

ITEM NO:8

DECISION-MAKER:	CABINET		
SUBJECT:	CORPORATE FINANCIAL MONITORING FOR THE PERIOD TO THE END OF JUNE 2010		
DATE OF DECISION:	6 SEPTEMBER 2010		
REPORT OF:	CABINET MEMBER FOR RESOURCES AND WORKFORCE PLANNING		
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STATEMENT OF CONFIDENTIALITY

NOT APPLICABLE

SUMMARY

This report summarises the General Fund revenue financial position for the Authority for the three months to the end of June 2010, and highlights any key issues by portfolio which need to be brought to the attention of the Cabinet.

RECOMMENDATIONS:

General Fund

It is recommended that Cabinet:

- (i) Note the current General Fund revenue budget monitoring position for the General Fund 2010/11 as at Month 3 (June), which is a forecast over spend at year end of £1,123,600 against the budget approved by Council on 17th February 2010, as outlined in paragraph 4.
- (ii) Note that the baseline forecast over spend for portfolios is £8,443,400.
- (iii) Note that the impact of in year cuts announced by the Government on the City Council was in excess of £4.6M and that measures have been implemented to manage this and maintain a balanced budget, as outlined in the Mini Budget report approved by Council on 14th July.
- (iv) Note that action plans for remedial action have been requested from those areas with significant over spends; Adult Social Care & Health and Children's Services.
- (v) Note that the Risk Fund includes £5.9M to cover service related risks, and that the estimated draw at Month 3 is £6,971,100 to cover expenditure which is included within the baseline forecast portfolio over spend of £8,443,400. The Risk fund is therefore forecast to be in deficit by £1.1M against the £5.9M available, subject to recommendation (vi) below.
- (vi) Note that the Risk Fund also includes a separate amount of £1M as a pay award contingency to cover the yet to be finalised pay award, based on a 1% pay award. On the basis that there is a proposed public sector pay freeze in 2010/11, Cabinet is asked to agree that this £1M is added to the £5.9M available to cover service risk. This will increase the sum available within

the Risk Fund to cover service risk to £6.9M, and will therefore leave a small forecast deficit of £0.1M on the Risk Fund against the forecast draw of £7.0M

- (vii) Note that the Revenue Development Fund now totals £4.9M following the allocation of a further £1.0M so far in 2010/11 to portfolios. At this stage of the year it has been prudently assumed that the remainder of the Fund will be fully utilised, with the exception of £450,000. This was earmarked for the Building Schools for the Future Programme which has been halted by the Government.
- (viii) Note that it has been assumed that the contingency of £250,000 will be fully utilised by the end of 2010/11.
- (ix) Note the performance to date with regard to the delivery of the agreed savings proposals approved for 2010/11
- (x) Note the performance against the financial health indicators detailed in Appendix 10.
- (xi) Note the performance outlined in the Quarterly Treasury Management Report attached as Appendix 11 and specifically that the indicator relating to the ratio of financing costs to the net revenue stream will be reviewed and any amendments will be reported as part of quarterly financial and performance monitoring and in revisions to the Treasury Management Strategy.

Housing Revenue Account

It is recommended that Cabinet:

- (xii) Note the current Housing Revenue Account budget monitoring position for 2010/11 as at Month 3 (June), which is a forecast over spend at year end of £154,200 against the budget approved by Council on 17th February 2010, as outlined in paragraph 16.

REASONS FOR REPORT RECOMMENDATIONS

1. To ensure that Cabinet fulfils its responsibilities for the overall financial management of the Council's resources.

CONSULTATION

2. Heads of Service and Budget Holders and Executive Directors have been consulted in preparing the reasons for variations contained in the appendices.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

3. Not applicable.

DETAIL

Financial Summary

4. Appendix 1 sets out a high level financial summary for the General Fund, and shows that the overall forecast outturn position for the Council is an over spend of **£1,123,600**, as shown below:

	Forecast Outturn Variance £000's	Forecast Outturn Variance %
Baseline Portfolio Total	8,443.4 A	5.2 A
Draw From Risk Fund	6,971.1 F	
Portfolio Total	1,472.3 A	0.8 A
Risk Fund	101.3 A	
Revenue Development Fund	450.0 F	
Net Total General Fund	1,123.6 A	0.6 A

As shown in the above table, the forecast portfolio revenue outturn on net controllable spend for the end of the year compared to the working budget is an over spend of £1,472,300 and this is analysed below:

Portfolio	Baseline Forecast Outturn Variance £000's	Remedial Portfolio Action £000's	Risk Fund Items £000's	Forecast Outturn Variance		See Appendix
				£000's	%	
Adult Social Care & Health	2,719.9 A	0.0	2325.0 F	394.9 A	0.8	2
Children's Services	3220.2 A	0.0	2,092.1 F	1,128.1 A	4.2	3
Economic Development	14.1 A	0.0	0.0	14.1 A	0.4	4
Environment & Transport	2438.2 A	0.0	2,554.0 F	115.8 F	0.5	5
Housing & Local Services	2.0 F	0.0	0.0	2.0 F	0.0	6
Leader's Portfolio	51.9 F	0.0	0.0	51.9 F	0.9	7
Leisure Culture & Heritage	48.5 A	0.0	0.0	48.5 A	0.7	8
Resources & Workforce Planning	56.4 A	0.0	0.0	56.4 A	0.1	9
Portfolio Total	8,443.4 A	0.0	6,971.1 F	1,472.3 A	0.9	

This information is presented based on the portfolio responsibilities as at the end of June and will be updated as required to reflect the new Constitutional arrangements which have been subsequently approved. The corporate and key issues affecting each portfolio are set out in Appendices 2 - 9, as per the previous table.

Mini Budget

5. This report outlines the financial position at the end of Month 3 since when the Government has announced £6.2 billion of in year cuts to begin to tackle the significant level of national debt, of which £1.166 billion were targeted at Local Government. The current assessment of the impact of these cuts on the City Council to date is a loss of grants in excess of £4.6M. In response to this immediate action was taken and a Mini Budget report was approved by Council on 14th July which set out proposals to ensure that the operating budget for 2010/11 remained in balance whilst still reflecting the priorities of the Executive.

Remedial Portfolio Action

6. Having managed the impact of the in year cuts announced by Government to ensure that the operating budget for 2010/11 remains in balance, it is anticipated that Portfolios will now take remedial action to manage a number of the corporate and key issues highlighted in this report. Specific action plans have been requested from Adult Social Care and Health and Children's Services.

Risk Fund

7. As last year, potential pressures that may arise during 2010/11 relating to volatile areas of expenditure and income, are being managed through the Risk Fund. A sum of £5.9M was initially included in the budget to cover these pressures and will be taken into account during the year as evidence is provided to substantiate the additional expenditure against the specific items identified.

At Month 3, it is estimated that pressures within portfolios will require the allocation of £6,971,100 from the Risk Fund, as shown in the table below:

Portfolio	Service Activity	£000's
Adult Social Care & Health	Adult Disability – increasing elderly population	350.0
Adult Social Care & Health	Adult Disability – in-house home closures	200.0
Adult Social Care & Health	Learning Disability – increased numbers due to ageing population	490.0
Adult Social Care & Health	Learning Disability – client transfers	1,285.0
Children's Services	Tier 4 Services	1,932.1
Children's Services	Disability	160.0
Environment & Transport	Income – Off Street Car Parking	1,300.0
Environment & Transport	Income – Bereavement Services	535.0
Environment & Transport	Income – Development Control	389.0
Environment & Transport	Income – Bus Shelter Contract	330.0
Portfolio Draw From Risk Fund		6,971.1

This allocation is £1.1M in excess of the initial provision allowed. However, in accordance with recommendation (vi), the sum of £1.0M set aside in the Risk Fund as a pay contingency of 1% for the yet to be finalised pay aware, is to be made available to cover service related risks on the basis that there is a proposed public sector pay freeze which would negate the need to hold the pay contingency. On that basis the available Risk Fund to cover service related risks is increased to £6.9M. This reduces the net draw on the Risk Fund from £1.1M in excess of the initial provision to £101,300.

