



## CABINET REPORT

<b>Report Title</b>	<b>REVENUE BUDGET MONITORING 2009/10 – POSITION AS AT THE END OF MAY 2009</b>
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**AGENDA STATUS: PUBLIC**

<b>Cabinet Meeting Date:</b>	5 <sup>th</sup> August 2009
<b>Key Decision:</b>	<b>NO</b>
<b>Listed on Forward Plan:</b>	YES
<b>Within Policy:</b>	YES
<b>Policy Document:</b>	NO
<b>Directorate:</b>	Finance and Support
<b>Accountable Cabinet Member:</b>	David Perkins
<b>Ward(s)</b>	Not Applicable

### 1. Purpose

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- 1.1 This report identifies the projected outturn position for the current financial Year. Appendix 1 of the report provides further background information. The report also refers to management action being taken in response to the forecast and to minimise the impact on the Council's general fund reserves at the end of the financial year.

### 2. Recommendations

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- 2.1 Cabinet to note the report and the forecast over spend of £884k net of management action.
- 2.2 Cabinet consider the nature of the information provided in the general fund revenue budget monitoring report and confirm whether they require any additional information such as actual spend to date.

### **3. Issues and Choices**

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#### **3.1 Report Background**

- 3.1.1 The Council approved the General Fund Revenue Budget on 26th February 2009. The 2009/10 budget preparation process identified a substantial gap in funding. This was bridged by a combination of policy, efficiency and base budget savings to the value of £9.42m. These savings are in addition to the £6.2m of savings that were approved and achieved as part of the 2007/08 and 2008/09 budget setting processes.
- 3.1.2 It is important that the savings built into the budget are achieved to minimise the impact on both the Council's general reserves at the end of this financial year and the impact on future year budgets. It is intended that all policy, efficiency and base budget savings that were built into the approved budget will be monitored and reported separately this financial year together with the regular monitoring of the revenue budget. Should any of the savings be unachievable, management action will be taken to identify alternative savings or income.

#### **3.2 Issues**

- 3.2.1 The recent budgetary control internal audit undertaken by PWC has recommended that members be asked to consider whether they would find it useful to receive additional information in the budget monitoring report. In particular whether members would find it useful to receive information on actual expenditure to date. This could be incorporated either in appendix 1 or as a separate appendix or table within the report itself.
- 3.2.2 Budget Managers, in conjunction with Finance, have undertaken a review of the progress being made towards achieving the savings contained within the budget. Work has also been undertaken to identify any other emerging issues that cannot be contained within the approved budget with appropriate management action.
- 3.2.3 This is the first budget monitoring report for the year, covering the first two months, April and May. Therefore forecasts are being made on the basis of the first two months activity, and where there are issues, action plans are being worked up to ensure that the authority meets its budget target. Appendix 1 presents the identified variations from the approved budget that are giving rise to a forecast net over spend of £1,084k for services before management action and proposed use of reserves.

**3.2.4 Table 1: General Fund Provisional Outturn Summary (£,000)**

RAG	Directorate	2009/10 Original Budget	2009/10 Additional Budget	2009/10 Revised Budget*	Projected Outturn Actuals - End May 2009	Projected Outturn Variance to Revised Budget - End May 2009 pre actions	Proposed Application of Reserves & other Management Actions	Projected Outturn Variance to Revised Budget - End May 2009 post actions
		£,000	£,000	£,000	£,000	£,000	£,000	£,000
R	Environment and Culture	12,227	(29)	12,198	12,944	746	(200)	546
A	Finance and Support	17,133	79	17,212	17,268	56	0	56
A	Planning & Regeneration	2,831	0	2,831	2,866	35	0	35
R	Assistant Chief Executive*	4,043	(50)	3,993	4,230	237	0	237
A	Borough Solicitor	1,171	0	1,171	1,198	27	0	27
G	Housing	1,472	0	1,472	1,455	(17)	0	(17)
	<b>Total</b>	<b>38,877</b>	<b>0</b>	<b>38,877</b>	<b>39,961</b>	<b>1,084</b>	<b>(200)</b>	<b>884</b>

3.2.5 £895k of the projected over spend relates to policy and efficiency savings that Budget Managers have indicated still require further work. Appendix 2 contains details of the progress being made to achieve the savings.

