

REPORT TO: Cabinet

DATE: 25 November 2009

SUBJECT: Revenue Budget Monitoring 2009/10

WARDS AFFECTED: All

REPORT OF: Paul Edwards
Finance and Information Services Director

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EXEMPT/CONFIDENTIAL: No

PURPOSE/SUMMARY:

To update Cabinet on the Authority's Revenue Budget position for 2009/10.

REASON WHY DECISION REQUIRED:

To prevent further overspending on the Council's Revenue Budget.

RECOMMENDATION(S):

Cabinet is recommended to:

1. Note the projected budget overspend on key risk areas of £3.678m (para. 2.1) as at the end of October;
2. Note the Other Budget Issues where an overspend of £1.451m is projected (para. 3.2);
3. Note the Departmental Budget Review has identified of £2.747m of one-off resources to support the budget (para. 4.1.2);
4. Note the availability of the Budget Pressures Fund, which provides £0.500m to support the budget (para. 4.2.1); and,
5. Note the potential for further one-off resources to support the budget (para. 4.2.2);

KEY DECISION: No

FORWARD PLAN: No

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

ALTERNATIVE OPTIONS: N/A

IMPLICATIONS:**Budget/Policy Framework:**

The limited level of revenue balances reduces the ability to tackle unforeseen events in the current financial year, impacts on budget plans (and Council Tax levels) for future financial years and influences the Authority's Comprehensive Area Assessment score. It is therefore important that the budgetary position of the Council is closely monitored.

Financial:

The report identifies a number of budget variations; with a significant projected year-end overspend on the revenue budget. Corrective action is required to ensure that the additional costs are contained within existing resources.

<u>CAPITAL EXPENDITURE</u>	2009/ 2010 £	2010/ 2011 £	2011/ 2012 £	2012/ 2013 £
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:

Timely and accurate budget monitoring will help reduce the possibility of unidentified financial overspends and may assist in increased contribution to general balances.

Asset Management:

None

CONSULTATION UNDERTAKEN/VIEWS

Information has been supplied by spending departments. The Chief Executive and the Finance & Information Services Director have met with Service and Strategic Directors to consider current levels of spend and action to be taken to prevent overspending of the 2009/10 Revenue Budget.

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

1. Introduction

- 1.1 Cabinet received a report (1 October) on the budgetary position of the Council, which presented the projected year-end financial position based on expenditure incurred to the end of August 2009. A projected overspend of £3.177m was reported and a number of options to help reduce the overspend were identified.
- 1.2 This report updates the 2009/10 budgetary position based on information upto the end of October 2009 and summarises the main variations that have occurred since the August statement.
- 1.3 The Chief Executive and the Finance & Information Services Director have met with the Strategic and Service Directors to consider current levels of spend, further potential areas of concern and other actions which could be taken to help balance the current year's Revenue Budget. This Departmental Spending Review is considered further in paragraph 4.

2. Current Budgetary Position – Budgets considered at risk

- 2.1 The monitoring statement to the end of October identified a projected year-end net overspend on the key risk areas of £3.678m, compared to an overspend of £3.177m declared at the end of August; an increase of £0.501m. The position summarised by spending department is shown below; the analysis at Annex A provides further detail.

	August	October	Variance
	£000	£000	£000
Chief Executives	0	+16	+16
Council Wide	0	-25	-25
Children's Services	+2,193	+2,070	-123
Environmental	0	0	0
Specialist Transport Unit	0	+1,000	+1,000
Net Capital Financing Costs	-150	-300	-150
Finance & IS	-75	-225	-150
Health & Social Care	+281	+56	-225
Legal	+150	+186	+36
Leisure	+17	+187	+170
Personnel	0	-7	-7
Planning & Regeneration	+201	+187	-14
Technical Services – General	+480	+458	-22
Tourism	+80	+75	-5
<u>Month-end variation</u>	<u>+3,177</u>	<u>+3,678</u>	<u>+501</u>

2.2 The principal reasons for the variances in the risk items between August and October are noted as follows: -

2.2.1 Children's Services (-£0.123m)

Whilst the overall position has hardly altered, there have been various changes in individual budgets. Additional costs on safeguarding children issues, following the "Baby P" case, are continuing to be experienced. Additional agency and staff costs (including overtime) are estimated to increase the projected year-end overspend of £0.128m. In addition, further cases of Looked After Children are providing an additional financial burden; the estimated additional cost is £0.134m. However, a saving in the costs of the premature retirement of teachers budget has been identified (-£0.280m).

