

CABINET

19 November 2013

Title: Budget Monitoring 2013/14 - April to September 2013 (Month 6)	
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 six months to the end of September 2013 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 £17.5m.</p> <p>The Council's approved budget of £178.3m for 2013/14 includes a planned surplus of £5.2m agreed at Assembly in February 2013 to address the funding issues of 2014/15 . At the end of September 2013 (Month 6), the in year position is a surplus of £3.2m in addition to the planned surplus of £5.2m meaning total service expenditure for the full year is projected to be £169.9m. The increase on last month's position is due to the late notification of a one off payment from the Department for Education. Explanatory summaries are contained in section 2 of this report.</p> <p>The current projected surplus of £8.4m, including the £5.2m planned surplus would result in the General Fund balance increasing to £25.8m (rounded).</p> <p>The Housing Revenue Account (HRA) is projected to break even, maintaining the HRA reserve at £8.5m. The HRA is a ring-fenced account and cannot make/receive contributions to/from the General Fund.</p> <p>The Capital Programme has been updated to reflect changes approved at Cabinet, including roll forwards and reprofiles. The capital budget at 30 September stands at £142.7m. Capital budgets cannot contribute to the General Fund revenue position although officers ensure that all appropriate capitalisations occur.</p>	
Recommendation(s)	
The Cabinet is recommended to:	
(i) Note the projected outturn position for 2013/14 of the Council's General Fund revenue budget at 30 September 2013, as detailed in paragraphs 2.3 to 2.9 and Appendix A of	

the report;

- (ii) Note the progress against the 2013/14 savings targets at 30 September 2013, as detailed in paragraph 2.10 and Appendix B of the report;
- (iii) Note the position for the HRA at 30 September 2013, as detailed in paragraph 2.11 and Appendix C of the report; and
- (iv) Note the projected outturn position for 2013/14 of the Council's capital budget at 30 September 2013, as detailed in paragraph 2.12 and Appendix D of the report.

Reason(s)

As a matter of good financial practice, the Cabinet should be regularly updated with the position on spend against 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 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 2013/14 budget setting out risks to anticipated savings and action plans to mitigate these risks.
- 1.2 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.
- 1.3 The Budget report to Assembly in February 2013 provided for a target of £15m of General Fund balance, plus a planned surplus of £5.234m to be generated in 2013/14 and carried forward into 2014/15. The Outturn for 2012/13 led to a General Fund balance of £17.456m. The current projected position keeps the Council on track to deliver a balanced budget and maintain the minimum general fund balance of £15m.

2 Current Overall Position

- 2.1 The following tables summarise the spend position and the forecast position of the General Fund and Housing Revenue Account (HRA) balances.

Council Summary	Net Budget	Full year forecast at end September 2013	Over/(under) spend Forecast
	£000	£000	£000
Directorate Expenditure			
Adult and Community Services	57,349	57,349	-
Children's Services	69,735	69,735	-
Housing and Environment	23,684	23,684	-
Chief Executive	21,780	21,421	(359)
Central Expenses	551	(2,249)	(2,800)
	173,099	169,940	(3,159)
Budget Surplus (Agreed MTFS)	5,234	-	(5,234)
Total Service Expenditure	178,333	169,940	(8,393)

	Balance at 1 April 2013	Forecast Balance at 31 March 2014	Budgeted Combined Balance at 31 March 2014*
	£000	£000	£000
General Fund	17,456	25,849	20,234
Housing Revenue Account (including Rent Reserve)	8,461	8,461	8,461

*Budget Combined Balance for General Fund comprises a target balance of £15m plus budgeted surplus of £5.2m

2.2 The current Directorate revenue projections indicate a surplus of £8.4m for the end of the financial year, made up as follows:

- £0.359m underspend in the Chief Executive department as a result of shared arrangements with Thurrock Council and vacancies within Legal and Democratic services;
- £2.8m surplus in Central Expenses arising from interest budgets and a one off grant windfall from the Department of Education (DfE); and
- £5.234m surplus as planned and agreed in the MTFS 2013/14.

The initial forecast of a £8.4m underspend would result in the Council's General Fund balance remaining above the budgeted target of £15.0m. The Chief Finance Officer has a responsibility under statute to ensure that the Council maintains appropriate balances.