3.2.6 Included within the forecast is a projected over spend of £193k relating to employee budgets. This is the position net of the corporate vacancy target.

3.2.7 The remaining £4k under spend before action and funding virements relates to emerging issues identified by Budget Managers.

3.2.8 Overall these items give a forecast over spend of £1,084k.

3.2.9 Management action to the value of (£200k) has been identified to partially mitigate the forecast over spend. These actions give rise to a net forecast over spend of £884k.

3.2.10 The over spend of £884k includes the monitoring of the vacancy saving target. The position in relation to the employee budget is outlined below for clarity.

**3.2.11 Table 2: Effect of Use of Reserves and Management Action on the Forecast Overspend**

	<b>£,000</b>
<b>Forecast outturn before proposed use of reserves and management action</b>	<b>1,084</b>
Identified Management Action.	(200)
<b>Total</b>	<b>884</b>

*Note that these figures are rounded.*

**3.2.12 Table 3: Employees Position at the end of May 2009**

<b>Directorate</b>	<b>Employee Forecast net of Vacancy Factor £,000</b>
Environment and Culture	323
Finance and Support	(219)
Planning & Regeneration	35
Assistant Chief Executive*	27
Borough Solicitor	0
Housing	0
	<b>193</b>

*Note that these figures are rounded.*

## Environment and Culture Directorate

3.2.13 The RAG status for Directorate of Environment and Culture is Red as the Directorate is forecasting an over spend above £100k. The reasons for the variance are explained below.

Service Area	Forecast Variance before Action	Forecast Variance after Action	Narrative
	£,000	£,000	
Director of Environ and Culture	3	3	Additional employee costs relating to honoraria payments to support staff.
Head of Public Protection	64	64	Forecast non-achievement of the corporate vacancy target.
Head of Neighbourhood Environmental Services	557	357	See below
Head of Leisure and Culture	80	80	Forecast non-achievement of the corporate vacancy target.
Head of Town Centre Management	42	42	Forecast non-achievement of the corporate vacancy target.
<b>Total</b>	<b>746</b>	<b>546</b>	

### Head of Neighbourhood Environmental Services

3.2.14 The service has indicated that it is unlikely to deliver in full savings targets totalling £663k built into the 2009/10 budget. Management actions are currently being put in place and further developed to minimise potential overspend. Plans include the following comments and actions

3.2.15 The saving option for bulky waste collection of £90k is currently unlikely to be achieved at this point in the financial year (Ref OI4). This is primarily due to electrical stores offering their own recycling service to take away old appliances free of charge combined with the overall economic recession.

3.2.16 A saving of £185K has been achieved to date from changing the staff mix from permanent worker to temporary worker (Ref MTPS211). £200k of the savings target remains outstanding. The current economic climate has resulted in lower than anticipated staff turnover within the Service, resulting in more staff required to leave with each financial period that passes. The implication is that the service is unable to replace permanent staff who leave the organisation with lower cost temporary staff as planned, however management will now consider alternative action in respect of achieving this target.

3.2.17 A saving of £175K in respect of the reduction in grounds maintenance within Parks and Open Spaces (Ref MTPS32) has been achieved to date, however

£158k remains to be found. Management action is currently being considered as to how this may be delivered.

- 3.2.18 The saving that was built into the budget for wild flower areas of £23k (Ref MTPS715) will not be achieved at this current time, although the wildflower areas have been seeded. Management action is currently being considered as to how this may be delivered.
- 3.2.19 The saving that was built into the budget for Reduction to grass mowing frequency of £192k (Ref MTPS716) will not be achieved via the actions originally proposed. Management action is currently being considered as to how this may be delivered.
- 3.2.20 The remainder of the variance is made up of minor variations totalling (£105k).
- 3.2.21 Management action of (£200k) has been identified by the service to partially offset the above savings that will not be achieved. It is proposed that additional income will be generated from recycling activity of (£100k). Management action also included the proposed usage of section 106 monies of (£100k) for works currently being undertaken by the service that form part of existing section 106 agreements. Work is ongoing to implement these management actions.
- 3.2.22 Intensive work is currently underway to try to ensure that by the end of period 3 robust savings plans are in place to fully address the period 2 forecasted variance for this service.

