

CABINET

18 February 2014

Title: Budget Monitoring 2013/14 - April to December 2013 (Month 9)	
Report of the Cabinet Member for Finance	
Open Report	For Decision
Wards Affected: All	Key Decision: No
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Summary <p>This report provides Cabinet with an update of the Council's revenue and capital position for the nine months to the end of December 2013, projected to the year end.</p> <p>The Council began the current 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 budgeted surplus of £5.2m, agreed by Assembly in February 2013. The budgeted surplus is earmarked to address the funding issues of 2014/15.</p> <p>At the end of December 2013 (Month 9), the projected in-year surplus is £3.2m, an increase of £0.1m from November.</p> <p>The total service expenditure for the full year is projected to be £169.9m against the budget of £178.3m. The in-year surplus of £3.2m combined with the budgeted surplus of £5.2m results in a projected surplus of £8.4m. The projected year end surplus will increase General Fund balances to £25.9m at the year end.</p> <p>The Housing Revenue Account (HRA) is projected to make an in-year surplus of £0.2m, increasing the HRA reserve to £8.7m. The HRA is a ring-fenced account and cannot make or 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 31 December stands at £138.2m. 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 31 December 2013, as detailed in paragraphs 2.4 to 2.9 and Appendix A of the report;
- (ii) Note the progress against the 2013/14 savings targets at 31 December 2013, as detailed in paragraph 2.10 and Appendix B of the report;
- (iii) Note the position for the HRA at 31 December 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 31 December 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 £15.0m of General Fund balance, plus a planned surplus of £5.2m to be carried forward into 2014/15. The Outturn for 2012/13 led to a General Fund balance of £17.5m. The current projected position keeps the Council on track to deliver a balanced budget and maintain the minimum general fund balance of £15.0m.

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 November 2013	Over/(under) spend Forecast
	£000	£000	£000
Directorate Expenditure			
Adult and Community Services	57,235	57,235	-
Children's Services	66,387	66,387	-
Housing and Environment	25,418	25,418	-
Chief Executive	22,473	22,114	(359)
Central Expenses	1,586	(1,214)	(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	8,658	8,461

**Budget Combined Balance for General Fund comprises a target balance of £15.0m 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:

- £0.4m 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
- £5.2m surplus as planned and agreed in the Medium Term Financial Strategy 2013/14.

The forecast of an £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 £25.9m. If maintained, this position will provide added flexibility for the Council to address the forthcoming significant further reductions in funding from the government. This compares with a budgeted combined General Fund balance of £15.0m plus a planned surplus of £5.2m within the two year 2013-15 strategy.

At the end of December 2013, the HRA is forecasting an in-year surplus of £0.2m, increasing the HRA reserve to £8.7m.

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 £000	2013/14 Budget £000	2013/14 Forecast £000
Net Expenditure	60,701	57,235	57,235
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 (£0.4m) and non-residential care budgets for older people and learning disabilities clients. These pressures are being managed by management actions within the service and draw down from funding set aside 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 (H&WBB). Final submission has been made to NHS London office and payment is expected by February 2014.

Proposals for use of Reablement monies totalling £0.7m were agreed by the Health and Wellbeing Board on the 17 September 2013 to improve Reablement services and outcomes for residents. The directorate has also been successful in negotiating Winter Pressures funding; £0.5m has been agreed for Barking and Dagenham, which amongst other pressures provides funding for 7-day social care working.

A challenging savings target of £4.3m is built into the 2013/14 budget. These have largely all been delivered and any shortfalls are being covered with relevant division.

The Adult and Community Services budget includes Public Health expenditure and income of £12.9m. The income is ring-fenced and contributes towards the Council's preventative agenda by promoting healthy outcomes for children and adults.

The future funding regime is going to become increasingly difficult with a number of existing funding streams being rolled up into a single grant that the local authority will have to agree with NHS England following local agreement at Health and Wellbeing Board. This comes at the same time as the planned implementation of the Care and Support Bill with significant costs for local authorities.

From April 2015 existing funding streams will be pooled in to the Better Care Fund (BCF), which will include the NHS social care funding transfer, CCG funding for Reablement, capital grants for Disabled Facilities and social care, as well as other CCG funding streams. Detailed work is currently underway to present two-year plans for the BCF to H&WBB, in order to meet Department of Health draft submission deadline of 14 February 2014.

2.5 Children's Services

Directorate Summary	2012/13 Outturn £000	2013/14 Budget £000	2013/14 Forecast £000
Net Expenditure	69,448	66,387	66,387
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.

During 2013/14, referral activity has increased consistently, suggesting more of a trend, rather than a 'spike' in demand. This has required additional resourcing to ensure that risks are manageable. The number of assessments carried out has increased by 21% in the year to date, compared to the same period in 2012/13..