The Chief Finance Officer, after consideration of the factors outlined in the CIPFA guidance on Local Authority Reserves and Balances 2003 and the other financial provisions and contingency budgets held by the Council, set a target GF reserves level of £15.0m. The General Fund balance at 31 March 2013 was £17.5m and the current forecast combined balance for the end of the financial year is £25.8m. If maintained, this position will provide added flexibility for the Council in addressing

the forthcoming significant further reductions in funding from the government. This compares with a budgeted combined General Fund balance of £15m plus a planned surplus of £5.2m within the two year 2013-15 strategy.

At the end of September 2013, the HRA is forecasting to break even, and maintain the HRA reserve at £8.5m.

2.3 Directorate Performance Summaries

The key areas of risk which might lead to a potential overspend are outlined in the paragraphs below.

2.4 Adult and Community Services

Directorate Summary	2012/13 Outturn	2013/14 Budget	2013/14 Forecast
	£000	£000	£000
Net Expenditure	60,701	57,349	57,349
Projected over/(under)spend			-

The Adult and Community Services directorate is forecasting a balanced budget position for 2013/14. This reported position is masking a number of pressures within the service, particularly for Mental Health (£388k) and externally purchased care for all other client groups (£407k). These pressures are being managed by management actions within the service and draw down from funding set aside for 2013/14 to offset anticipated service pressures. The net budget includes the full allocation of £3.3m social care funding transfer from NHS England; this is allocated by local Section 256 agreement taken to the Health and Wellbeing Board.

Proposals for use of reablement monies totalling £650k were agreed by the Health and Wellbeing Board on the 17th September to improve reablement services and outcomes for residents. The outcome of a submission to NHS England for Winter Pressures funding is awaited, including £410k for Barking and Dagenham social care; amongst other issues this funding covers pressures for 7 day social care working.

A challenging savings target of £4.3m is built into the 2013/14 budget. There are pressures against some of the savings, these are being reviewed and addressed in order to ensure their delivery.

2.5 Children's Services

Directorate Summary	2012/13 Outturn	2013/14 Budget	2013/14 Forecast
	£000	£000	£000
Net Expenditure	69,448	69,735	69,735
Projected over/(under)spend			-

The Children's Service delivered a balanced budget for 2012/13 but it was reported that this financial position was masking significant demand pressures within the Complex Needs and Social Care division. As at the end of 2012/13 referral activity had increased consistently since the end of 2012 and shows no sign of reducing

which suggests more of a trend rather than a 'spike' in demand. In 2012/13 the number of core assessments was double the level of 2011/12 and section 47 child protection investigations increased by 37% over 2012/13. The OFSTED Safeguarding and Looked After Children inspection of June 2012 reported that caseloads were high but manageable. However increases in demand at the end of 2012 persisting into 2013 has required additional resourcing to ensure risks are more manageable.

The increases in demand and mitigating actions bring with it an increased pressure on the revenue account. Although the service is forecasting a balanced budget position for 2013/14 this is masking £4m of management actions, a number of which are non-recurrent and will not continue into 2014/15. The change from LACSEG to Education Support Grant and the changes to the funding of statutory services to two year olds from General Fund to the Dedicated Schools Grant have released £2.7m of ongoing funding to invest in social care demand pressures.

Grant flexibility of £0.6m is available in 2013/14 to manage pressures but, at present, there is no indication this will continue into 2014/15. The Targeted Support Division is forecasting an under spend in 2013/14 of £0.8m but this is largely as a result of the early achievement of approved savings for 2014/15 which means this forecast under spend is unlikely to continue into the next financial year. Finally a drawdown of £1.0m is required from the Children Services Reserve to achieve a balanced budget position for 2013/14.

2.6 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 2013/14 DSG allocation is £218m which is inclusive of pupil premium and sixth form funding.

2.7 Housing and Environment

Directorate Summary	2012/13 Outturn	2013/14 Budget	2013/14 Forecast
	£000	£000	£000
Net Expenditure	24,040	23,684	23,684
Projected over/(under)spend			-

The projection to year end is currently forecast to break even. Potential pressures have been identified within these budgets during the year, however, it is expected that they will be managed within the service.

The main area of pressure relates to Parking where early indications show fewer than normal issue of PCNs, as well as pressure within car park income due to car park closures and staff permit take up. The service is undergoing significant system upgrades and structural changes designed to make the service more efficient and the benefits have started to reduce pressure in recent months. Cabinet approved additional capital funding for the Parking Service in October, which will be invested in schemes to deliver improved efficiency and effectiveness. This will further contribute to mitigating the risk.

