



FINANCIAL MONITORING 2010/11 QUARTER TWO

SUMMARY

- 1.1 The financial results to 30 September 2010 forecast a number of pressures. Strategic Directors have identified relevant actions and continue to develop proposals to ensure a balanced position by the year end.

RECOMMENDATION

- 2.1 To note the quarter two 2010/11 performance and financial results with actions being taken to ensure a balanced position by the year end.
- 2.2 To approve the use of the budget risk reserve.
- 2.3 To approve the reprioritisation of service reserves and revenue budgets.

REASONS FOR RECOMMENDATION

- 3.1 To update members on the Council's financial position for the first half year and authorise appropriate allocation of reserves.

SUPPORTING INFORMATION

4. General Fund revenue and capital budget monitoring 2010/11

- 4.1 The summary revenue budget position including mitigating actions to address highlighted budget pressures are shown at Appendix 2.

4.2 Adults Health and Housing

- Housing budgets reflect the anticipated use of £0.50m supporting people reserves to fund the 10-11 programme. Previously identified pressures within the Housing General Fund have now been addressed by savings identified from Supporting People administration.
- Adult services budgets show a £0.55m underspend across homecare, residential and day care services.

4.3 Children and Young People

- The forecast variance for the Children and Young People's Directorate is an overspend of £0.85m. This has reduced considerably over recent months as actions to contain the overspending position have come to realisation.
- Specialist Services are overspending to the extent of £2.25m and the prime cause for this is the number of children in care in high cost agency placements. The budgeted number of agency placements is 90 and the directorate is currently running with numbers of around 101.
- To mitigate the over spend on children's placements other significant under spends are being preserved within the directorate;
 - Learning Department £0.37m; use of one off Adult Learning reserves and staff savings as the department takes actions in reducing staffing in preparation for reducing grant funded areas in 2011-12.
 - Strategy and Commissioning Department £0.37m; £0.19m of extended schools funding, this was identified as a source of funding at the beginning of the financial year to help alleviate the known growing pressure on children's placements, maximisation of grant funding streams are also contributing towards the under spend.
 - Early Years ring fenced grants £0.65m; maximisation of these grants.
- The Directorate has also implemented a freeze on non essential spend and it is anticipated that this will release £0.15m towards the forecasted over spend, this has been factored into the current net over spend of £0.85m.
- However, it should be noted that the numbers of case loads and referrals to social care are still presenting a financial challenge to the Directorate and although steps are being taken to address these there is a financial pressure of £0.06m this year. This is as a result of newly recruited, often less experienced, social workers who can not yet safely take the numbers and complexities of case work that other experienced workers do.

4.4 Neighbourhoods

- Neighbourhoods are currently assuming a balanced revenue position at year end. This includes the application of contingency, reserves and revenue budgets:
 - waste corporate contingency budget (£1.17m) to fund operational costs prior to full implementation of the waste treatment plan
 - trading reserves (£0.49m) applied against waste, golf and building services
 - parking reserve (£0.15m) to offset the loss of parking income
 - re-prioritising of the use of service reserves and revenue adjustments (£0.39m) to fund one off pressures in highways and car parks
 - Planning Reserve (£0.09m) to fund pressures in building control and development control
 - proposed use of the corporate budget risk reserve (0.23m) to fund building services pressures.

4.5 Resources

- A balanced overall outturn is currently forecast for the resources directorate and no significant actions are required. A change to Environmental Information Regulations have led to reductions in forecast land charges income, but this pressure will be met from savings identified elsewhere within the directorate.

4.6 Chief Executive's

- Catering, Cleaning and Caretaking (CCC's) forecast outturn is £0.48m overspend against which £0.33m of trading account reserves have previously been approved. The remaining net overspend of £0.15m will be met within the overall Chief Executive's Office budget.

4.7 Corporate Budgets and Contingencies

There are four areas to highlight ...

- Treasury Management forecast return for the financial year is £0.7m better than expected due to under borrowing against the planned budget, slippage of the capital programme and savings from redeemed debt in the year.
- A £0.50m pressure has been recognised for the likely claw back of Housing Benefit subsidy funding from the Council following audit of the 2008/09 claim. This balance will be met from within the overall corporate budgets outturn position.
- £1.06m of the £2.19m one Derby, one council savings target has now been met. A review of the remaining £1.13m target, predominantly from procurement savings is being undertaken to determine the level of any variance against target expected by the year end. Some savings in procurement through limiting non-essential spend has already been actioned in Directorates, however this is already supporting the balanced Directorate outturn positions.
- Concessionary fares continue to be a problem area with a £0.33m forecast budget shortfall. It is proposed that this is met from the unallocated budget risk reserve.