2.2.2 Specialist Transport Unit (+£1.000m)

Following the initial review of routes (following the September school changes), a review of the financial position has been undertaken; this indicates a potential overspend in the order of £1m. This is due to the continuation of pressures experienced in the last financial year on demand for the service and the resultant impact on staffing costs. The new Head of Specialist Transport is in the process of reviewing the service; a number of efficiencies are currently being investigated in an effort to reduce the overspend. New contracts for Taxis have now been let which will generate some savings, however bigger savings will be made through reducing reliance on taxis and moving more clients onto buses, as the preferred mode of transport;

2.2.3 Net Capital Financing costs (-£0.150m)

Additional income from investments is continuing to exceed the budget target; the projected year-end forecast underspend has increased by £0.150m to £0.300m. However, the economic position remains volatile and consequently, this item will continue to require close monitoring over the coming months;

2.2.4 Finance (-£0.150m)

Projected savings have been identified in two areas. A further increase in the underspend on employees costs of £0.050m is estimated due to the continuing impact of the spending freeze. In addition, an underspend of £0.100m on Housing Benefits costs is projected. The variable nature of benefit payments due to caseload makes forecasting difficult and therefore this figure will need to be kept under review;

2.2.5 Health and Social Care (-£0.225m)

There is continuing pressure on the Community Care placements / packages budget and a reduction in the level of anticipated savings on the Employees Budget; forecast expenditure has increased by £0.129m. However, there have been a number of projects where savings have been identified; these total some £0.354m. Therefore the overall change is a reduction of £0.225m, resulting in a projected year-end overspend of £0.056m; and

2.2.6 Leisure (+£0.170m)

A review of energy costs has been undertaken across the Authority and then compared to available budgets. In the main, budgets are sufficient to cover the expected level of expenditure; however, the usage levels at Splashworld indicate a shortfall of £0.170m. This issue will also need to be addressed in the Medium Term Financial Plan for 2010/11.

2.3 In the 1 October budget monitoring report to Cabinet, it was reported that the agreed 2009/10 JNC pay award could potentially result in a saving of approximately £0.370m, as budget provision exceeded the agreed amount. In preparing the October monitoring figures, departments have now either included the saving in the outturn projections, or have earmarked the excess budget to meet/reduce potential areas of overspend.

3 Other budget issues to be considered

3.1 The figures in paragraph 2 highlight the position for specific risk items that are monitored on a monthly basis. There are however other issues which are identified as “at risk” in the monthly statements but there is still uncertainty as to the final year-end position. These issues are considered below: -

3.1.1 Corporate Budget savings

Pending decisions on the means of allocating “Corporate Savings” of £0.518m in the 2009/10 budget, Cabinet agreed to the provisional reduction in departmental resources to ensure that they are allowed for in budget monitoring. Whilst some departments have been able to achieve these additional savings, others have been unable to do so. Consequently, a further £0.351m of potential overspend needs to be added to the above overspend projection. The allocation of these savings to appropriate budgets for future years is essential to ensure that these targets are achieved.

3.1.2 Area Based Grant

The report to Cabinet on 1 October 2009, referred to the decision to defer half of the budgeted savings for Area Based Grant, built into the 2009/10 Revenue Budget into the 2010/11 financial year. Whilst the projected budget overspend for 2009/10 needs to account for this additional cost of £1.1m, it could be viewed as a call on reserves at the year-end as this is already planned to be saved within ABG spending plans for 2010/11. This does not however take account of any additional savings which may be identified through the SBR from ABG funded activities.

3.2 The total potential budgetary shortfall for 2009/10 is therefore £5.149m; the following table summarises the position: -

	£m
Key Risk Areas	3.678
Corporate Budget savings	0.351
Area Based Grant deferred	1.100
Potential budgetary shortfall	<u>5.129</u>

3.3 However, a number of planned and newly identified savings options need to be considered to present the overall financial picture. This is considered further below.

4 Potential actions to reduce projected overspend

4.1 Departmental Budget Review

- 4.1.1 The initial approach to the identified budget gap has been the spending freeze on non-essential filling of vacant posts and expenditure on supplies and services. Savings achieved from this source have been included in the overall financial position referred to above. The process to identify further savings was assisted by the introduction of Departmental Budget Reviews of all non-essential areas of expenditure and the consideration of the continued need for provisions and reserves held by each service.
- 4.1.2 This exercise has identified the potential release of a significant amount of resource to support the budget. These items totalling £2.747m have been agreed with individual Service Directors.
- 4.1.3 Cabinet should be aware that a number of these proposals are of a one-off nature and consequently, they will not be available in future years should the budget be insufficient to meet anticipated expenditure. However the majority have been identified by Service Directors to meet relevant issues associated with the reason for establishing these provisions/reserves. Members are asked to note the use of this resource in supporting the budget in 2009/10.