For 2014/15, current levels of social care need would lead to a budget pressure of £6.0m as numbers of children in the borough increase. Despite the increase in numbers of Looked After Children subject to plans we remain below our statistical neighbour rates per 10,000 for Looked After Children. our caseloads, whilst moving to acceptable levels remain well above the Munro recommendation and lead to recruitment challenges.

The position is being managed in 2013/14 through flexible use of government grants. For example, the change from Local Authority Central Spend Equivalent Grant 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 also available in 2013/14 to manage pressures.

Finally a drawdown of £2.7m is required from the Children Services Reserve to achieve a balanced budget position for 2013/14. This leaves the CS reserve fully earmarked. Savings in the Education staff budget have been identified to eliminate the £50k overspend reported in November's monitoring report.

2.6 Dedicated School Grant (DSG)

The DSG is a ring fenced grant to support the education of school-age pupils within the borough. The grant is allocated between the Schools and Centrally Retained budget in agreement with the Schools Forum. The 2013/14 DSG allocation is £218.0m which is inclusive of pupil premium and sixth form funding.

2.7 Housing and Environment

Directorate Summary	2012/13 Outturn £000	2013/14 Budget £000	2013/14 Forecast £000
Net Expenditure	24,040	25,418	25,418
Projected over/(under)spend			-

The projection to year end is 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 Environment Service is forecast to breakeven at year end; however, there are pressures of £0.5m to be managed. The service has absorbed pressure in the region of £0.3m due to external factors within Parking including the closure of the Axe Street car park, removal of CPZs on 6 roads and additional cost of cash collection. Other pressure is primarily within Direct Services, including Refuse Collection, Cleansing, Grounds Maintenance and Localities. The pressure is a result of shortfalls in achieving income targets, additional staff costs and increased vehicle costs. Some of these pressures are being mitigated through vacant posts and prudent use of other budgets across the division. An action plan has been developed to ensure a breakeven position is delivered at year end

Delivery of the action plan is essential to achieving a breakeven position at year end and includes introducing spend restraints across the service, reducing overtime, and ensuring recharges and income collection are up to date.

Housing General Fund is forecast to breakeven at the year end. The main risk to this position is the level of temporary accommodation placements, and in particular, the number within Bed and Breakfast.

The number of Bed and Breakfast placements reduced to 92 in December, from a high of 129 in November. This is a positive step as an increasing trend would significantly impact the services ability to continue managing this risk. These placements are a significant cost to the council due to the cap on benefits on this type of accommodation. The service has mitigated pressure through the use of alternative accommodation where possible, however, this action is limited and the impact of welfare reform provides further risk to this position.

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's Department

Directorate Summary	2012/13 Outturn £000	2013/14 Budget £000	2013/14 Forecast £000
Net Expenditure	19,059	22,473	22,114
Projected (under)spend			(359)

At the end of December, the Chief Executive department is forecast to underspend against its revised budget by £0.359m at year end. This is mainly due to in year vacancies across the divisions, tighter controls of expenditure, savings from treasury management contracts and additional training income from schools and Elevate.

2.9 Central Expenses

Directorate Summary	2012/13 Outturn	2013/14 Budget	2013/14 Forecast
	£000	£000	£000
Net Expenditure	1,021	1,586	(1,214)
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 interest 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 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 to £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. Where there are shortfalls, these will be managed within existing budgets and do not affect the monitoring positions shown above.

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	4,285	39
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	233

2.11 Housing Revenue Account (HRA)

The HRA is currently forecast to make a surplus of £0.2m in 2013/14

Income

Income is expected to exceed budget by £1.0m. This is primarily through the recognition of an extra week's rent this year due to the rent week profile; additional leaseholder service charge income following the actualisation of charges; additional income through the collection of water charges and additional interest received on HRA balances. Leaseholder service charges are initially based on estimated cost and subsequently revised in line with actual cost. This results in an adjusted income position.

Expenditure

Expenditure is expected to exceed budget by £0.8m. This is primarily due to an increase in charges for water, which is predominantly offset by the collection of additional income stated above; increased spend of arboriculture following recent adverse weather conditions; increased spend on support provided to Council tenants in order to assist them into employment following the introduction of welfare reforms and increased pressure within the Repairs & Maintenance (R&M) service due to higher than expected bonus payments.

The position includes the first payment required to equalise TUPE transferred R&M staff within the Councils pension fund. Confirmation of the amount required has now been received through actuarial valuation and included in the HRA Business Plan. It is proposed to fund this over a 3 year period with a £2m contribution per year starting in 2013/14

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

The forecast underspend of £0.2m will increase the HRA reserve from £8.5m to £8.7m. There is a budgeted contribution to capital resources of £34.5m; however, this may be reviewed in line with forecast assumptions.

