

<b>CABINET</b>	<b>AGENDA ITEM No. 10</b>
<b>26 March 2012</b>	<b>PUBLIC REPORT</b>

Cabinet Member(s) responsible:	Cllr David Seaton	
Contact Officer(s):	John Harrison, Executive Director Strategic Resources Steven Pilsworth, Head of Strategic Finance	Tel. 452520 Tel. 384564

## BUDGET MONITORING REPORT 2011/12

R E C O M M E N D A T I O N S	
<b>FROM :</b> Executive Director Strategic Resources	<b>Deadline date :</b> 15 March 2012
<p>That Cabinet:</p> <ol style="list-style-type: none"> <li>1. Notes the improvement in the provisional outturn for the council's revenue budget, reducing the level of reserves required to deliver a balanced budget.</li> <li>2. Notes the updated reserves position, including the general fund and capacity fund.</li> <li>3. Notes the position on the capital budget monitoring.</li> <li>4. Notes the performance on treasury management activities, payments of creditors and collection performance for debtors, local taxation and benefit overpayments.</li> </ol>	

### 1. ORIGIN OF REPORT

- 1.1 This report is submitted to Cabinet following approval by the Corporate Management Team.

### 2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to inform Cabinet of the provisional financial performance for revenue and capital based on known information to date.
- 2.2 This report also contains performance information on treasury management activities, the payment of creditors in services and collection performance for debtors, local taxation and benefit overpayments.
- 2.3 This report is for Cabinet to consider under its Terms and Reference No 3.2.7, to be responsible for the council's overall budget and determine action required to ensure that the overall budget remains within the total cash limit.

### 3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	Yes	If Yes, date for relevant Cabinet Meeting	26 March 2012
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## **4. PROVISIONAL OUTTURN 2011/12**

### **4.1 Corporate Overview**

4.1.1 When Full Council approved the Medium Term Financial Strategy (MTFS) 2011 in February 2011 it was on the basis that 2011/12 would have a surplus budget to offset against future deficit budgets arising from 2013/14. The MTFS also outlined that there were a number of financial risks that the council would need to monitor during the year.

4.1.2 As the financial year progressed, some risks materialised and further pressures emerged requiring robust action and mitigations to reduce the impact this financial year and financial consequences in future financial years. The emergence of these risks and pressures were flagged in the budget report to Cabinet during September and within all budget reports during January and February.

4.1.3 The actions undertaken by the Corporate Management Team and Cabinet included:

- Targeted actions on increased cost pressures within Adult Social Care and Children Services;
- Departmental measures to reduce spend in supplies and services and employee budgets without detriment to service provision in the current financial year. This includes where pressures have materialised, departments have contained these pressures with local actions;
- Bringing forward savings earmarked for future financial years in the current MTFS;
- Reviewing existing investment plans in the current MTFS, assessing the implications of deferring investment into future financial years such as growth investment;
- A comprehensive in depth review of the capital programme, deferring projects into future financial years or removing projects that are no longer required. Any reduction in the amount that the council requires to borrow to fund the capital programme would reduce the costs of financing the borrowing; and
- Review of reserves and provisions, particularly the commitments within the capacity fund.

4.1.4 Subsequently, the financial implications in future years were considered as part of setting the MTFS 2012 and in particular, detail was provided in the council's budget document on how the Council will address these financial issues. Cabinet continues to protect as far as possible, front line services and its vision for the city through reducing bureaucracy and costs, and improving efficiency to ensure value for money.

### **4.2 Financial Report – Revenue**

4.2.1 The budget monitoring information as at February 2012 has been used to refresh the outturn position. As disclosed previously, the key issues that had arisen were increased cost pressures and demand within adult social care and children's social care budgets and the costs associated with supporting growth, regeneration and economic development.

4.2.2 As well as the general actions outlined in 4.1.3 above, the following specific issues are helping to minimise the impact of these pressures:

- Chief Executives – The current budget assumes £620k investment in supporting the council's growth agenda to grow the city by 20,000 jobs and 25,500 houses by the year 2026. This investment has been deferred until 2012/13 and 2013/14 financial year, therefore contributing to an under spend in Chief Executive's budget in the current financial year;
- Strategic Resources – Following the in depth review of the capital programme and subsequent slippage and re profiling of capital projects, the borrowing requirement has reduced, therefore resulting in a further saving. In addition, the council has brought forward saving proposals; and
- Savings across departments, and the use of the corporate contingency.

