

Report of the Director of Customer and Business Support Services.

Financial Outturn 2010-11

Purpose

1. The purpose of this report is to provide details of the headline financial performance issues for 2010-11, covering the period 1 April 2010 to 31 March 2011. The report assesses performance against budgets, outlines requests for carry forwards and provides a position statement on the council's revenue reserves.
 - **Summary**
 - The council's provisional outturn position is a £369k underspend, with requests for carry forwards of unspent budgets totalling £168k reducing this position to a potential final underspend of £201k.
 - This position, an improvement of £2,037k from the £1,668k of pressures reported at Monitor 3, is testament to the council's effective financial management, the implementation of the savings programme and the continued hard work of directorates in controlling costs.

Finance Overview

2. The General Fund budget for 2010-11 was £118,166k, with utilisation of balances and reserves reducing the call on Council Tax to £117,338k. The council's provisional outturn position is a £369k underspend, with requests for carry forwards of unspent budgets totalling £168k reducing this position to a potential final underspend of £201k.
3. The final position represents an improvement of £2,037k (£986k at directorate level) since Monitor 3. This improvement is primarily as a result of continued stringent cost control methods, and internal management reporting has tracked the impact of this positive action since the figures for the Monitor 3 report were finalised in early January.

4. As highlighted throughout the year, and despite significant investment in the 2010-11 budget, demand for adult social care services and the effects of the economic downturn have continued to cause financial pressures. These pressures were compounded by £2,287k of in year grant cuts from Central Government following the June 2010 Emergency Budget.
5. As the need for improvement was recognised at an early stage, and due to clear commitment in narrowing the potential overspend, directorates have worked incredibly hard to contain expenditure and coupled with the council's improved financial management the year-end position is testament to these efforts, without which it is clear there would have been a major overspend.
6. An overview of the outturn position is summarised on a directorate by directorate basis in Table 1 below. The main movements from the Monitor 3 report are:
 - City Strategy – an improvement of £379k which is primarily due to an improvement in concessionary fares and additional engineering fees.
 - Communities & Neighbourhoods – an improvement of £514k due to a number of cost reduction strategies across the directorate.
 - Corporate Budgets – a significant improvement of £1,051k, which is a result of the provision for 16/17 year old care legislation made in the 2010-11 budget remaining unallocated, a further tranche of VAT refunds and the early receipt of the latest YPO dividend.

Directorate	2010-11 Net Budget	Mon 3 Variance	Outturn Variance	Movement
	£'000	£'000	£'000	£'000
Adults, Children & Education	91,729	+1,647	+1,579	-68
City Strategy	7,257	+588	+209	-379
Communities & Neighbourhoods	41,655	+569	+55	-514
Customer & Business Support Services	5,373	-169	-241	-72
Office of the Chief Executive	3,035	-23	+24	+47
DIRECTORATE BUDGETS	149,049	+2,612	+1,626	-986
Asset Rental Adjustments	-32,089	-	-	-
Corporate Budgets	1,206	-944	-1,995	-1,051
GROSS BUDGET	118,166	+1,668	-369	-2,037

Table 1: Outturn Position.

7. A strategy was agreed as part of the Monitor 2 report that allocated revised variance targets for directorates that would see the council's overall expenditure outturn on budget. This strategy incorporating directorate expenditure controls and effective financial management has yielded a £3,441k improvement from that report. Whilst not all targets were met, other gains were made elsewhere which have ultimately contributed to the reported underspend. Final progress against these targets is outlined in Table 2 below.

Directorate	2010-11 Net Budget	10-11 Mon 2 Variance	Outturn Variance	10-11 Target Variance	Variation to Target
	£'000	£'000	£'000	£'000	£'000
Adults, Children & Education	91,729	+2,310	+1,579	+1,010	+569
City Strategy	7,257	+940	+209	+190	+19
Communities & Neighbourhoods	41,655	+410	+55	+10	+45
Customer & Business Support Services	5,373	-107	-241	-207	-34
Office of the Chief Executive	3,035	+13	+24	-37	+61
DIRECTORATE BUDGETS	149,049	+3,566	+1,626	+966	+660
Asset Rental Adjustments	-32,089	-	-	-	-
Corporate Budgets	1,206	-494	-1,995	-894	-1,101
GROSS BUDGET	118,166	3,072	-369	72	-441

Table 2: Progress Against Target Variances.