2.12 Capital Programme 2013-14

The Capital Programme (2013-14) forecast against budget as at 31 December is as follows:

	2013/14 Revised Budget £'000	Actual Spend to Date £'000	2013/14 Forecast £'000	Variance against Budget £'000
Adult & Community Services (ACS)	7,704	3,533	5,342	(2,362)
Children's Services (CHS)	34,740	21,031	28,684	(6,056)
Housing & Environment (H&E)	4,816	2,882	4,816	-
Chief Executive (CEO)	10,316	4,194	10,256	(60)
General Fund subtotal	57,576	31,640	49,098	(8,478)
Housing Revenue Account (HRA)	80,587	44,112	80,472	(115)
Total	138,163	75,752	129,570	(8,593)

The detail for schemes is in Appendix D.

Summary

The total approved capital programme currently stands at £138.2 million. Against this budget, Directorates are currently projecting to spend £129.6 million, representing an overall variance of £8.6m. Cabinet approval will be sought in June 2014 in order to roll forward the individual scheme variances into the 2014/15 budget, where those variances relate to slippage (i.e. delays in completing works).

The year-to-date capital expenditure total is £75.8 million meaning that £53.8m (or 42% of the annual forecast) is still expected to be spent in the remaining three months of the year. The high level of expenditure remaining represents a risk that parts of the programme will not be delivered as currently anticipated, and further slippage into the 2014/15 will occur. The Finance Service will continue to monitor this position closely in conjunction with service Project Managers and Sponsors, and will report updated slippage positions accordingly.

Adult & Community Services (ACS)

This directorate has a revised capital programme budget of £7.7m for 2013-14, and is forecasting a year-end underspend £2.4m. This is mostly due to slippage of £2.5m on the Barking Leisure Centre, where works have been delayed due to unforeseen archaeological work, and slippage of £0.5m on the Community Capacity Grant. As reported to Cabinet last month, the HRA funded Disabled Adaptations project is projecting to overspend by £0.3m due to high demand. The Barking Park Restoration project is also expected to overspend by £0.3m due to additional contractor fees.

Children's Services (CHS)

The Directorate has a revised budget for 2013/14 of £34.7m, which is currently projected an in year variance of £6.1m, due to slippage.

The majority of this underspend is made up of school expansion projects which are showing 2013/14 variances of approximately £4 million. The variances will be rolled forward into the 2014/15 budget, if approved by Cabinet in June 2014.

Within the overall variance there is also an in year underspend of £0.6m on the Barking Abbey Artificial Football Pitch scheme, which will now be delivered in 2014/15 and a projected underspend of £0.5m on the School Modernisation Fund, which will also be rolled forward into 2014/15.

Cabinet has recently approved an additional £27 million to be spent on expanding Robert Clack school, which apart from £0.05m, is all profiled to be spent in 2014/15 and 2015/16.

Housing & Environment (H&E)

HRA Programme

The HRA has a funded investment programme totalling £81.1 million following the last budget re-profiling exercise, £0.6m of which is managed by and shown within the ACS budget total. For the HRA managed schemes there is a forecast underspend for 2013/14 of £0.1m. Combined with the £0.3m overspend on the ACS managed scheme, there is currently a net overspend of £0.135m against HRA funding. Year to date spend is £44.1 million, therefore project managers are still expecting significant spend (£36.4m or 45% of the annual programme) to be incurred within the last three months of the year.

The underspend on the HRA managed schemes is due to underspends on Communal Lighting & Electrical Switchgear (£0.08m) and the Oldmead & Bartlett Remedial Works (£0.04m). These balances will be transferred back into the HRA available funding.

As noted within the ACS section, there is forecast overspend of £0.3m on Disabled Adaptations. As this scheme is HRA funded, this will potentially require additional HRA funds through the reallocation of budget from other existing HRA schemes, which is yet to be agreed.

Environmental Services

Environmental Services has a revised 2013/14 capital budget of £4.8 million, and the current forecast is still in line with this budget. The programme has been revised to reflect the amalgamation of budgets for Frizlands workshop major works scheme and brown wheeled bins scheme into the Environmental improvements and enhancements scheme.

The programme also includes an increase of £0.3m from Capital Reserves for highways improvement schemes. Spend to date on schemes recently added to the programme has not yet been incurred, such as the recently approved CPZ's and Parkmap scheme, however, spend is still expected to be to budget by the end of the financial year.

Chief Executive (CEO)

The Directorate has a revised capital programme of £10.3 million. Following re-profile submissions to the December Cabinet the various schemes within the Directorate are forecast to achieve a small underspend (£0.06m). Officers are working to ensure all external funding is drawn down from funding bodies and projects run according to schedule.

The ICT projects are currently shown as forecasting to spend to budget, despite a relatively low spend to date. These budgets will be reviewed and will likely be re-profiled in the next budget re-profile window.

2.13 Financial Control

At the end of December, the majority of key reconciliations have been prepared and reviewed. Where they are outstanding, an action plan has been put in place to ensure that they are completed by the end of the financial year.

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 have 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: Oracle monitoring reports

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