### Finance and Support Directorate

- 3.2.23 The RAG status for Finance and Support is Amber as the Directorate is forecasting an over spend of less than £100k. The reasons for the variance are explained below.

Service Area	Forecast Variance before Action	Forecast Variance after Action	Narrative
	£,000	£,000	
Director of Finance and Support	2	2	Additional employee costs relating to honoraria payments to support staff.
Head of Finance and Assets	11	11	See below
Head of Revenues and Benefits	0	0	N/A
Head of Customer Services and ICT	(3)	(3)	Employee savings net of the corporate vacancy target.
Head of Human Resources	38	38	Forecast non achievement of the corporate vacancy target
Head of Procurement	8	8	Forecast non achievement of the corporate vacancy target
<b>Total</b>	<b>56</b>	<b>56</b>	

### **Head of Finance and Assets**

3.2.24 Employee savings net of vacancy target generate a forecast under spend of (£50k).

3.2.25 Loss of commercial rent income £75k. It is anticipated that this will be partially offset by additional rental income of (£24k) in response to the review of rents that is currently taking place.

### **Planning & Regeneration Directorate**

3.2.26 The RAG status for People, Planning, and Regeneration is Amber as the Directorate is reporting an over spend of less than £100k. The reasons for the variance are explained in the table below.

<b>Service Area</b>	<b>Forecast Variance before Action</b>	<b>Forecast Variance after Action</b>	<b>Narrative</b>
	<b>£,000</b>	<b>£,000</b>	
Director of Planning and Regeneration	1	1	Additional employee costs relating to honoraria payments to support staff.
Head of Planning	41	41	Forecast non achievement of the corporate vacancy factor
Head of Regeneration and Development	(7)	(7)	Employee savings net of corporate vacancy target.
<b>Total</b>	<b>35</b>	<b>35</b>	

### **Assistant Chief Executive**

3.2.27 The RAG status for Directorate of Assistant Chief Executive is Red as the Directorate is forecasting an over spend of more than £100k. The reasons for the variance are explained below.

<b>Service Area</b>	<b>Forecast Variance before Action</b>	<b>Forecast Variance after Action</b>	<b>Narrative</b>
	<b>£,000</b>	<b>£,000</b>	
Assistant Chief Executives	4	4	Recruitment costs and running costs including vehicle allowances and mobile telephones
Head of Policy and Community Engagement	211	211	See below
Head of Performance and Improvement	9	9	Forecast non achievement of the corporate vacancy target and additional conference costs
Director of Local Strategic Partnership	0	0	N/A
Chief Executives	13	13	Organisational subscriptions and conference costs
<b>Total</b>	<b>237</b>	<b>237</b>	

### **Head of Policy and Community Engagement**

3.2.28 The net Employee forecast is an overspend of £21k due to non-achievement of the corporate vacancy target.

3.2.29 The Service has reported that the saving that was built into the 2009/10 budget for Community Centres of £190k will not be achieved. Work is underway to identify how this may be achieved in future years.

### **Borough Solicitor**

3.2.30 The RAG status for the Borough Solicitor is Amber as the Service is reporting an over spend of less than £100k. The reasons for the variance are explained in the table below.

<b>Service Area</b>	<b>Forecast Variance before Action*</b>	<b>Forecast Variance after Action*</b>	<b>Narrative</b>
	<b>£,000</b>	<b>£,000</b>	
Borough Solicitor	27	27	Forecast non achievement of corporate vacancy target
<b>Total</b>	<b>27</b>	<b>27</b>	



### **Housing Directorate (General Fund)**

3.2.31 The RAG status for the Directorate of Housing is Green as the Directorate is reporting an under spend. The reasons for the variance are explained in the table below.