Within the Housing General Fund, the current number of Bed and Breakfast placements is holding steady as at the end of September, however, there is potential budget risk if this trend continues, as the budget anticipates that numbers should reduce as the year progresses. These placements are a significant cost to the Council due to the cap on benefits on this type of accommodation. Whilst the current pressure is being mitigated within the service and alternative accommodation is utilised where possible, the introduction of welfare reform provides increased risk to this position. The level of placements and impact of welfare reform is being closely monitored and reflected in financial forecasts.

The department started the year with a savings target of £1.67m. A high proportion of the savings will be fully delivered but there is currently an overall pressure of £44k. This is mainly due to the pressures facing the Environmental Services budget but is being managed within the service.

2.8 Chief Executive Department

Directorate Summary	2012/13 Outturn	2013/14 Budget	2013/14 Forecast
	£000	£000	£000
Net Expenditure	19,059	21,780	21,421
Projected (under)spend			(359)

At the end of September, the Chief Executive (CEX) department is forecast to underspend against its revised budget by £359k at year end. Although the department has experienced some budget pressures, the forecast underspend position has arisen mainly as a result of in year vacancies across the divisions, tighter controls of expenditure, savings from treasury management contracts and additional training income.

There are savings of £2.7m built into the 2013/14 budget which are largely being delivered. There is a pressure of £150k relating to transfer of Facilities Management to the Housing and Environment directorate. This pressure is currently being managed within existing budgets.

This projection also assumes adjustments will be made for the corporate procurement Gainshare savings

2.9 Central Expenses

Directorate Summary	2012/13 Outturn	2013/14 Budget	2013/14 Forecast
	£000	£000	£000
Net Expenditure	1,021	551	(2,249)
Projected (under)spend			(2,800)
Budget Surplus (Assembly agreed MTFs)		5,234	-
Projected Surplus			(5,234)

There is a £1.4m surplus expected due to the management of our cash balances enabling a lower than budgeted cost to be charged to the General Fund in 2013/14.

The Council has also received a windfall from the Department for Education (DfE) of £1.4m. This £1.4m relates to the Academy Top Slice applied to the Council's Revenue Support Grant in 2012/13. Due to changes in how Academies are funded, previously top sliced sums are being returned to Local Authorities nationally. This one off payment increases the overall surplus on Central Expenses £2.8m.

As planned within the MTFs a budget surplus of £5.2m has been built into the base budget and the current position is projected to meet this target.

2.10 In Year Savings Targets – General Fund

The delivery of the 2013/14 budget is dependent on meeting a savings target of £16.6m. 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	Forecast £000	Shortfall £000
Adult and Community Services	4,324	4,262	62
Children's Services	2,708	2,708	-
Housing and Environment	1,665	1,621	44
Chief Executive	2,733	2,583	150
Central Expenses	5,199	5,199	-
Total	16,629	16,373	256

2.11 Housing Revenue Account (HRA)

The HRA is currently forecast to breakeven in 2013/14.

Income

Income is expected to be on budget.

Expenditure

Expenditure is forecast to be on budget, however, there is potential risks within locality spend and savings delivery. Current projections assume that expenditure pressures will be managed through underspends on other budgets.

The in-house repairs and maintenance service is forecasting to deliver within budget. System issues are close to being fully resolved allowing full reporting. Projections indicate that there may be pressures relating to the set up of the service in the region of £390k due to one-off procurement costs and severance payments following reintegration of the service. These will be managed within the DLO set up budget.

As part of the 2013/14 budget agreed by February Cabinet, the service committed to delivering savings of £1.4m from its Supervision & Management budget. These savings have now been agreed and current forecasts assume full delivery in year. As with the General Fund, the introduction of welfare reform is expected to increase pressure on the HRA with the combination of the bedroom tax, benefit cap and Universal Credit impacting on income levels. Some provision has been made within

the budget through increased bad debt provision plus the availability of discretionary housing payments. The position is being monitored closely.

HRA Balance

Overall, the HRA is forecasting to breakeven.

The HRA maintains revenue reserves balance of £8.5m. Currently it is anticipated that this will be maintained at £8.5m by the end of 2013/14.