8. Whilst the year-end position is positive and testament to the hard work of teams across the council, there remains considerable financial concerns looking ahead into 2011-12 and beyond. The 2011-12 budget contains approximately £21m of savings comprising efficiencies, service reductions and grant cuts imposed by Central Government. This represents a very challenging agenda, one not faced by the council before, and every single proposal will have to deliver or the financial position this time next year will not be as favourable. Any future overspends will have a negative impact on the council's reserves and subsequently reduce flexibility when it comes to budget setting. It is therefore important that focus now moves to 2011-12 and the practices of stringent cost control and new and effective ways of working continue to embed themselves to ensure the continued financial health of the organisation

Directorate Financial Performance

9. The following sections provide further information on the financial outturn of each directorate as outlined in Table 1 (paragraph 6).

Adults, Children & Education

10. Adults, Children & Education are reporting a £1,579k overspend, an improvement of £68k from the £1,647k pressure reported at Monitor 3. Performance against the total £1,781k More for York ACE savings target is included in this figure, representing £1,148k of the net overspend.
11. Elsewhere in the directorate a £1,167k overspend is being reported in Adult Social Services, a deterioration of £416k from Monitor 3. This deterioration is mainly due to the unexpected write off of £283k of outstanding customer debts at the year end and a small number of additional Learning Disability placements that were notified late in the year.
12. The remaining Adult Social Services overspend is due to increasing demand, above the approved budget, which has continued to be an issue in 2010-11. The main contributory factors include the fact that more people have opted to take Direct Payments than anticipated and the numbers are likely to increase as the personalisation of services is rolled out further resulting in an overspend on this budget of £1,194k. A greater than anticipated number of referrals for Independent Residential and Nursing Care has caused an overspend of £491k. A reduction in the level of income generated in Elderly Persons Homes, as well as unbudgeted costs from the Pay and Grading process represents an overspend of £292k in this area.
13. Children & Young People's budgets have shown a marked improvement with an underspend of £735k being reported, £568k more favourable than at Monitor 3. This is derived from a number of areas, the most significant being an underspend on the Fostering of Looked After Children of £234k, due to a reduction in the number of children placed in Independent Fostering Agencies (IFA) placements which are more expensive than placements with local foster carers, as well as an underspend of £235k within the Education Development Service which is due to a number of posts being held vacant in anticipation of further savings being required in 2011-12, and the redirection of grant income to cover base budget expenditure.
14. In addition the directorate received in-year government grant cuts totalling £1,832k, against which savings have been made of £1,467k. Difficult decisions have had to be taken in order to reduce expenditure on a wide range of community based schemes within the Early Intervention Fund as well as the Youth Volunteering Project. The remaining £365k, related to Area Based Grant, has been reported as a corporate pressure.

City Strategy

15. City Strategy is reporting an overspend of £209k, which is an improvement of £379k from the Monitor 3 report. This position is inclusive of £107k of redundancy costs following a review of the directorate's services and £256k of More for York savings, related to facilities management and administrative efficiencies, that have not been achieved.
16. The directorate's income generating services have faced continued pressures resulting from the economic downturn. Shortfalls in income from parking (£291k), building control (£259k), development control (£159k) and commercial property (£138k), as well as the fact that no Yorwaste dividend has been received (£430k) have all contributed to the underlying overspend.
17. However the position has been mitigated by a number of factors. Management actions including a vacancy freeze and other operational budget savings have helped significantly reduce the overspend. Concessionary fares has underspent by £335k following a fixed price deal being agreed with First. It should also be noted that Members allocated the directorate £400k from the General Contingency at Monitor 2 in order to support budgets that were facing economic downturn pressures.

Communities & Neighbourhoods

18. Communities & Neighbourhoods is reporting a slight overspend of £55k, which represents a significant improvement of £514k from the £569k pressure reported at Monitor 3.
19. In Housing and Public Protection, a £296k overspend on building maintenance, due to a number of factors including unavoidable staff costs, and a £159k overspend on Travellers Sites, due to increased utility and repairs costs, has been offset by underspends on temporary accommodation costs and staffing savings across the service area, resulting in an overall overspend of £26k for the service plan.
20. In Environment, a £290k net overspend on commercial waste, due income shortfalls, and a £250k overspend on winter maintenance budgets following the severe weather in November and December has been offset by a £125k underspend on street light electricity costs, resulting in an overall overspend of £470k for the service plan.
21. Communities and Culture has underspent by £441k, which is primarily due to sport and active leisure savings, an underspend on ward committee expenditure and vacancy management measures across the service.