4.2 Other Resources to support the budget

- 4.2.1 **Budget Pressures Fund** – The Council recognised the impact the current financial climate may have on the Authority's finances and set aside £0.500m to assist in this regard. The policy to support individual departments / budgets is not considered in this report, merely to highlight their availability to support the corporate budget problem. In terms of recognising departmental spending pressures more directly caused by the current economic situation the Departmental Budget Review has identified overspends in Planning, Legal (due to land search fees) and reduced income at Southport Market.
- 4.2.2 **Other One-off funding** - Officers are continuing to review Departmental Budgets and other potential one-off sources could be used to assist the budget, however, additional work is required before a list of other options to consider is available. As a guide initial costings have identified nearly £2m of resource to support the current year's revenue budget.

4.3 Summary Position

4.3.1 The table below summarises the potential year-end position i.e. the projected indicative year-end overspend, reduced by the total value of the savings options referred to above: -

	Paragraph Reference	£m
Projected Year end overspend	3.2	5.129
Resources identified by Departments	4.1.2	-2.747
Budget Pressure Fund	4.2.1	-0.500
Revised Forecast Overspend		1.882
Potentially offset by Other One-off Funding (requiring further investigation)	4.2.2	2.000

5 Recommendations

Cabinet is recommended to:

6. Note the projected budget overspend on key risk areas of £3.678m (para. 2.1) as at the end of October;
7. Note the Other Budget Issues where an overspend of £1.451m is projected (para. 3.2);
8. Note the Departmental Budget Review has identified of £2.747m of one-off resources to support the budget (para. 4.1.2);
9. Note the availability of the Budget Pressures Fund, which provides £0.500m to support the budget (para. 4.2.1); and,
10. Note the potential for further one-off resources to support the budget (para. 4.2.2);

ANNEX A

Risk Budget Monitoring 2009/10 - Variance Comparison August to October					
Ref	Service	Budget	August Variance	October Variance	Movement
			£000	£000	£000
A	Chief Executive				
1	Policy and Support - Employees		0.0	0.0	0.0
2	Business Support Unit Payroll Costs		0.0	0.0	0.0
3	Employee Costs - Civic & Mayoral Services		0.0	-75.0	-75.0
4	Transfer to Reserve - Civic & Mayoral Services		0.0	75.0	75.0
5	Corporate Pensions Increase costs		0.0	18.0	18.0
6	Performance - Employees		0.0	-2.0	-2.0
7	Performance - Communications Unit - Employees		0.0	25.0	25.0
8	Additional Income - Communications Unit		0.0	-25.0	-25.0
9	Employee costs - Community Safety		0.0	0.0	0.0
10	Employee costs - ASBU		0.0	0.0	0.0
			0.0	16.0	16.0
B	Council Wide				
1	Corporate Subscriptions		0.0	-25.0	-25.0
			0.0	-25.0	-25.0
C	Children Services				
1	Employees - Childrens and Young Peoples Services		100.0	228.0	128.0
2	Employees - Education		-200.0	-206.0	-6.0
3	Looked After Children - Agency Placements		2,491.2	2,530.0	38.8
4	Looked After Children - Leaving Care		45.7	74.8	29.1
5	Looked After Children - Family Placement		-336.1	-270.6	65.5
6	Legal Fees		189.5	194.4	5.0
7	Kirwan House		179.7	168.5	-11.2
8	Management & Admin - Supplies & Services		-277.3	-369.4	-92.1
9	Premature Retirement Compensation		0.0	-279.7	-279.7
			2,192.7	2,070.0	-122.7
D	Environmental				
1	Payroll Costs		0.0	0.0	0.0
2	Commercial Waste External Income		0.0	0.0	0.0
3	Dry Recyclable Collection Costs		0.0	0.0	0.0
4	MWDA Recycling Credits		0.0	0.0	0.0
5	Sales of Materials		0.0	0.0	0.0
			0.0	0.0	0.0
E	Finance				
1	Direct Employee Costs		-75.0	-125.0	-50.0
2	Supplies and Services		0.0	0.0	0.0
3	Specialised Transport Unit Employees		0.0	400.0	400.0
4	Specialised Transport Unit - Supplies and Services		0.0	24.0	24.0
5	Specialised Transport Unit - Transport costs		0.0	576.0	576.0
6	Specialised Transport Unit - Capital costs		0.0	0.0	0.0
7	Housing Benefits Net Transfer Payments		0.0	-100.0	-100.0
8	Capital Financing Costs		-150.0	-300.0	-150.0
			-225.0	475.0	700.0