Revenue Development Fund

8. The majority of the revenue developments are complex strategic projects around which there are uncertainties in relation to timing and speed of progress. Consequently, it was agreed that funding for revenue developments be placed into a Revenue Development Fund to enable the Council to retain flexibility in funding. Further, it was agreed that approval to release this funding, making adjustments between schemes and in the timing as required, be delegated to the Executive Director of Resources following consultation with the Cabinet Member for Resources and Workforce Planning.

The Revenue Development Fund, which originally stood at £5.9M, now totals £4.9M following the allocation of £1.0M. The funding allocated is shown below:

Portfolio	Service Activity	£000's
Environment & Transport	Highways Improvements	800.0
Environment & Transport	Highways Partnership Procurement	211.5
Funding Allocated From the Revenue Development Fund		1,011.5

At this stage of the year it has been prudently assumed that the remainder of the Fund will be fully utilised, with the exception of £450,000. This was earmarked for the Building Schools for the Future Programme which has been halted by the Government.

Contingency

9. The contingency was originally set at £250,000 and it is anticipated that this will be fully utilised by the end of the year.

Approved Carry Forward Requests

10. Full Council has agreed to automatically carry forward any surplus/deficit on Central Repairs and Maintenance at year-end subject to the overall financial position of the Authority. Furthermore, Cabinet has approved the delegation of authority to the Executive Director of Resources following consultation with the Cabinet Member for Resources and Workforce Planning to allocate premises related resources (revenue and capital) in order to maximise the efficient use of resources in respect of general repairs and maintenance, major works to civic buildings and the implementation of the accommodation strategy.

At this stage of the year no variance to planned spend is anticipated and this will be actively monitored each month.

Potential Carry Forward Requests

11. Portfolios have not highlighted any potential carry forwards for submission which is as to be expected at this early stage of the year.

Forecast Employee Expenditure

12. Included within the baseline forecast portfolio over spend of £8,443,400, is a forecast over spend on employees of £241,300. The position by portfolio is as follows:

Portfolio - Employee Costs	Variance to June £000's	Forecast Outturn Variance £000's	Forecast Outturn Variance %
Adult Social Care & Health	244.7 F	656.1 F	2.8 F
Children's Services	202.0 A	1,060.3 A	2.9 A
Economic Development	10.6 A	37.3 F	1.1 F
Environment & Transport	96.9 A	84.3 F	0.5 F
Housing & Local Services	38.4 F	19.0 F	0.2 F
Leader's Portfolio	82.8 F	51.9 F	0.8 F
Leisure Culture & Heritage	30.0 A	90.3 F	1.0 F
Resources & Workforce Planning	169.3 A	119.8 A	0.9 A
Total General Fund	143.0 A	241.3 A	0.2 A

Historically the forecast in the early months of the year presents a prudent picture and the final position at outturn is generally more favourable. However, it is recognised that the economic situation this year will impact on turnover and consequently on the ability of services to achieve what are in some areas challenging vacancy management factors. Taking these factors into account, it is considered that a realistic forecast for 2010/11 would be an overall nil variance at the end of the year. More work will be undertaken in the coming months to review employee spend and ensure that consistent and appropriate assumptions are being applied.

Key Portfolio Issues

13. The corporate and other key issues for each portfolio are detailed in Appendices 2 to 9.

It is good practice to recognise that any forecast is based on assumptions about key variables and to undertake an assessment of the risk surrounding these assumptions. Having done this a forecast range has been produced for each corporate and key issue, where applicable, which represents the pessimistic and optimistic forecast outturn position. This range is included within the detail contained in Appendices 2 to 9.

