

Report of the Cabinet Member for Corporate Services

2011-12 Finance Monitor 1

Purpose

1. The purpose of this report is to provide details of the headline financial performance issues for 2011-12, covering the period 1 April 2010 to 30 June 2011. The report assesses performance against budgets, progress of the council's savings programme and provides a position statement on the council's revenue reserves.

Summary

- The council is identifying early financial pressures totalling £4,288k across all directorate budgets.
- Extensive work is being carried out to ensure these pressures are mitigated by the end of the financial year to ensure that expenditure is contained within budget.

Overview

2. The council's net General Fund budget for 2011-12 is £123,900k, inclusive of £1,025k usage of reserves and balances.
3. The 2011-12 budget was the most challenging in memory, requiring some £21,036k of savings in order to reach a balanced position. The forecasts outlined in this report reflect a prudent view of how that challenge is currently being met.
4. The council's business change programme is progressing, with the majority of areas delivering as expected. At present, the programme is confirmed on track to deliver at least of 65% of its targeted financial benefits within 2011/12 with around 80% anticipated to be delivered overall, although some benefits will be realised later than planned. (This equates to approximately £7,000k and £8,500k respectively, and all of which are contained within the forecasts in Table 1). The main focus of activity is now on mitigating the remaining 20% of the benefits which are at risk through a combination of accelerating progress on other areas of the programme as

well as pure financial mitigation. Notable milestones that have been achieved include:

- Delivery of the council-wide organisational review
- Implementation of more efficient waste rounds
- Changes to Early Years provision and staffing structures
- Children's Services improvements in customer contact and administration

5. Early forecasts indicate that the council faces financial pressures of £4,288k. An overview of this forecast, on a directorate by directorate basis, is outlined in Table 1 below. The key pressures can be summarised in the following paragraphs.
6. Adults, Children & Education – In Adult Social Services increasing service demand for Independent Residential & Nursing Care and Direct Payments remain to be an issue, as well as new pressures caused by some delays in the Homecare and EPH business change programmes. In Children's Services, an increase above forecasts in the number of children under the care of the council further contributes to the pressure.
7. City Strategy – a continued shortfall in Building and Development control income compounded by in year pressures arising from the Directorate and Facilities Management service reviews.
8. Communities & Neighbourhoods – primarily driven by delays in achieving cross directorate savings taken as part of the 2011-12 budget, including the Fleet Review and reducing Agency Staff costs.

Directorate	2011-12 Net Budget	2010-11 Outturn Variance	2011-12 Monitor 1 Variance
	£'000	£'000	£'000
Adults, Children & Education	77,399	+1,579	+1,678
City Strategy (incl Facilities Mgmt)	8,797	+209	+771
Communities & Neighbourhoods	37,109	+55	+1,850
Customer & Business Support Services	3,921	-241	-11
Office of the Chief Executive	3,420	+24	-
DIRECTORATE BUDGETS	130,646	+1,626	4,288
Corporate Budgets	-6,746	-1,995	-
Mitigation Strategies to be Identified	-	-	-4,288
GROSS BUDGET	123,900	-369	0

9. Directorates are identifying strategies that will mitigate these pressures in order to contain expenditure within budget by the end of the financial year. As strategies are identified, the reported forecast will be amended accordingly in line with the council's stringent financial monitoring processes. This course of action has been successful in previous years.
10. It should be noted that a similar level of financial pressures were reported at Monitor 1 in 2010-11 and whilst the challenge of delivering the scale of savings contained in this years budget will be considerably tougher, continued determination to control costs from teams across the council should see an improved position as the financial year progresses. Corporate Management Team monitor the financial position of the council on a monthly basis and should the financial pressures not reduce sufficiently, or proposed mitigation strategies not deliver the improvement required, escalation of the issues will be raised by Director of Customer & Business Support Services to Members outside of the standard reporting schedule. The next report before Cabinet will be the Monitor 2 Finance report on 1 November 2011.

Directorate Financial Performance

11. The following sections provide further information on the financial outturn of each directorate as outlined in Table 1 above.

Adults, Children & Education

12. The Adults, Children & Education directorate is reporting early financial pressures of £1,678k, split between Adult Social Services (£1,017k) and Children's Services (£661k).
13. In Adult Social Services, pressures that have been evident in previous years related to demand for care still remain. At present, forecasted pressures centre on a greater number of referrals than anticipated in Independent Residential & Nursing Care (£577k) and a continued increase above forecast level in the number of customers taking up Direct Payments (£613k).
14. In terms of Business Change, there have been delays on two workstreams. In Homecare, there have been delays in letting the reablement contract and reconsideration of other care services options (£666k) and in EPH's, implementation delays mean that the full saving is unlikely to be achieved (net £385k).
15. However, mitigating actions have already been identified to reduce these pressures. A significant number of vacant posts are being held whilst the

Business Change workstreams continue (£806k) and delays in two Supported Living schemes (£200k).