- 4.2.3 This report updates Cabinet of the continued progress to reduce the current overspend and consequential changes to the reserves. Despite this, it has not proved possible to completely close the gap. It is considered that any other short term savings in the current financial year will have an unacceptable impact on services. As such it remains necessary to use some reserves to balance the position. The impact of this approach on the level of reserves is included in the MTFS, and specifically commented on in the Chief Finance Officers report. Cabinet and CMT will continue to exhaust all the actions, including those outlined in paragraph 4.1.3 of this report to reduce the current pressure further.
- 4.2.4 Based on the latest available information as at 29 February 2012, the outturn has improved by £318k and will therefore reduce the amount of reserves required to balance the budget. A summary of the changes since the published MTFS to the latest forecast are outlined below. A detailed breakdown can be seen in appendix A.

Department	Outturn to Full Council £k	Updates to Outturn £k	Provisional Outturn £k
<b>Use of Surplus Carry Forward as per MTFS 2011</b>	<b>2,918</b>	<b>0</b>	<b>2,918</b>
Adult Social Care	-8,357	-94	-8,451
Chief Executive	1,103	184	1,287
Legal and Governance Services	347	39	386
Children Services	0	0	0
Operations	218	33	251
Strategic Resources	344	156	500
Corporate contingency	1,000	0	1,000
<b>REVISED TOTAL – surplus (+) / deficit (-)</b>	<b>-2,427</b>	<b>318</b>	<b>-2,109</b>
Use of Reserves	2,427		2,109
<b>Outturn</b>	<b>0</b>		<b>0</b>

- 4.2.5 The key changes impacting on outturn include:
- An updated estimate to adult social care costs;
  - Continued business critical spend only strategy within departments;
  - Additional unringfenced grant income received; and
  - Capital financing savings arising from the council continuing to use internal cash balances before borrowing from the market leading to interest savings.
- 4.2.6 The provisional outturn position may fluctuate further as there are several risks and issues that are subject to change and dependent on departmental actions. All of these items are being monitored closely with the expectation that there is no worsening of the latest provisional outturn position.
- The adult social care forecast assumes that when the service returns to the Council, the number of clients using these services does not increase further during March and it remains our best estimate at this stage;
  - Departments delivering locally agreed action plans to balance their budgets and continue to invoke spending measures such as critical business spend only;
  - Finalisation of the redundancy programme for 2011/12;
  - Confirmation of school capitalisations for 2011/12. This will be finalised during closure of accounts during April 2012; and
  - Accounting for the unspent monies on revenue grants in accordance with the International Financial Reporting Standards.

### 4.3 Financial Report – Reserves

- 4.3.1 The council's departmental reserves and capacity building reserve are monitored throughout the year as part of budget monitoring and feed into the budget setting process accordingly. The council is currently forecasting use of £2.1m of the capacity building reserve to meet pressures in the current year. This is factored into the summary of

reserves table. The council's projected key reserves position at 31 March 2012 is indicated in the next table.

- 4.3.2 Although the capacity building reserve has improved by £1.4m, the majority of this balance will be required during 2012/13 and is therefore not additional monies, only a timing issue between financial years of when the commitments are likely to occur.

<b>Reserves</b>	<b>Reserves (Full Council) £k</b>	<b>Updates £k</b>	<b>Reserves (Cabinet) £k</b>
General Balance	6,000	0	6,000
Capacity Fund	4,817	1,410	6,627
<b>TOTAL</b>	<b>10,817</b>	<b>1,410</b>	<b>12,627</b>

- General Fund – The general fund is expected to be maintained at £6m and this is consistent with the current MTFS.
- Capacity Building Reserve – This reserve is held to meet one off costs including the delivery of existing savings within the current MTFS. The improvement to the reserve since Full Council set next year's budget is predominantly due to the improved revenue outturn position, a revision to the phasing of human resource implications costs into next financial year and the phasing across financial years to address the Children Services Ofsted action plan. This is in part offset by the commitment to meet the transitional costs associated with bringing Adult Social Care services back under council control.

