

REPORT TO: Cabinet

DATE: 30 September 2010

SUBJECT: Budget Monitoring 2010/11 – Position to August 2010

WARDS AFFECTED: All

REPORT OF: John Farrell
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EXEMPT/CONFIDENTIAL: No

PURPOSE/SUMMARY:

To provide Members with information regarding the budget monitoring position for 2010/11 as at the end of August 2010.

REASON WHY DECISION REQUIRED:

This report provides information on the current year's budget monitoring in order for Members to consider whether any corrective action is needed.

RECOMMENDATION(S):

Cabinet is recommended to note:

- a) The projected year-end position; and
- b) That further work is being undertaken by officers to ensure that all areas of identified overspend are monitored in order to manage the budget toward an overall year-end underspend position.

KEY DECISION: No

FORWARD PLAN: No

IMPLEMENTATION DATE: Following the expiry of the call-in period for this meeting.

ALTERNATIVE OPTIONS: None

IMPLICATIONS:

Budget/Policy Framework: The budget provides the limits of expenditure by the Council for the year and helps set the framework for future years' financial planning.

Financial: The report presents the projected outturn position for the Authority for 2010/11. The identified a projected potential underspend of £0.050m will be monitored regularly to identify whether any future corrective action is required to ensure a balanced budget at the year-end.

<u>CAPITAL EXPENDITURE</u>	2010/ 2011 £	2011/ 2012 £	2012/ 2013 £	2013/ 2014 £
Gross Increase in Capital Expenditure	N/a	N/a	N/a	N/a
Funded by:				
Sefton Capital Resources	N/a	N/a	N/a	N/a
Specific Capital Resources	N/a	N/a	N/a	N/a
<u>REVENUE IMPLICATIONS</u>				
Gross Increase in Revenue Expenditure	N/a	N/a	N/a	N/a
Funded by:				
Sefton funded Resources	N/a	N/a	N/a	N/a
Funded from External Resources	N/a	N/a	N/a	N/a
Does the External Funding have an expiry date? Y/N	When?			
How will the service be funded post expiry?				

Legal: None

Risk Assessment: The projected underspend for 2010/11 will need to be monitored over the coming months so that the Authority's expenditure remains within the overall budget.

Asset Management: None

CONSULTATION UNDERTAKEN/VIEWS

Chief Executive

CORPORATE OBJECTIVE MONITORING:

<u>Corporate Objective</u>		<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community	√		
2	Jobs and Prosperity	√		
3	Environmental Sustainability	√		
4	Health and Well-Being	√		
5	Children and Young People	√		
6	Creating Safe Communities	√		
7	Creating Inclusive Communities	√		
8	Improving the Quality of Council Services and Strengthening local Democracy	√		

LIST OF BACKGROUND PAPERS RELIED UPON IN THE PREPARATION OF THIS REPORT

Departmental Budget Monitoring Statements for August 2010.

1. Introduction

- 1.1. This report presents the 2010/2011 budgetary position for the Council, as at the end of August 2010.
- 1.2. A report elsewhere on the agenda updates Members on the Transformation process for delivering a balanced budget for the next three years.

2. Budget Monitoring 2010/11 – Projected Outturn as at August 2010

- 2.1. This month's statement identifies a projected year-end net underspend of £0.050m; the main variations are analysed below: -
 - 2.1.1. Expenditure in Children's Services is projected to underspend by £0.214m. The main areas of underspend is on Supplies and Services and Schools Premature Retirement Compensation expenditure; these total some £0.496m. However, the number of children coming into care is projected to increase and consequently a further 11 social workers have been employed to provide family support / preventative services; the aim being to reduce the number of children coming into care and thereby reducing the overall cost to the Council. The projected year-end employees budget overspend is £0.143m;
 - 2.1.2. Environmental Services are projecting a net underspend of £0.100m, principally due to staffing and supplies and services savings;
 - 2.1.3. The Finance Department budget is projecting an underspend of £1.317m. This is made up of projected savings £0.316m on employees costs, increased Housing Benefit receipts of £0.500m (due to lower error rates by arvato) and £0.500m on Capital Financing costs. This latter item is due to higher than projected receipts on investments and savings as a result of the policy to "internally borrow" for capital expenditure (i.e. the use of temporary internal cash to finance expenditure, rather than borrowing from the Public Works Loan Board);
 - 2.1.4. The Legal Department are forecasting an overspend of £0.316m, arising principally from a reduction in commercial contract fees (£0.200m) due to the lower capital programme activity and hence less opportunity to recharge expenditure to capital;
 - 2.1.5. Leisure and Tourism are projecting a net overspend of £0.152m. This includes additional costs on Electricity, Light and Water, £0.459m (this needs to be considered as part of the 2011/12 budget process). Further pressures include NNDR costs (£0.124m) and reduced rent income on the Market Hall (£0.125m) pending its refurbishment. However, as a means of trying to reduce / eliminate these additional costs, the Department are proactively managing their budget by lowering spending on employee expenditure and repairs and maintenance costs (-£0.623m);
 - 2.1.6. The Operational Services Department are forecasting a net overspend of £0.854m. The major reason for this position is the additional service costs of the Specialist Transport Unit (£1.053m). Additional STU services have been commissioned this year, which due to specific medical and support requirements, are more expensive. However, savings which will be generated during this financial year, from the implementation of a new route optimisation programme, will ensure that the STU costs remain the same as the predicted outturn. A complete review of all transport requirements will be undertaken within this financial year so that the optimum