F	Health & Social Care				
1		Employees	-104.5	-28.8	75.7
2		Income	-109.0	-146.0	-37.0
3		Comm.Care Placements/Packages	554.8	644.5	89.7
4		Repair & Maintenance	0.0	0.0	0.0
5		Areas/oppoprunities for offsetting forecast budget deficit	-60.0	-60.0	0.0
6		Mental Health Capacity Act; projected underspend on supplies & services	0.0	-52.5	-52.5
7		Local Involvement NetworkKS (LINKS) scheme projected underspend	0.0	-6.0	-6.0
8		Carers schemes projected underspend	0.0	-28.7	-28.7
9		Community Support Schemes projected underspend	0.0	-3.3	-3.3
10		Learning Disabilities Development Fund (LDDF) schemes projected underspend	0.0	-32.3	-32.3
11		Adult Workforce Training further projected underspend	0.0	-181.6	-181.6
12		Reduced payment to voluntary organisations for sensory services	0.0	-49.5	-49.5
			281.3	56.0	-225.4
G	Legal				
1		Direct Employee costs	100.0	160.0	60.0
2		Legal Dept Supplies and Services	0.0	0.0	0.0
3		Commercial contract fees	50.0	86.0	36.0
4		Coroners Service Fees	0.0	0.0	0.0
5		Land Search Fees	0.0	0.0	0.0
6		Registrars Income	0.0	0.0	0.0
7		Additional income - VR team	0.0	-60.0	-60.0
			150.0	186.0	36.0
H	Leisure				
1		Employees Costs	49.4	49.4	0.0
2		Repairs & Maintenance	-176.4	-176.4	0.0
3		Electricity, Gas & Water	130.0	300.0	170.0
4		Sport Services Income	-117.5	-117.5	0.0
5		Parks Services Income	0.0	0.0	0.0
6		Golf Income	0.0	0.0	0.0
7		Cemeteries & Income	0.0	0.0	0.0
8		Arts & Cultural Services Income	131.3	131.3	0.0
9		Crosby PFI Unitary Charge	0.0	0.0	0.0
			16.9	187.0	170.1
I	Personnel				
1		Employee costs (excl Trade Unions)	0.0	-7.0	-7.0
			0.0	-7.0	-7.0

J	Planning				
1		Direct Pay costs	-276.0	-245.0	31.0
2		Legal costs	0.0	0.0	0.0
3		Planning Application Fees	360.0	310.0	-50.0
4		Local Plans	0.0	0.0	0.0
5		Building Control Fees	66.8	116.9	50.1
6		Consultancy costs	-15.0	-40.0	-25.0
7		Housing & Planning Delivery Grant	125.2	125.1	-0.1
8		Advertising - staffing	0.0	0.0	0.0
9		Advertising - other legal	0.0	0.0	0.0
10		Other items - Dept underspend/savings	-60.0	-80.0	-20.0
			201.0	187.0	-14.0
K	Regeneration				
1		Employees	0.0	0.0	0.0
			0.0	0.0	0.0
L	Technical Services				
1		Pay costs	0.0	-40.0	-40.0
2		Highways Maintenance	0.0	0.0	0.0
3		Street Lighting Energy Costs	0.0	0.0	0.0
4		Ground Maintenance	0.0	0.0	0.0
5		Winter Maintenance	0.0	0.0	0.0
6		Residual Income Budgets	582.0	582.0	0.0
7		British Legion Attendant Costs	0.0	0.0	0.0
8		Car Parking Fees and Charges on/off St	200.0	250.0	50.0
9		T & A Car Park Income	0.0	0.0	0.0
10		Non Achievement of Corporate Savings 2009/10	48.0	48.0	0.0
11		Review of highway maintenance budgets	-350.0	-350.0	0.0
12		Network Management Income	0.0	-62.0	-62.0
	Corporate Services				
13		Pay costs	0.0	0.0	0.0
14		Admin Buildings Repairs and Maintenance	0.0	30.0	30.0
15		Admin Buildings-Fuel light and cleaning	0.0	0.0	0.0
16		Admin Buildings Rents	0.0	0.0	0.0
17		Admin Buildings Service Charges	0.0	0.0	0.0
18		Admin Buildings Fees & Lettings Income	0.0	0.0	0.0
			480.0	458.0	-22.0
M	Tourism				
1		Employees	0.0	-5.0	-5.0
2		Repair & Maintenance	0.0	0.0	0.0
3		Marketing	0.0	0.0	0.0
4		Conferences	0.0	0.0	0.0
5		Events	0.0	0.0	0.0
6		Events Income	0.0	0.0	0.0
7		Rents	0.0	0.0	0.0
8		Visitor Services Income	0.0	0.0	0.0
9		Southport Market Hall - Rent Income	80.0	80.0	0.0
			80.0	75.0	-5.0
GRAND TOTAL			3,176.9	3,678.0	501.0