- 4.3.3 The final reserves position will not be confirmed until the closure of accounts.

#### **4.4 Financial Report – Capital**

- 4.4.1 The 2011/12 capital programme has been reduced as a result of re-phasing of the budgets in preparation for the MTFS (2012/13 to 2021/22). The resultant revenue impact of re-phasing has been factored into the current budget and future budgets as approved by Full Council last month. There has been a minor change to the capital programme by £0.1m and a revised capital programme summary can be seen in the next table:

## Overall position of the Capital Programme 2011/12 as at 29 February 2012

Capital Programme by Directorate:	MTFS 2011 to 2015	Budget as at 01 April 11	Budget as at 29 Feb 2012	Actual Expenditure	Total Budget Spent	Anticipated Outturn**
	£000	£000	£000	£000	%	£000
Adult Social Care	3,965	4,189	1,154	-13	-1%	1,154
Chief Executives	12,115	19,519	3,895	2,479	64%	3,895
Children's Services	52,824	56,277	46,345	33,997	73%	46,345
Operations	19,048	20,457	16,397	12,134	74%	16,397
Strategic Resources*	20,854	23,303	15,816	8,804	56%	15,816
<b>Total Expenditure</b>	<b>108,806</b>	<b>123,745</b>	<b>83,607</b>	<b>57,401</b>	<b>69%</b>	<b>83,607</b>
<b>Financed by:</b>						
Grants & Contributions	45,407	53,733	47,977	38,517	80%	47,977
Capital Receipts	18,277	18,277	8,057	4,316	54%	8,057
Right To Buy Receipts	757	757	757	926	122%	757
Borrowing	44,365	50,978	26,816	13,642	51%	26,816
<b>Total Resources - required</b>	<b>108,806</b>	<b>123,745</b>	<b>83,607</b>	<b>57,401</b>	<b>69%</b>	<b>83,607</b>

4.4.2 The capital programme is partly funded by the receipts generated through the disposal of capital assets. There are risks that not all assets expected to be disposed of during 2011/12 will happen in line with the current budget strategy as decisions will need to happen by 31 March 2012. Any resulting financial impact will be assessed in conjunction with the overall capital programme and revised accordingly. The assets identified for disposal are still intended to be disposed as approved in the MTFS.

### 4.5 Financial Report – Performance Monitoring

4.5.1 An outline of performance against key indicators can be seen in appendix B.

## 5. CONSULTATION

5.1 Detailed reports have been discussed in Departmental Management Teams.

## 6. ANTICIPATED OUTCOMES

6.1 To note the provisional outturn position for the council.

6.2 To note the performance figures and prudential indicators for the council.

6.3 To note the actions that has been taken during 2011/12 and into the Medium Term Financial Strategy.

## **7. REASONS FOR RECOMMENDATIONS**

- 7.1 This monitoring report for the 2011/12 financial year is a precursor to the closure of accounts and decision making framework to form part of the process for producing the Statement of Accounts.

## **8. ALTERNATIVE OPTIONS CONSIDERED**

- 8.1 The council's outturn is considered as part of setting the following year's budget including how any over and under spends on the reported outturn position can be met. Consideration on addressing the overspend included a reduction in the general fund balance below the minimum £6m balance which is not deemed to be appropriate and finding additional savings. It was considered that any other short term savings in the current financial year will have an unacceptable impact on services.

## **9. IMPLICATIONS**

- 9.1 This report does not have any implications effecting legal, human rights act or human resource issues.
- 9.2 Members must have regard to the advice of the Section 151 Officer. The Council may take decisions which are at variance with this advice, providing there are reasonable grounds to do so.

## **10. BACKGROUND DOCUMENTS**

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985.

Detailed monthly budgetary control reports prepared in Departments.