<b>Service Area</b>	<b>Forecast Variance before Action*</b>	<b>Forecast Variance after Action*</b>	<b>Narrative</b>
	<b>£,000</b>	<b>£,000</b>	
Director of Housing	1	1	Additional cost of vehicle allowances
Head of Housing Strategy, Investment and Performance	5	5	Staff training and printing costs of consultation document.
Head of Landlord Services	0	0	N/A
Head of Housing Needs and Support	(23)	(23)	Additional grant for Homelessness net of additional costs of lifeline maintenance costs
<b>Total</b>	<b>(17)</b>	<b>(17)</b>	

### **Other Areas for Information**

3.2.32. As indicated above, managers have already taken action to minimise the overall net impact on Council finances. This includes identifying where there is scope for efficiencies without detriment to public service delivery, seeking additional external funding and capitalisation of specific costs. Managers must continue to rigorously assess areas in which further efficiencies can be achieved. Particular attention should be given to management of the employee establishment.

### **Improvement Fund**

3.2.33. The opening balance on the Improvement Fund Reserve for 2009/10 is £1m.

	<b>£,000</b>
<b>Improvement Fund Balance as at 01.04.2009</b>	<b>1,000</b>
<b>Total estimated Improvement Fund balance at 31.03.2010</b>	<b>1,000</b>

### **Corporate Initiatives (LABGI) Earmarked Reserve**

3.2.34. The opening balance on the Corporate Initiatives Reserve for 2009/10 was £351k.

	<b>£,000</b>
<b>LABGI Balance as at 01.04.2009</b>	<b>351</b>
<b>Total estimated LABGI balance at 31.03.2009</b>	<b>351</b>

## **General Fund Balances**

3.2.35 Following the completion of the closure of the year-end accounts 2008/09 the forecast opening General Fund Balance for 2009/10 was revised to £2,006k. This will be subject to the audit process and will be confirmed once the accounts of the authority have been approved by our external auditors.

## **Housing Revenue Account (HRA)**

3.2.36 A separate report detailing the HRA position appears elsewhere on the agenda.

## **3.3 Choices (Options)**

3.3.1 Cabinet is invited to note the report and the actions being taken to contain net expenditure to minimise the impact on the Council's reserves at the end of the financial year.

3.3.2 Consideration must be given as to if further management action can be taken to achieve those savings that have been identified by Budget Managers as unachievable.

3.3.3 Options for further constraining expenditure without detriment to front line service delivery must be considered corporately to address the projected net overspend.

3.3.4 Cabinet is invited to consider whether they require any additional information, for example information relating to actual spend, to be included in the budget monitoring report.

## **4. Implications (including financial implications)**

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### **4.1 Policy**

4.1.1 The table at 3.2.4 shows that the budget is forecast to be over spent by £884k after management action and proposed use of reserves.

### **4.2 Resources and Risk**

4.2.1 This report informs the Cabinet of the forecast revenue budget outturn as at the end of May 2009.

4.2.2 There will be an ongoing impact on future year budgets of not achieving savings contained within the 2009/10 budget.

### **4.3 Legal**

4.3.1 There are no specific legal implications arising from this report.

### **4.4 Equality**

4.4.1 There are no specific equalities implications arising from this report.

#### **4.5 Consultees (Internal and External)**

- 4.5.1 Chief Executive, Directors, Heads of Service, and Budget Managers have been consulted.

#### **4.6 How the Proposals deliver Priority Outcomes**

- 4.6.1 Monthly budget monitoring relates to improving the CPA/CAA Use of Resources score, which contributes to the priority of being a well-managed organisation that puts the customer at the heart of what we do.

#### **4.7 Other Implications**

- 4.7.1 Not applicable

#### **5. Background Papers**

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- 5.1 Full Council Report of 26<sup>th</sup> February 2009 (General Fund Revenue Budget 2009/10 – 2011/12), Cabinet Report of 29<sup>th</sup> June 2009 (General Fund Budget Outturn 2008/09)  
22<sup>nd</sup> December 2008 Revenue Budget Monitoring to 31 October 2008  
4<sup>th</sup> February 2009 Revenue Budget Monitoring to 30 November 2008  
25<sup>th</sup> February 2009 Revenue Budget Monitoring to 31 December 2008

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