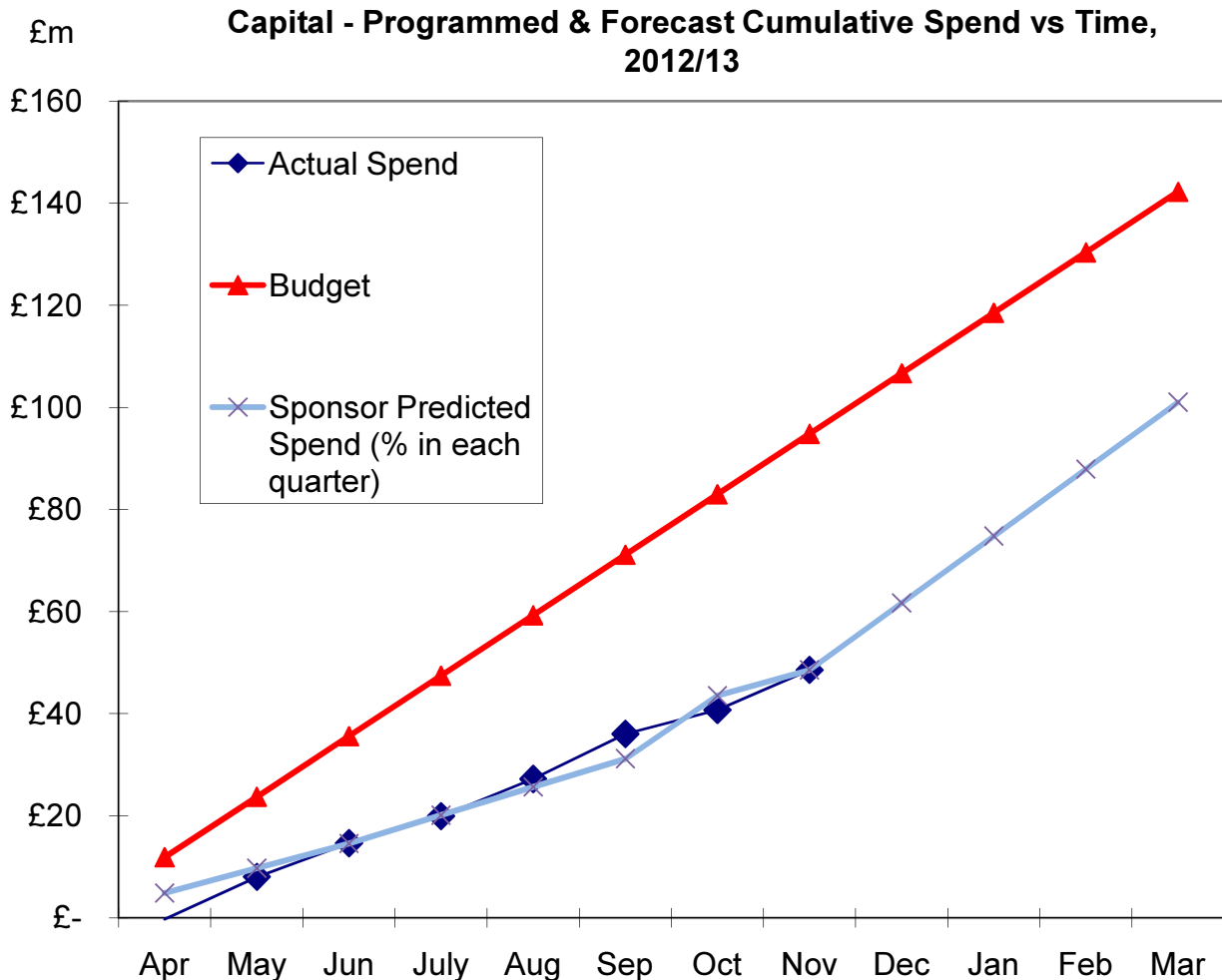
- Housing Revenue Account – (£16m) under spend to be re-profiled into 2013/14.

Finance & Resources

- Asset Strategy – (£20k) under spend
- ICT – (£1,147k) slippage on Oracle R12 project
- Regeneration – (£242k) under spend

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

Year to date capital expenditure totals £48.55m representing 33% of the annual budget after two thirds of the financial 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 (after re-profiling) and project sponsors are forecasting that expenditure will double to approximately £104m in the last four months of the financial year.

2.15 Financial Control

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

3 Options Appraisal

3.1 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

4.1 The report has been circulated to appropriate Divisional Directors for review and comment.

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

5 Financial Implications

5.1 This report details the financial position of the Council.

6 Legal Issues

6.1 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.

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.

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