## Appendix A

Probable Outturn £k		Budget	Provisional Outturn	Variance
		£k	£k	£k
	<b>CHIEF EXECUTIVE'S DEPARTMENT</b>			
55	Chief Execs Department	379	312	67
347	Legal & Governance Services	3,799	3,413	386
126	Chief Executive Dept & Business Support	690	564	126
620	Delivery	2,173	1,413	760
124	Communications	571	441	130
178	Human Resources	1,374	1,170	204
<b>1,450</b>	<b>CHIEF EXECUTIVE DEPARTMENT TOTAL</b>	<b>8,986</b>	<b>7,313</b>	<b>1,673</b>
	<b>DIRECTOR OF CHILDREN'S SERVICES</b>			
3,176	Education & Resources	1,934	-2,093	4,027
38	Childrens Community Health	9,219	9,121	98
-3,214	Safeguarding Family & Communities	17,063	21,188	-4,125
<b>0</b>	<b>CHILDREN'S SERVICE TOTAL</b>	<b>28,216</b>	<b>28,216</b>	<b>0</b>
	<b>DIRECTOR OF OPERATIONS SERVICES</b>			
-82	Business Support	405	403	2
-778	Commercial Operations	3,089	3,725	-636
0	Cultural Services	0	0	0
766	Directors Office	804	562	242
0	Environment Capital	0	0	0
-351	Neighbourhoods	6,567	6,766	-199
663	Planning, Environment, Transport & Engineering	9,534	8,692	842
<b>218</b>	<b>OPERATIONS SERVICES TOTAL</b>	<b>20,399</b>	<b>20,148</b>	<b>251</b>
	<b>DIRECTOR OF STRATEGIC RESOURCES</b>			
-5	Director's Office	189	194	-5
152	Business Support	1,811	1,654	157
-471	Corporate Services	21,923	22,326	-403
31	Internal Audit	342	296	46
3	Insurance	25	22	3
-78	Shared Transactional Services	-474	-395	-79
229	Customer Services	645	408	237
-253	Strategic Property	177	489	-312
-46	ICT	2,946	2,948	-2
24	Procurement	296	278	18
246	Business Transformation	1,588	1,306	282
0	Waste & Operational Service Management	12,435	12,435	0
94	Service Improvement	277	194	83
-47	Westcombe Engineering	2	47	-45
40	Cultural Services	4,294	4,199	95
<b>-81</b>	<b>STRATEGIC RESOURCES TOTAL</b>	<b>46,476</b>	<b>46,401</b>	<b>75</b>
425	Corporate Pressures/Solutions	0	-425	425
<b>425</b>	<b>CORPORATE ITEMS TOTAL</b>	<b>0</b>	<b>-425</b>	<b>425</b>
<b>-8,357</b>	<b>ADULT SOCIAL CARE TOTAL</b>	<b>39,850</b>	<b>48,301</b>	<b>-8,451</b>
1,000	Corporate Contingency	0	-1,000	1,000
2,918	Surplus Carry forward as per MTFP 2011	0	-2,918	2,918
<b>-2,427</b>	<b>GENERAL FUND TOTAL</b>	<b>143,927</b>	<b>146,036</b>	<b>-2,109</b>
<b>0</b>	<b>DEDICATED SCHOOL GRANT TOTAL</b>	<b>130,449</b>	<b>130,449</b>	<b>0</b>

## Appendix B – Performance Monitoring

### Treasury Management Strategy Statement:

#### Annual Investment Strategy:

The Treasury Management Strategy Statement (TMSS) and Prudential Code for 2011/12 was approved by Council on 23 February 2011. The Council's Annual Investment Strategy, which is incorporated in the TMSS, outlines the Council's investment priorities as follows:

- Security of Capital
- Liquidity

The Council will also aim to achieve the optimum return (yield) on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term, and only invest with Barclay's (the Council's current banking provider), the Debt Management Office and Local Authorities.

As at 29 February 2012 the Council's external investments totalled £8.0m and have yielded interest at an average rate of 0.44% in the financial year to date. The average investment balance for February has fallen from £15m in January to £8m (Table 1). The performance of the investments is just below the target benchmark 7 day rate of 0.48% (Table 2).

#### Borrowing:

It is a statutory duty for the Council to determine and keep under review the "Affordable Borrowing Limits". Council's approved Prudential Indicators (affordability limits) are outlined in the approved TMSS.