However, there was a significant shortfall of income in libraries of £207k resulting in an overall underspend of £441k for the service plan.

22. The directorate has a number of carry forward requests outlined in paragraph 28.

Customer & Business Support Services

23. Customer & Business Support Services has reported a year end underspend of 241k, which is a £72k improvement from the Monitor 3 report. The underlying underspend from earlier reports remains, namely the re-alignment of IT support and maintenance contracts which realised in year savings, and is further bolstered by an improvement in the performance of the Benefits subsidy team in reducing financial loss to the council.

Office of the Chief Executive

24. The Office of the Chief Executive is reporting a slight year end overspend of £23k. This is driven by the recent directorate restructure where significant one-off redundancy and pension costs of £72k have been set against an underlying underspend of £49k.

Corporate Budgets

25. These budgets cover Treasury Management, the General Contingency and the remaining General Fund budgets that are retained corporately. The year end position shows an underspend of £1,995k on these budgets, an improvement of £1,051k from Monitor 3. The position is primarily possible due to the unspent 2010-11 Pay Award provision (£800k), one-off VAT refund receipts for claims related to the Fleming and Conde-Nast cases (£644k), the early receipt of the latest YPO dividend (£226k), unallocated General Contingency (£165k) and the fact that the provision created to cover expenditure related to 16/17 year old care legislation remains unallocated (£500k).

Dedicated School Grant (DSG)

26. In the DSG area there is an underspend of £257k against a budget of £92,754k. 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)

27. The current working balance on the HRA is £8,880k and the year end position identifies an underspend of £463k. There are a number of reasons for the underspend including a number of vacancy management measures across the service and lower loss of rents from void properties.

Carry Forward Requests

28. Financial regulations allow for requests to be made to Members for unspent budgets to be carried forward into the following year. The following list outlines the nature of this year's requests, totalling £168k:
- i) Communities & Neighbourhoods: Ward Committee Budgets (£103k) – primarily unspent budgets relating to street lighting schemes.
 - ii) Communities & Neighbourhoods: Target Hardening (£31k) – a number of schemes came under budget. This request would fund schemes for which funding could not be allocated to in 2010-11.
 - iii) Communities & Neighbourhoods: Community Centres (£34k) – underspends generated from increased usage of centres would be reinvested in maintenance and improvements.
29. It should be noted that any carry forward request that is granted will reduce the provisional underspend, and as a result impact the level of the General Fund reserve.

Reserves

30. The February 2011 Budget Report to Council stated that the minimum level for the General Fund reserve should be £6.1m. Following the 2009-10 outturn, the reserve sat at some £6.7m however the remainder above the minimum level was used to balance the 2011-12 budget. Any underspend that is made would be added back to the reserve with the acceptance of any carry forward requests reducing this figure.
31. A report to Council on 30 June approved the use of £200k of the reserve to fund initiatives in 2011-12, which coupled with the approval of all carry forward requests, would mean that there would be a nil movement on the current level of the reserve.
32. It is also important to highlight that any future year end overspends have to be funded from this reserve and Members have to be mindful of the massive task presented by the 2011-12 budget in delivering some £21m of savings. It is clear for 2010-11 that whilst this minimum level has not been breached, failure to deliver the 2011-12 savings would result in the stark reality of a major overspend and subsequent reduction of this reserve. 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

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

Consultation

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

Corporate priorities

35. 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

36. 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

37. 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

38. Members are asked to:
- a. Note the provisional underspend of £369k and the current level of the General Fund reserve.

Reason: In order to inform future financial decision making.

- b. Review the requests for the carry forward of budgets into 2010-12, detailed in paragraph 28 and totalling £168k, and determine which should be approved noting that any approvals would reduce the provisional £369k underspend

Reason: So that resources can be directed into those areas that meet corporate priorities.

Chief Officers Responsible for the report:			
Ian Floyd, Director for Customer & Business Support Services Keith Best, Assistant Director for Customer & Business Support Services (Financial Services)			
Report Approved	<i>tick</i>	Date	<i>June 2011</i>
	✓		
Specialist Implications Officer(s) - None			
Wards Affected: <i>None</i>			All <i>tick</i>
For further information please contact the author of the report			