- 4.8 **Budget Risk Reserve** - Cabinet is asked to approve the use of £0.33m from the budget risk reserve to address the forecast shortfall for concessionary fares, and to approve the use of £0.23m from the same reserve to meet the losses within the Buildings section.

The remaining unallocated balance within the Council's budget risk reserve following these applications would be £0.89m. This reserve is held to support future budget planning and other unforeseen in-year budget pressures.

- 4.9 **Use of Reserves and revenue budgets** - Cabinet is also asked to approve the re-prioritisation of reserves to support the 2010/11 outturn position, including:
- £0.05m from the Highways reserve
 - use of identified section 106 funding of £0.04m
 - use of Planning reserves of £0.09m
 - use of £0.3m of revenue budget originally allocated for playground capital contributions.

- 4.10 **Achievement of 2010/11 Savings Targets** – The savings target for 2010/11 is £8.4m, of which £5.8m have already been achieved, with £6.6m anticipated to be met by the year end. The major areas not delivered include:
- £0.4m in Neighbourhoods due to late implementation of actions, however these have been captured in the overall balanced outturn position for Neighbourhoods above
 - £1.2m of procurement savings which have partially been delivered by Directorates, but still leave a £1.2m shortfall overall and has been captured in the outturn position above.
 - The balance of £0.2m has been incorporated into the monitoring position across Directorates above.
- 4.11 **Capital Programme** - The 2010/11 capital programme is reported monthly within Contract and Financial Matters report. As a result any monitoring changes are reported via this report, the next one being 23 November 2010 Cabinet. It is proposed therefore to just highlight any significant issues within the quarterly performance monitoring report. Also within this report the capital risks budgets schedule is included at Appendix 3.
- 4.12 **Building Schools for the Future**
- The Government have now confirmed that BSF funding will be made available for the two sample schemes, Noel-Baker/St Martins (PFI funded new school building) and Derby Moor (grant funded major refurbishment), plus an additional £4.6m capital grant to be used for the sample schools, and citywide ICT developments for non sample schools.
 - The BSF project team have now submitted a final business case to the Government to confirm the details regarding how this funding will be used and is expecting to receive their approval for the programme in late November 2010 so that building works can commence in January 2011.
 - As a consequence of the reduced level of funding all non sample BSF schemes have now been removed from the capital programme
- 4.13 **Neighbourhoods**
- Following the announcement of national funding cuts against the playbuilder programme, it is proposed that the £0.3m revenue contribution from existing Council funding is removed and underachievement of income used to offset revenue losses in the Neighbourhoods Directorate, as outlined in the Financial Matters Report to this Cabinet agenda.

OTHER OPTIONS CONSIDERED

- 5.1 Not applicable

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Service Director(s) Other(s)	
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For more information contact: Background papers: List of appendices:	Julian Kearsley 01332 2556263 julian.kearsley@derby.gov.uk Appendix 1 – Implications Appendix 2 – Update on Revenue Budget Appendix 3 – Capital Budget Monitoring
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IMPLICATIONS

Financial

- 1.1 As detailed in the report and appendices. We have been informed by CLG that the Local Area Agreement Reward Grant has now been abolished.

Legal

- 2.1 None directly arising.

Personnel

- 3.1 None directly arising.

Equalities Impact

- 4.1 None directly arising.

Health and Safety

- 5.1 None directly arising.

Carbon commitment

- 6.1 None directly arising.

Value for money

- 7.1 None directly arising.

Corporate objectives and priorities for change

- 8.1 The report demonstrates progress made towards achieving the Council's corporate priorities. The Council's corporate priorities and related actions also support the Local Area Agreement outcomes and performance measures.

Update on Revenue Budget

	Qtr 2 Key Pressures & (Savings) £000	Proposed actions to balance	On-going pressures
Adult Health and Housing Department Adult Social Care	(554)		
Chief Executive Department CCC's	150	The £150k pressure identified within CCC's will be covered by savings made within the Chief executive budget as a whole.	Catering trading losses are anticipated into 2011/12 against which a £170k reserve is being held
Children and Young People Department Core CYP budgets	845	Balances to address this position have not yet been identified.	
Neighbourhoods Neighbourhoods	(164)	Clarification on vacancy control and other risks and uncertainties may impact on period 7. This could potentially reduce forecast under-spend.	Recycling Plan +£53k -forecasted increases in the general markets for recycling materials have not returned to pre recession levels. Ongoing planning income shortfalls +£113k. Bus station +£60k negotiations to agreements with the developer. Highways development control +£50k downturn in development. Parking Services estimated +£300k underachievement of income.
Resources Resources	0	Overall balanced position with no significant in year actions required, although some on-going pressures to be addressed.	Land Charges income shortfall likely to continue - approx £50k
Corporate Budgets and Contingencies Treasury Management Corporate Budgets	(700) 1,596	The main issues are : savings against procurement opportunities target for 10/11 is showing a shortfall of approximately £1.2m, and the risk of £0.5m HB subsidy clawback	The on-going effect of Concessionary Fares budget shortfall of £0.35m has been included within 2011-2015 budget strategy