The Council's external long term debt as at 29 February is £132.9m which is at an average fixed rate of 4.52%. Also during February the Council took out temporary borrowing of £5m at a rate of 0.42%. The actual total external debt is measured against the Council's Authorised Limit for borrowing of £378.8m, which must not be exceeded and the Operational Boundary (maximum working capital borrowing indicator) of £279.0m.

Prudential Indicators continue to operate within approved levels.

Table 1: Average Investment Balance

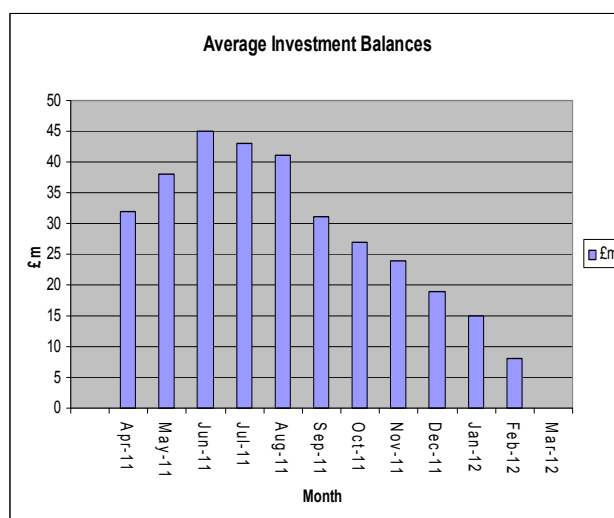


Table 2: PCC Average Interest Rate

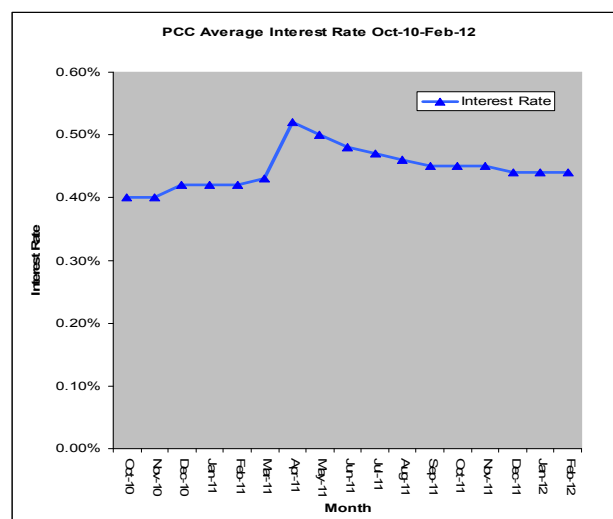


Table 3: Debt Portfolio

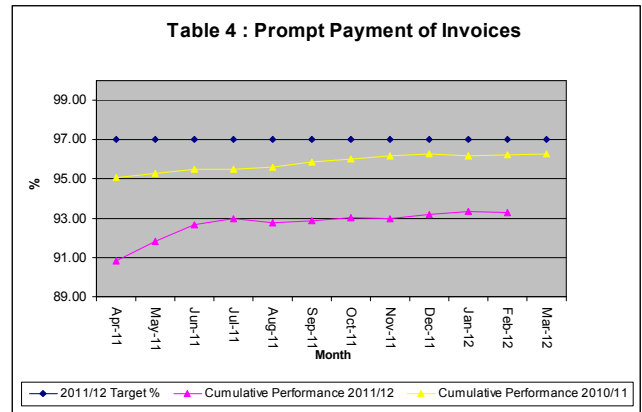
Debt Portfolio		
	Principal	Interest per annum
	£m	£m
PWLB	115.387	5.214
Market Loans	17.500	0.793
<b>TOTAL</b>	<b>132.887</b>	<b>6.007</b>



**Prompt Payment (Invoices paid within 30 Days)**

The accumulative prompt payment of invoices at 29 February is 93.29% against a target of 97.00%. The current performance is shown in comparison to the cumulative performance for 2011/12 in table 4.