There are, however, certain corporate issues which are highlighted in the tables below as being the most significant for Cabinet to note. The adverse variances are noted in the first table, with any significant favourable variances detailed in the second table:

Corporate Adverse Variances

Portfolio	Corporate Issue	Adverse Forecast £000's	See Appendix & Reference
Adult Social Care & Health	Adult Disability Care	1,143.9	App 2 – ASCH 1
Adult Social Care & Health	Learning Disabilities	2,022.9	App 2 – ASCH 2
Children's Services	Tier 4 Services	2,138.5	App 3 – CS 1
Children's Services	Disability and Inclusion Services	253.0	App 3 – CS 2
Children's Services	Tier 3 Locality Teams & Safeguarding Mgt	892.4	App 3 – CS 3
Environment & Transport	Off Street Parking	1,295.8	App 5 – E&T 1
Environment & Transport	Bereavement Services	573.0	App 5 – E&T 2
Environment & Transport	Development Control	400.6	App 5 – E&T 3
Environment & Transport	Public Transport - Bus Shelters	330.0	App 5 – E&T 4

Corporate Favourable Variances

Portfolio	Corporate Issue	Favourable Forecast £000's	See Appendix & Reference
Environment & Transport	Waste Disposal	353.7	App 5 – E&T 5

Financial Health Indicators

14. In order to make an overall assessment of the financial performance of the authority it is necessary to look beyond pure financial monitoring and take account of the progress against defined indicators of financial health. Appendix 10 outlines the performance to date, and in some cases the forecast, against a range of financial indicators which will help to highlight any potential areas of concern where further action may be required.

Quarterly Treasury Management Report

15. The Council approved a number of indicators at its meeting of the 17th February 2010 and Appendix 11 outlines current performance against these indicators in more detail. One of these relates to the ratio of financing costs to the net revenue stream and this is an indicator of affordability, highlighting the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. The estimate approved by Council for 2010/11 was 5.55% and at the end of Quarter 1 the actual figure stood at 6.11%. Authority was delegated to the Executive Director of Resources following consultation with the Cabinet Member for Resources and Workforce Planning to approve any changes to the Prudential Indicators or borrowing limits that will aid good treasury management. A review of this ratio will therefore be undertaken and any amendments will be reported as part of quarterly financial and performance monitoring and in revisions to the Treasury Management Strategy.

Housing Revenue Account

16. The expenditure budget for the HRA is £60,237,500 and the income budget is £60,237,500, giving an overall balanced budget. The overall forecast position for the year end is an over spend of £154,200 (0.26%).

The key variances are as set below, with the detail set out in Appendix 12:

	Forecast Outturn Variance £000's
Supervision & Management – Housing Management	40.3 A
Supervision & Management – Directors Office	22.1 A
Dwelling Rents	154.2 A
Tenants Service Charges	61.3 F

FINANCIAL/RESOURCE IMPLICATIONS

Capital

17. None.

Revenue

18. Contained in the report.

Property

19. Not applicable.

Other

20. Not applicable.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

21. Financial reporting is consistent with the Chief Financial Officer's duty to ensure good financial administration within the Council.

Other Legal Implications:

22. Not applicable.

POLICY FRAMEWORK IMPLICATIONS

23. Not applicable.

SUPPORTING DOCUMENTATION

Appendices

1.	General Fund Summary
2.	Adult Social Care & Health Portfolio
3.	Children's Services Portfolio
4.	Economic Development Portfolio
5.	Environment & Transport Portfolio
6.	Housing & Local Services Portfolio
7.	Leader's Portfolio
8.	Leisure, Culture & Heritage Portfolio
9.	Resources & Workforce Planning Portfolio
10	Financial Health Indicators
11	Quarterly Treasury Management Report
12.	Housing Revenue Account

Documents In Members' Rooms

1.	None
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Background Documents

Title of Background Paper(s) Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

1.	General Fund Revenue Budget Report 2010/11 to 2012/13(Approved by Council on 17 th February 2010)	
2.	Changes to Existing Revenue And Capital Budgets (Approved by Council on 14 th July 2010)	

Background documents available for inspection at: On the City's internet site

KEY DECISION? N/A

WARDS/COMMUNITIES AFFECTED:	N/A
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