Capital Budget Monitoring

Department	Name of Scheme	2010/11 Budget £000	2010/11 Spend to Date £000	2010/11 Projected Outturn £000	Original Planned Completion Date	Latest Planned Completion Date	Current Status of Scheme	Current Progress of Scheme
Adults, House and Housing	Extra Care	1,300	0	1,300	11/12	11/12	Tender	Older People Home's Strategy currently under review. Forecasting expenditure in line with existing plans but this may change. At Tender Stage but site selection is subject to OP Homes Strategy Review
Adults, House and Housing	Dementia	492	0	492	11/12	11/12	Feasibility	Older People Home's Strategy currently under review. Forecasting expenditure in line with existing plans but this may change
Adults, House and Housing	National Care Standards	236	0	236	Ongoing programme to improve standard of ASC Establishments	Ongoing programme to improve standard of ASC Establishments	Feasibility	Older People Home's Strategy currently under review. Forecasting expenditure in line with existing plans but this may change
Adults, House and Housing	Adult Social Care	114	0	114	Ongoing programme to improve standard of ASC Establishments	Ongoing programme to improve standard of ASC Establishments	Feasibility	Older People Home's Strategy currently under review. Forecasting expenditure in line with existing plans but this may change
Adults, House and Housing	DFGs	1,600	623	1,600	31/03/2011	31/03/2011	Ongoing	Loss of assumed Corporate funding of £500k but budget increased to £1.6m by reducing Group Repair and other budgets and using Corporate contribution to HGF. DFGs are mandatory and demand is increasing for what is an insufficient budget - leading to backlogs and possible moratoriums - building up commitment for future years when there is also a very likely loss or reduction of external funding.

Adults, House and Housing	Group Repair	989	163	989	31/03/2011	31/03/2011	Ongoing	Programme reduced to maintain DFG spend as explained above. Will require careful management in year to finish programme - potential loss or reduction of external funding in 2011/12 and beyond. Also need all residual grants and contributions not yet spent to finance Group Repair to enable maximum works in a programme for which other resources are diminishing
Adults, Health and Housing	Total	4,731	786	4,731				
Children and Young People	Various schools Fire Precaution Works following FRA	1,970	347	1,942	2010-11	2010-11	on site	Most schemes completed during the summer holiday period. Final costs not yet confirmed.
Children and Young People	Arboretum Primary Capital Programme	1,657	426	1,657	16/07/2011	16/07/2011	on site	Construction ongoing. Phase 1 of 5 completed 4 weeks behind schedule. Remaining programme may be subject to adjustment. Anticipated handover August 2011. Associated additional costs can be contained within current budget.
Children and Young People	Ravensdale Junior Primary Capital Programme Scheme	306	11	306	2012/13	2012/13	Detailed design	Planning application submitted. Detailed design and phasing being agreed.
Children and Young People	Unallocated Sure Start Early Years Capital Grant	385	406	406	2010-11	2010-11	Under urgent review	An urgent review and re-prioritisation of all schemes funded from Sure Start Early Years and Children's Centres Capital Funding is taking place and a revised programme will be reported at the next cabinet meeting, following the Government cutting a total of £967k from this funding stream.
Children and Young People	New Primary Phase Enhanced Resources (ER) Unit for Autistic Spectrum Disorder (ASD) Pupils	75	0	75	2012/13	2012/13	Design	Discussions being taken forward with Brookfield Primary School. Feasibility work and sketch design underway.
Children and Young People	Meadow Farm - Primary capital programme scheme	25	0	25	2012/13	2012/13	Design	Design concept being discussed with school.