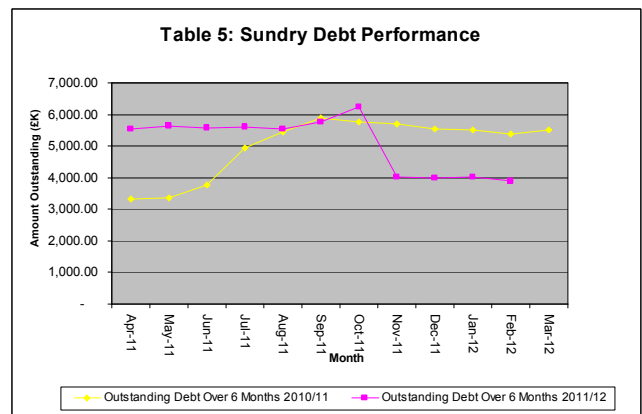
Investigative work is continuing to establish possible reasons why the performance does not appear to improve each month, particularly as there is no backlog in paying the invoices within the team responsible for processing invoices.



**Sundry Debt Performance**

The current outstanding sundry debt in excess of six months is shown in table 5 as at 29 February 2012.

The top 20 debts total £3.8m of the total debt outstanding on the sundry debt and commercial rents portfolio. In order to progress action against these debts, bi-monthly review meetings have been set up with each Directorate Head of Business Support to discuss issues, disputes and move forward with actions to recover income.

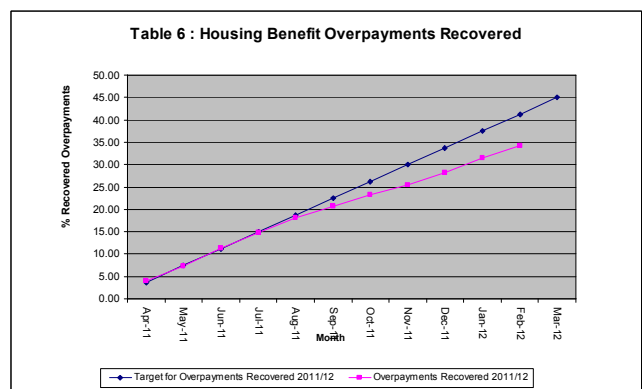


- The amount of debt written off for 2011/12 to date is Nil. A targeted review of sundry debt in excess of six months is currently being undertaken by departments as part of a precursor to closing the accounts for 2011/12.

**Housing Benefit Overpayments**

Table 6 shows the total amount of housing benefit overpayments recovered against the cumulative target rate set for 2011/12.

Housing benefit overpayment collection for the end of 29 February 2012 was 34.34% against a target of 41.25%. More proactive recovery work on benefit overpayments is planned during March to improve collections.

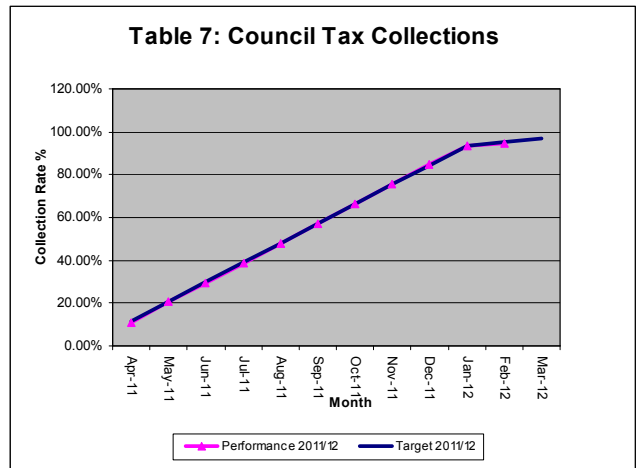


**Council Tax and Business Rates Collection**

The following tables 7 and 8 show the performance for collection of Council Tax and Business Rates for the period to date.

**Council Tax**

Council Tax collection at 29 February was 94.68% against a target of 95.90%. The forecast target for 2011/12 is 95.50%. The collection of council tax owed during 2011/12 will continue after the close of the financial year and the final collection rate for 2011/12 will be higher.



**Business Rates**

The collection of non Domestic Rates as of 29 February was 92.94% against a target of 95.47%. The forecast target for 2011/12 is 95.50%. The collection of business rates owed during 2011/12 will continue after the close of the financial year and the final collection rate for 2011/12 will be higher.

