

**Meeting of the Cabinet – 9<sup>th</sup> September 2009**

**Report of the Interim Director of Finance**

**Spending Projections 2009/10**

**Purpose of Report**

1. To report details of the projected revenue outturn on the General Fund for 2009/10.
2. In the light of the Council's overall financial position, to recommend the Cabinet to reiterate the need for all Cabinet Members, Directors and budget holders to exercise stringent budgetary control for the remainder of the current financial year.

**Background**

3. When I reported to Cabinet in June on the outturn position for 2008/9, I highlighted a number of issues that would need to be kept under review during 2009/10. These included impacts of the recession on service demands and cash flow as well as demographic pressures, particularly as they affect services to adults and children.
4. A summary of the latest budgetary control forecast, produced in accordance with the Council's approved Financial Management Regime (FMR), is attached as Appendix A. This shows a number of forecast variations from directorates' approved budgets:

	£m	
<b>Directorate of Children's Services – Projected Overspend</b>	0.8	DR
Mainly due to increases in the numbers of looked-after children. It is still too early in the year to be able to give any precise forecast of final figures and it is hoped that final spending can be contained within this forecast.		
<b>Finance, ICT and Procurement – Projected Underspend</b>	0.1	CR
Mainly forecast improved income, Benefits Subsidy and vacancies		
<b>Total net</b>	0.7	DR

Safeguarding children and young people is a key duty for the Council and one which carries significant risk to both the individual and organisation. The Director of Children's Services has made the following comments :-

- Specialist Children's Services has experienced a large rise in new referrals which has resulted in a 95% increase since 2007/8, the most significant increase being in the period since November 2008 which reflects the national media profile of safeguarding following the death of Baby Peter in Haringey. The increase has led to a 65% increase in initial assessments in the same period and an upward trend in care proceedings and admissions to care. This has had a significant impact on

the capacity of social work fieldwork teams in responding to the increased demand.

- Currently we have 588 Looked After Children (LAC), an increase of 14% since the 2009/10 budget was created in October 2008. There is a direct correlation between the rise in LAC and the cost of the support services and arrangements for the review of children's cases. Under the Children Act we have a duty to facilitate contact between Looked After Children and their families and this is often following a court directive. As a consequence of increasing numbers of Looked After Children there has been a rise in supervised contact arrangements and an additional pressure on transport which supports Looked After Children maintaining their educational placements and providing transport to support existing contact arrangements. This rise in Looked After Children also impacts on the provision and support provided from leaving care services.
- The numbers of children with a child protection plan have also risen, this has placed increased pressures on the reviewing system with increased numbers of child protection conferences and reviews. There has also been a rise in the numbers of complex strategy meetings as a result of allegations against staff in positions of trust both within the Council and partner agencies which is a function set out in Working Together to Safeguard children (DCSF 2006) and managers within Children's Specialist Services.
- The 2009/10 budget for Independent Fostering Associations (IFA) and residential is £6m. These budgets are being managed within resources available to the Directorate, and since April 2008 as part of the spend to save initiative. There has been a 37% reduction in the number of high cost external placements (equivalent to 17 children). However, this saving has been offset by a 70% increase in IFA placements (equivalent to 37 children). The continuing rise in Looked After Children is putting pressure on these budgets which are constantly under review.

5. In addition to the above a number of pressures are emerging in other directorates which directors currently anticipate they can manage within their total approved resources:

- Pressures on home care for the elderly and from new placements of people with learning disabilities;
- Shortfalls in car parking income and in Building Regulations and Planning fees, mainly offset within the Directorate of the Urban Environment by savings on energy costs and as a result of locking into contract prices to take advantage of current low rates of inflation;
- Pressures in the Directorate of Law and Property from a reduction in income from searches due to the economic downturn and the fact that personal search companies are now only obliged to pay a small statutory fee to the Council.

6. The budget for 2009/10 was set on the prudent assumption of a pay award of 2.25%. The forecasts set out above continue to be based on the same assumption. National pay negotiations are ongoing and I will report back to Cabinet on the financial impact of the pay award as and when negotiations are concluded.

## General Fund balances

7. The latest position, compared to the original Approved Budget for 2009/10, is as follows:

	<b>Original Budget £m</b>		<b>Latest Position £m</b>	
Balance at 31 <sup>st</sup> March 2009	4.6	CR	4.6	CR
Effect of 2008/9 outturn			0.7	CR
	4.6	CR	5.3	CR
Less: estimated use 2009/10	4.6	DR	4.6	DR
To fund net overspending 2009/10			0.7	DR
<b>Balance at 31<sup>st</sup> March 2010</b>	<b>0.0</b>		<b>0.0*</b>	

\*Note: The actual balance shows a slight net forecast in hand figure

8. The Council's financial position in the current year relies upon delivering spending within budget and where it cannot, utilising available reserves . It cannot plan for a debit balance on its General Fund . The financial position may be improved if the pay award for 2009/10 is concluded at a lower level than was assumed in the budget and if general inflation remains low, but that cannot be guaranteed at this point in time. The forecast above uses all "available" general balances . However, the Council has a working balance of £2m and earmarked reserves that may not all be required within the year if pressures cannot ultimately be contained within the year. The Council's approved Medium Term Financial Strategy (MTFS) assumed that all of the General Balances would be required to support spending in 2009/10. It was, however, recognised that there was likely to be a shortfall in resources in the medium term and the strategy must therefore be to continue to (amongst other things):

- (a) review spending and spending priorities and resource forecasts on an ongoing basis;
- (b) seek further efficiency and other savings;
- (c) take action to replenish General Balances and specifically identify £1m through transfers from earmarked reserves in the course of the current year.

the Cabinet is recommended to reiterate the need for all Cabinet Members, Directors and budget holders to exercise stringent budgetary control for the remainder of the current financial year.

## Finance

9. This report deals with projected total spending in 2009/10 and forecasts a net overspend against budget of £0.7m. There are risks to this forecast from a range of pressures including those outlined in paragraph 5.

## **Law**

10. The Council's financial management arrangements are governed by the Local Government Finance Act 1988 and 1992, the Local Government and Housing Act 1989 and the Local Government Act 2003.

## **Equality Impact**

11. These proposals comply with the Council's policy on Equal Opportunities.

## **Recommendation**

12. It is recommended that the Cabinet:-
- (a) notes the forecast overspending set out in paragraph 4;
  - (b) approves "earmarking" General Balances to fund the projected overspending in the Directorate of Children's Services, if ultimately required;
  - (c) notes the projected underspending in Finance, ICT and Procurement will be transferred to General Balances;
  - (d) reiterates to all Cabinet Members, Directors and budget holders the need to exercise stringent budgetary control for the remainder of the current financial year in accordance with the Council's Approved Financial Management Regime;
  - (e) notes the effects on the Council's Medium Term Financial Strategy;
  - (f) takes action to replenish General Balances when the opportunity arises.



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**COMPARISON OF APPROVED BUDGETS AND PROJECTED SPENDING 2009/10**

	<b>Approved Budget £'000</b>	<b>Projected Spending £'000</b>	<b>Variation £'000</b>
Chief Executive's	11,982	11,982	0
Children's Services	63,430	64,230	800
DACHS	101,953	101,953	0
DUE	54,538	54,538	0
Finance, ICT & Procurement	922	782	-140
Law, Property & Human Resources	1,869	1,869	0
<b>Total</b>	<b>234,694</b>	<b>235,354</b>	<b>660</b>