Children and Young People	Ashgate Primary Capital Programme Scheme	100	0	100	2012/13	2012/13	Design	Design concept being discussed with school.
Children and Young People	Firs Estate Primary Capital Programme Scheme	25	0	25	2012/13	2012/13	Design	Brief agreed.
Children and Young People	Markeaton Primary Capital Programme Scheme	100	0	100	2012/13	2012/13	Design	Overall design agreed and now looking at detail.
Children and Young People	Derby Moor Community Sports College - Major refurbishment	2,431	0	2,431	2012/13	2012/13	On site January 2011	Contractor preparing to start on-site January 2011.
Children and Young People	Total	7,073	1,190	7,067				
Chief Exec's	Full St Corridor Phase 1 (Morledge) Construction	1,228	117	1,228	Jan-11	Feb-11	Under Construction	Morledge is approximately 50% complete. The first two stages of work are programmed for completion by the end of November 2010. Final completion is expected by the end of February 2011.
Chief Exec's	Wardwick, Friar Gate & Cheapside	2,049	23	2,049	Jan-11	Feb-11	Under Construction	Scheme currently under construction. Unforeseen conditions (damage to Culvert under Wardwick and unknown cellars on Cheapside) have led to delays and potentially additional costs. This is being pro-actively managed within the agreed budget, but final costs are unlikely to be known until construction is completed in March 2011.
Chief Exec's	Wayfinding Structures	469	71	469	Mar -11 for capital works, with a year's management of the system until Mar -12 by Section 106 Westfield monies	Jan-11	Under Construction	Following comprehensive design stages, project is in fabrication stages with installation still programmed for March 2011. Consultants will remotely manage the ICT aspects of the system for a year after this.

Chief Exec's	Building Frontage Enhancement Scheme	535	76	535	ongoing	2011/12	Under Construction	Since July 2010 the interest in the grant has soared and to date a further 5 schemes have been fully approved bringing the total to 7 with EMDA funding with over £110k committed. There has been a surge in the number of enquiries, however due to the complex nature of the work involved there is delays in the delivery.
Chief Exec's	Derby Railway Station Interchange Improvements	1,912	14	1,803	Dec-11	Jun-12	Detailed Design	This project is predominantly funded from erdf (79.5%). Local Transport Plan is contributing £230,000 (12.5%) and National Stations Improvement Programme £100,000 (5.6%). New growth Point also contributes around £76,000 (4.4%). Detailed design has started in September 2010 and work will commence in September 2011, work is to be completed by May 2012.
Chief Exec's	Sadler Gate Design Project	439	9	83	Mar-11	Mar-11	Planning	Growth Point Funding confirmed in October 2010. Currently re-activating project with a view of having the first part of the project commissioned by January 2011. Stage 1 will take about 3 months and will require procurement of specialist urban design and survey services. Stage 2 will commence in April 2011 and it is planned will be mostly undertaken using in-house resources
Chief Executive's	Total	6,632	310	6,167				
Neighbourhoods	Playground improvements 2010/11	1,411	0	Unknown	Mar-11	N/a	Scrapped	Late notification that the government Playbuilders grant that is funding the majority of the spend has been scrapped. Two schemes in Spondon remain funded from Council resources.
Neighbourhoods	Gayton Pool	792	839	792	Jul-10	Oct-10	Complete	Completion on site in October 2010

Neighbourhoods	Crematorium - replacement / replacement of cremators and building refurbishment	1,149	0	326	Dec-12	Jun-13	Feasibility	Now planning to add filters to existing cremators - costs not yet ascertained. Works to Markeaton Lodge may commence in late 10/11 with tenders for the filters in 11/12 with likely completion of works into mid 2013.
Neighbourhoods	Leisure Centre Strategy	1,000	0	400	Dec-14	Dec-14	Feasibility	Number of sites still being evaluated for suitability for locating the new facilities on. Separately the Council is looking at the potential of the scheme being led by the private sector as part of a wider regeneration project.
Neighbourhoods	Quad	264	138	205	2009/10	Sep-10	Complete	Final project costs not yet confirmed.
Neighbourhoods	Pubic Area CCTV	250	0	250	Sep-10	Mar-11	Design	There have been considerable delays with this project and there is continuing uncertainty as to how it will be delivered. Although costs may be incurred this year this will not be known until the project design is complete. Confirmation has been received that funding can be slipped to 2011/12.
Neighbourhoods	Central Library Improvements	84	0	84	Sep-10	Mar-11	Design	Work has started and is currently expected to be completed during 2010/11. The primary reason for classifying this as a risk budget is due to time limited funding. It has been indicated that it may be possible to slip the funding into 2011/12, although this has not yet been confirmed.
Neighbourhoods	Chaddesden Park Library	20	5	20	Nov-11	Jun-13	Design	The scheme is progressing with the bulk of the costs expected to fall 2012/13. This remains a politically sensitive scheme due to the proposed location of the library.
Neighbourhoods	Connecting Derby	10,800	4,937	10,800	Dec-10	Mar-11	On Site	Scheme completion date extended from Dec 10 to Feb 11 with additional residual costs (BHC) slipped into 11/12
Neighbourhoods	Total	15,770	5,919	12,877				