

## Meeting of the Council – 15<sup>th</sup> October 2007

### Report of the Cabinet

### Spending Projections 2007/8

#### Purpose of Report

1. To report details of the projected outturn for 2007/8 and to recommend increased budget allocations for Children's Services and Chief Executive's funded from General Balances.
2. In the light of the Council's overall financial position, 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. The latest budgetary control information, produced in accordance with the Council's approved Financial Management Regime (FMR), shows a number of variations from approved budget, of which the following are the most significant:

	<b>£m</b>	
<b>Children's Services – Projected Overspend</b>	3.0	DR
Due to further increases in the number of looked after children, particularly those placed out of borough and fostered, together with increased home to school transport costs, including budgeted savings which have not been achieved.		
<b>Chief Executive's – Projected Overspend</b>	0.3	DR
As a result of additional pressures in Community Safety, loss of funded streams for Marketing and Communications and additional costs of Comprehensive Performance Assessment process. Action has been taken to reduce the ongoing impact of the increased costs, but is unlikely to take effect in the current financial year.		
<b>Directorate of Urban Environment</b>	Nil	
Mainly additional Waste Disposal costs offset by Fleet Management Trading Surplus and Value Added Tax (VAT) refunds in car park income		
<b>Directorate of Adult, Community and Housing Services – Projected Underspend</b>	0.2	CR
Mainly efficiencies in the management of the Asylum Seekers contract.		
<b>Finance, ICT and Procurement – Projected Underspend</b>	1.0	CR
Better than forecast interest earnings mainly resulting from favourable cash flows.		
<b>Total Net Overspending</b>	<b>2.1</b>	<b>DR</b>

Further details are set out at Appendix A.

4. There is currently a potential commitment in respect of the Leaps and Bounds project for which a number of bids have been made for external funding. Although it is anticipated that the cost will be covered from external funding sources, if external funding bids are unsuccessful or if external funding is insufficient, there is a risk that all or part of this cost will fall on general balances.
5. In addition to the net overspending outlined above, it is proposed that £0.483m be provided to support training for employment in the Borough in line with stretch targets in the Local Area Agreement (LAA). It is anticipated that the Council will be able to recoup this investment by having first call on any Performance Reward Grant received at the end of the current LAA in 2009/10. Similar levels of funding are likely to be required to sustain this activity through 2008/9 and 2009/10. Funding for these later years will be brought to Cabinet for consideration in due course, subject to performance and any developments in the LAA.

#### Funding the Overspending

6. The effect of the above on General Balances, compared to the original Approved Budget for 2007/8, is as follows:

	<b>Original Budget £m</b>		<b>Latest Position £m</b>	
Balance at 31 <sup>st</sup> March 2007	8.2	CR	8.2	CR
Effect of 2006/7 outturn	-		3.3	CR
	8.2	CR	11.5	CR
Less: estimated use 2007/8	4.3	DR	4.3	DR
To fund net overspending 2007/8	-		2.1	DR
To support delivery against stretch targets in the LAA	-		0.5	DR
<b>Balance at 31<sup>st</sup> March 2008</b>	<b>3.9</b>	<b>CR</b>	<b>4.6</b>	<b>CR</b>

7. The Council's approved Medium Term Financial Strategy (MTFS) assumed that all of the General Balances would be required to support spending in 2008/09 and 2009/10. However, it was 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.
8. The favourable 2006/07 outturn (which arose largely from a one-off treasury management opportunity) resulted in an increase in General Balances of £3.3m in line with the MTFS. It is therefore disappointing the projected net overspending in the current year will significantly reverse that favourable effect.
9. If the current level of spending in both Children's Services and the Chief Executive's budgets continues or increases in 2008/9, the gap between resources and spending projections will increase significantly. Needless to say, this will greatly increase the pressure on General Balances. In accordance with the FMR and the MTFS, the Council 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.
10. On consideration of the information contained in the report, the Cabinet, at its meeting held on 12<sup>th</sup> September, 2007, resolved to recommend the Council to approve the recommendations, set out in paragraphs 15-21 (inclusive below).

### **Finance**

11. This report deals with projected total spending in 2007/8 and identifies a total net overspending of £2.1m. Taken together with additional support to the LAA of £0.5m, this leads to additional pressure on General Balances of £2.6m. There is a continuing risk of further overspending in the current year and increasing commitments into 2008/9.

### **Law**

12. 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**

13. These proposals comply with the Council's policy on Equality and Diversity.
14. The net overspending includes increasing costs of looked after children and particularly placements outside the Borough. There has been no specific consultation with children and young people and there has been no direct involvement of children and young people in developing the proposals.

## **Recommendations**

15. That the projected net overspending as set out in paragraph 2 of this report be noted.
16. That the allocations from General Balances to fund the projected overspending in Children's Services of £3m and the Chief Executive's Directorate of £300,000 be approved.
17. That the allocation of £483,000 from general reserves to support training for employment and that this be recouped as a first call on any Performance Reward Grant in 2009/10, as set out in paragraph 5 of this report be approved.
18. That the projected underspending in the Directorates of Adult, Community and Housing Services and Finance, ICT and Procurement be noted and transferred to General Balances.
19. That 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, be reiterated to all Cabinet Members, Directors and budget holders.
20. That the effects on the Council's Medium Term Financial Plan be noted.
21. That action be taken to replenish General Balances when the opportunity arises.

*David Caunt*

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**Leader of the Council**

**COMPARISON OF APPROVED BUDGETS AND PROJECTED SPENDING 2007/08**

	<b>Approved Budget £'000</b>	<b>Projected Spending £'000</b>	<b>Variation £'000</b>
Chief Executives	12,718	12,989	271
Children's Services	50,326	53,326	3,000
DACHS	76,464	76,285	-179
DUE	47,859	47,873	14
Finance	19,349	18,349	-1,000
Law and Property	1,851	1,851	0
Local Area Agreement – Support to Delivery of Stretch Targets	0	483	483
<b>Total</b>	<b>208,567</b>	<b>211,156</b>	<b>2,589</b>