16. In Children's Services, the number of children currently under the care of the council is considerably higher than predicted when the 2011-12 budget was set and as a result is contributing to the directorate's financial pressures. Most notably, local foster placements have increased from 162 to 175 (£209k) and Independent Fostering Agency placements have increased from 14 to 19 (£327k).
17. As well as the vacancy freeze outlined above, and a moratorium on non essential expenditure, the directorate is also assessing 2012-13 savings proposals that could be brought forward, as well as reviewing commissioning budgets and new customer/scheme developments with a view to identifying additional one-off savings for 2011-12.

City Strategy

18. The City Strategy directorate is reporting financial pressures of £771k. This position is inclusive of a £495k pressure related to cross directorate Facilities Management workstream savings, and for which officers are currently identifying mitigation options.
19. There are a number of contributory factors to the remaining reported pressure. There have been delays in the directorate's service review which will not be fully completed until the autumn resulting in an expected shortfall against the total saving of £814k (£380k) and in Planning, there are shortfalls in income in Building Control (£250k) and Development Control (£150k), which is consistent with recent years since the start of the economic downturn. It should be noted however that the council may be given powers to fix its own planning fees by the Department of Communities and Local Government and this may give opportunities to mitigate this shortfall. The directorate overspend is offset by anticipated underspends on Concessionary Fares budgets (£200k) and a surplus on parking income (£155k).
20. Vacancy management measures (currently £218k) and other expenditure controls are being enforced in order to reduce the forecast pressure by the end of the financial year.

Communities & Neighbourhoods

21. The Communities & Neighbourhoods directorate is forecasting early financial pressures of £1,850k, including £1,019k of cross directorate savings taken as part of the 2011-12 budget process.

22. The cross directorate savings pressures relate to the Fleet Review (£243k), which has been affected by additional resource requirements and the partial year effect of implementation but will deliver more financial benefit than anticipated from 2012-13, the Supplies and Services review (£200k) and Agency Staff (£269k).
23. Elsewhere in the directorate, Building Maintenance is forecasting pressures whilst new and efficient working practices are aligned to its business plan (£300k). There is a further one off pressure in Arts and Culture Education (£187k) as result of costs arising from the recent restructure.
24. In order to mitigate the pressures, the directorate is limiting expenditure to a minimum, however it is unable to do so in all circumstances, for example where contractual obligations prohibit this. Service managers are also drawing up proposals, some of which may require a political decision and will therefore be brought before the appropriate committee when necessary.

Customer & Business Support Services

25. The Customer & Business Support Services is currently reporting a projected underspend of £11k, which is primarily due to lower than anticipated costs resulting from the recent elections. The directorate will continue to try and identify other under spends which could assist in mitigating the council wide position.

Office of the Chief Executive

26. The Office of the Chief Executive directorate is currently forecasting that it will contain expenditure within budget. As with CBSS, the directorate will continue to try and identify other under spends which could assist in mitigating the council wide position.

Corporate Budgets

27. These budgets include Treasury Management activity and other corporately held funds. At present, it is anticipated that there will be no variation to budget in these areas.

Dedicated Schools Grant

28. In the DSG area there is a projected underspend of £306k against a budget of £106,642k, primarily due to lower than expected costs related to SEN

Out of City Placements. Due to the nature of the DSG, any underspend must be carried forward and added to the following year's funding with overspends either being funded from the general fund or reducing the following year's funding allocation.

Housing Revenue Account (HRA)

29. The current working balance on the HRA is £9,543k and the estimated variance against this is an underspend of £82k, which is primarily attributed to a decrease in the negative subsidy payment made to Central Government.

Reserves

30. The February 2011 Budget Report to Council stated that the minimum level for the General Fund reserve should be £6.1m (or 5% of the net budget) and following the 2010-11 outturn, where funding was applied to fund new initiatives, the reserve now stands close to this minimum level.

31. Members have to be mindful that any overspend would have to be funded from this reserve reinforcing the need to contain expenditure within budget. Should this happen the Director of Customer & Business Support Services would have no option but to recommend to Council that the reserve is reinstated to at least its minimum required level which would have implications on future budget setting cycles.

Analysis

32. The analysis of the financial position of the council is included in the body of the report.

Consultation

33. There has been extensive consultation with Trade Union groups on the ongoing implications of the council's financial situation.

Corporate Priorities

34. The information and issues included in this report demonstrate progress on achieving the priorities set out in the council's corporate strategy (2009-12).

Implications

35. The implications are:

- Financial - the financial implications are dealt with in the body of the report.
- Human Resources - there are no specific human resource implications to this report.
- Equalities - there are no specific equality implications to this report, however equalities issues are accounted for at all stages of the financial planning and reporting process.
- Legal - there are no legal implications to this report.
- Crime and Disorder - there are no specific crime and disorder implications to this report.
- Information Technology - there are no information technology implications to this report.
- Property - there are no property implications to this report.
- Other - there are no other implications to this report.

Risk Management

36. The risk management processes embedded across the council continue to contribute to managing the risk issues associated with major projects and key areas of service delivery.

Recommendations

37. Members are asked to:

- a. Note the current projected pressures of £4,288k and note that strategies are being prepared to mitigate this position.

Reason: In order to ensure expenditure is kept within budget.

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	Report Approved	√	Date	26 August 2011
Wards Affected: All				
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