There is a budgeted contribution to capital resources of £35.5m; however, this may be reviewed to accommodate expenditure pressures

2.12 Capital Programme

The Capital Programme (2013/14) forecast spend is as follows:

	Budget £'000	Actual Year to Date £'000	Projected Outturn £'000	Variance against Budget £'000
Adult & Community Services (ACS)	9,948	1,548	9,974	26
Children's Services (CHS)	28,721	14,146	27,838	(883)
Housing & Environment (H&E)	4,489	2,077	4,503	14
Chief Executive (CEO)	11,708	2,119	11,052	(656)
General Fund subtotal	54,866	19,890	53,367	1,499
HRA	87,854	21,420	87,217	(637)
Total	142,720	41,310	140,584	(2,136)

The detail for schemes is in Appendix D. Please note totals here may differ slightly to those in Appendix D due to roundings.

The total approved capital programme currently stands at £142.7m. Against this budget, Directorates are currently projecting to spend £140.7m, representing an overall underspend of £2.1m. The year-to-date capital expenditure total is £41.3m; meaning that £99.2m is still expected to be spent in the remaining six months of the year. The Finance Service will continue to monitor this position closely in conjunction with service Project Managers and Sponsors, in order to identify any potential year-end underspends or slippage as early as possible.

Progress to Date on Approved Schemes

Adult & Community Services (ACS)

There are no forecast variances of note to be reported this month.

Children's Services (CHS)

These schemes are showing an overall net underspend of £0.9m against the current approved budget of £28.7m. This represents a movement compared to the underspend of £2.5m reported to Cabinet last month due to new schemes being designed and progressed. A budget re-profiling exercise is still scheduled to be undertaken and put to Cabinet, so that available funding, particularly Basic Need grant, can be allocated to schemes in order to remove the individual overspends shown.

The Council has £55.0m in respect of Basic Needs Funding for schools where the projects are currently in the process of being developed or projected sums in each phase are being finalised. An update of this position will be made to the next Budget Monitoring report (Month 7) to Cabinet, in December.

Housing & Environment (H&E)

The HRA has a revised funded programme totalling £88.4m (£87.9m plus £0.5m for Disabled Adaptations within the ACS total). The Disabled Adaptations scheme is funded by the HRA but included within the ACS position for reporting.

The programme is forecasting a net under spend by £0.6m. The main variances are set out below:

Estate Renewal: An expected acceleration of spend on the Borough wide demolitions scheme, where additional remedial works and garage sites have been added. This is offset by some smaller slippages within Althorn Way and Leys decanting, to give a net variance of £0.3m

New Build Programme: The variance of £0.2m represents underspend on the 2009-2012 Council New Build programme, which has now completed.

Street Purchase and Environmental Improvement: The main reason for the variance is the intention to hold back spends of £0.6m on the Street Purchase budget as alternative uses are now being considered. Also, slippage of £0.2m is forecast in respect of older persons housing due to delays in recruitment.

Investment in own stock: There is expected slippage on Asbestos Removal works of £0.4m due to ongoing review of the Asbestos Strategy and slippage of £0.3m in respect of phase 3 of the Door Entry Programme with works expected to complete in May 2014. This is offset by £0.5m accelerated void works that need to be brought forward to accommodate a larger than expected programme to meet decent homes, and £0.5m to complete stock condition survey work to inform the 2014/15 decent homes programme.

Budget re-profile requests will be submitted in November where appropriate to align budgets with delivery.

The Environment capital programme budget currently stands at £4.5m. This is an increase of £0.7m compared to last month's budget, following Cabinet approval of the Parking Modernisation Programme.

The Environment service is currently reporting an overspend of £14k. This relates to Abbey Green Churchyard wall, where the cost of restoration may exceed initial estimates.

Chief Executive (CEO)

The Directorate is currently reflecting an overall variance position of £0.7m below approved budget primarily due to slippage in Regeneration, ICT, and Asset Strategy schemes.

The variance is mainly due to slippage of £0.2m in the London Road North Street Site Acquisitions scheme which relates to public realm works which can only commence following the completion of the new ADSA store. £0.1m of the Legi grant is currently unallocated, pending options appraisal for appropriate projects for delivery in 2014/15.

The ICT Modernisation & Improvement Capital fund is expected to request slippage of £0.2m due to re-programming of the MyAccount Phase 3 project, with two tranches to be delivered in 2014/15. The Corporate Accommodation Strategy project variance of £0.1m is due to the programming of works to return leased buildings to appropriate conditions required in 2014/15 and 2015/16. Re-profile requests will be submitted in November for the Directorate's schemes.

2.13 Financial Control

At the end of September all key reconciliations have been prepared and reviewed, and there are 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 relevant elements of 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 2012/13; Cabinet 25 June 2013;
- Budget Framework 2013/14; Assembly 25 February 2013.

Appendices

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