



Financial Monitoring 2010/11 Quarter 3

SUMMARY

- 1.1 This report summarises the financial monitoring position at the end of quarter 3 in the current financial year based on the income and expenditure performance up to 31 December 2010.
- 1.2 The Council is currently forecasting a balanced budget position by the financial year end subject to mitigating actions being taken to balance current overspends.
- 1.3 Services and directorates are taking actions to bring their budgets back into balance, including transferring budgets from services which are underspending such as corporate contingencies and the use of reserves previously approved by Cabinet. The use of reserves to balance the budget will result in lower levels of corporate reserves than previously held by the Council.

RECOMMENDATION

- 2.1 To note the quarter three 2010/11 financial monitoring results with actions being taken to ensure a balanced position by the year end.
- 2.2 To approve the use of underspends from corporate contingency budgets to support a balanced budget position by 31 March 2011.

REASONS FOR RECOMMENDATION

- 3.1 To update Cabinet of the Council's financial position for the first three quarters of the year and to provide a forecast for year end.

SUPPORTING INFORMATION

- 4.1 The summary revenue budget variance is shown below. Services and directorates with overspends are taking actions to bring their budgets back into balance. This includes transferring from budgets which are underspending and the use of reserves.

Update on Revenue Budget 2010/11

Directorate	Current Controllable Base Budget 2010/11 £000's	Initial Projected Year End Variance £000's	Revised Projected Year End Variance following New Proposed Actions £000's
Adults, Health and Housing	68,387	(792)	(792)
Chief Executive's	13,345	0	0
Children and Young People	41,085	552	552
Neighbourhoods	42,671	0	0
Resources	13,278	0	0
Corporate Budgets and Contingencies	38,718	2,004	240
Total	217,484	1,764	0

4.2 Adults Health and Housing

- Adult Health and Housing Services are forecasting a predicted year end underspend of £792k. This includes managed savings from staff and agency budgets whilst the service is being restructured, along with planned temporary savings in specialist services in advance of permanent funding reductions in 2011/12.
- The underspend reported for Adult Services in the previous financial monitoring quarter 2 has now been significantly reduced due to an increase in client activity in direct payments and supported living, and a loss of Continuing Health Care Income above that anticipated.
- It is proposed that the underspend within the Adult Services budget is used to offset significant budget pressures within other services.

4.3 Chief Executive's Office

A balanced overall outturn is currently forecast for the Chief Executive's Office following use of reserves as approved in the quarter 2 monitoring report.

- On building cleaning and caretaking there has been a loss of several high margin sites, leaving low margin and loss making sites. This has led to a forecast overspend of £47k which will be offset against other underspending areas within the Chief Executive's budget.

- There is a forecast shortfall of £456k on catering budgets following the increasing number of schools opting out of the service and income lost from recent school kitchen closures and additional cost of building surveys. This will be funded by using £415k from the trading reserve as previously approved by Cabinet, with the remainder addressed through offsetting against underspends within the Directorate.

4.4 Children and Young People

- The forecast variance for Children and Young People - CYP - at the financial year end is an overspend of £552k. The main cause of this is a significant overspend of £2.3m due to the number of children in care in high cost agency payments, where numbers placed exceed budgetary provision.
- The majority of this overspend has been mitigated using underspends from other areas of the CYP budget, however the remaining £552k will need to be met corporately.

4.5 Neighbourhoods

- Neighbourhoods are continuing to forecast a balanced revenue budget position at year end. This is due to the application of contingencies, use of reserves and revenue budgets as previously approved by Cabinet. The significant uses of reserves and contingency budgets include:
 - use of waste corporate contingency budget (£1.134m) to fund increase in household disposal costs relating to the fixed payment elements of the new contract for the Derby Transfer Station and Raynesway HWRC.
 - Use service reserves (£0.44m) to cover shortfall in income targets for off street and for on street parking, season tickets and shortfall on fines.
 - (£0.43m) for building services to offset overspend.

4.6 Resources

A balanced overall outturn is also forecasted for the resources directorate and no significant actions are required. All budget pressures have been contained within the overall budget resources.

4.7 Corporate Budgets

Corporate Budgets are currently forecast to have an overspend by the year end of £1.9m. This is due to the following ...

- There is a potential £2.2m overspend due to the Housing Benefit payment subsidy clawback following the external audit of the 09/10 claim. Work is underway to review work of audit to challenge the audit findings in order to reduce this liability.
- The Benefit Payments budget is also forecast to be overspent by a further £0.5m. This is due to a number of factors including a reduction to the capped limit where no subsidy is receivable; an increase in over market payments attracting nil and

60% subsidy; and an increase in eligible overpayments attracting only 40% subsidy.

- The £1.2m ODOC procurement savings target has been achieved. However, it was agreed that these savings should be held within Directorates thus creating a shortfall against this corporate budget. These budgets will be removed from Directorates in 2011/12.
- There continues to be a shortfall in the Concessionary fares budget of £0.4m due to increased demand. It was agreed previously that (£0.3m) will be met from the budget risk reserve and remaining balance will have to be met from other Council underspends. .
- The treasury management forecast return for the financial year is £2.1m better than expected due to under borrowing against the planned budget, slippage of the capital programme, savings from redeemed debt in year and increased debt charges to the Housing Revenue Account.

4.8 Corporate Contingencies

The Council holds a number of corporate contingency budgets to support a balanced budget position.

It is proposed that the forecast underspends on a number of these contingencies, namely Single Status (£0.727m) and Cost/Inflation (£1.037m), are used to offset the overspend currently forecast in Corporate Budgets in order that the Council achieves an overall balanced budget position for 2010/11.

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:	Chloe Kenny, Head of Corporate Finance, 01332 643369 e-mail: chloe.kenny@derby.gov.uk
Background papers:	None
List of appendices:	Appendix 1 – Implications

IMPLICATIONS

Financial

1.1 As detailed.

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 priorities and related actions also support the Local Area Agreement outcomes and performance measures.