routing structure can be used for the new combined bus and taxi contract to be implemented from the 1st September 2011.

However, as a means of helping to reduce the overall overspend, budget savings, are expected to be accrued via additional income generation from Recycling Credits (-£0.100m), Building Cleaning (£0.100m), Public Convenience and Commercial Skip Income (£-0.050m net), thereby generating an additional -£ 0.250m during 2010/11.

- 2.1.7. The Planning Department are forecasting an overspend of £0.097m. There are a number of issues which make up this figure. They include reduced income from Building Control and Car Parking fees, totalling £0.451m. These items require further consideration as part of the 2011/12 budget process. However, expenditure on Pay costs and Consultancy fees are forecast to underspend by £0.326m, helping to minimise the overall overspend;
- 2.1.8. Technical Services are projecting an overspend of £0.741m. The principal reason for this is shortfalls on income budgets of £0.594m (including the reduced ability to recharge costs to capital). These items require consideration as part of the 2011/12 budget process);
- 2.1.9. Corporate Issues – The Finance Department has been working for a number of months with PricewaterhouseCoopers (in conjunction with the Leisure and Tourism Department) to recover VAT that the Council has paid over a number of years on certain leisure and tourism activities. The HMRC lost a legal case (nationally) which allowed organisations to claim overpaid VAT - providing it could be evidenced. The exercise undertaken for Sefton has identified that the reclaimed amount (including interest) is expected to be at least £0.750m. It was hoped that this money would be set aside to assist with the Transformation Programme, however, given the financial position of the Council, it appears that these resources will be required to help balance the budget during 2010/11.

Staff car parking charges were approved as part of the budget process for 2010/11. The delayed implementation of the scheme has meant that the full savings target of £0.125m will not be achieved. A shortfall (based upon current users) of approximately £0.045m is projected.

- 2.1.10. Outside of the Council's control – The total estimated overspend on these items is estimated at £0.385m. As part of their strategy to manage the economy, the Government abolished Housing, Planning Delivery Grant; the Council's net budget for this item (£0.145m) is therefore unachievable. In addition, the change in legislation with regard to an authority's ability to charge fees on Land Charges, has resulted in a projected overspend of £0.240m.
- 2.2. Some of savings options for 2001/12, approved by Cabinet on 2 September, may be implemented during 2010/11 and therefore part-year savings may accrue. Further information will be provided in future budget monitoring updates.

2.3. The projected variations analysed by Department as at the end of August are shown below:

	August
	£m
Assistant Chief Executive	-0.170
Adult Social Care	+0.096
Children's Services	-0.214
Environmental	-0.100
Finance & IS	-1.317
Legal	+0.316
Leisure & Tourism	+0.152
Neighbourhood, Investment Programme	-0.183
Personnel	0.000
Operational Services	+0.854
Planning & Regeneration	+0.097
Safer Stronger Communities	0.000
Technical Services	+0.741
Council Wide	-0.707
Government changes – unavoidable overspend	+0.385
<u>Month end variation</u>	<u>-0.050</u>

2.4. Further work will be undertaken by Officers over the coming months to ensure that a balanced position is achieved at the year-end.

3. Cabinet is recommended to note:

- a) The projected year-end position; and
- b) That further work is being undertaken by officers to ensure that all areas of identified overspend are monitored in order to manage the budget toward an overall year-end underspend position.