

Meeting of the Cabinet – 10th September 2008

Report of the Director of Finance

Spending Projections 2008/9

Purpose of Report

1. To report details of the projected outturn for 2008/9 and to recommend amendments to the revenue budget, funded from General Balances.
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 2007/8, I highlighted risks to the financial position in 2008/9 from unbudgeted expenditure on the Leaps and Bounds project and from the rising cost of fuel and utilities.
4. In the light of the latest budgetary control information, produced in accordance with the Council's approved Financial Management Regime (FMR), I am recommending a number of adjustments to the budget, the net cost of which would be funded from General Balances:-

	£'000	
Chief Executive's		
Unbudgeted expenditure on the Leaps and Bounds project to complete the Wrosne and Chasing Fate programmes - subject to uncertainty over a number of income streams and to the project becoming financially independent of the Council early in 2009.	800	DR
Agreed contribution to Black Country Consortium Ltd in respect of redundancy costs of former local authority staff.	25	DR
Directorate of Urban Environment		
Increased cost of street lighting largely due to higher energy costs.	500	DR
Costs of the planning appeal in relation to the Dudley Mosque.	100	DR
Finance, ICT and Procurement		
Costs of the relocation of ICT staff and equipment from Tower Street outlined in more detail in a separate report to this meeting	220	DR
Efficiencies and the further transfer of services to Dudley Council Plus.	350	CR
Better than forecast interest earnings, mainly arising from favourable cash flows.	1,000	CR
Total Net Additional Allocations	295	DR

The proposed revised budget is shown in full at Appendix A.

5. In addition to the allocations set out in paragraph 4, latest budgetary control information shows a number of other spending pressures, the most significant of which are:-
- Contract gas and general electricity costs greater than budgeted, up to £0.5m impacting on a number of directorates.
 - Rising costs of vehicle fuel - £0.3m impacting on a number of directorates.
 - Indications of a slowdown in fee income from Building Regulations and Land Charges – up to £0.3m, which appear to relate at least in part to the effects of the Credit Crunch and in the case of land charges income, increased use of private search companies.
 - Ongoing pressures to provide services to older people and to Looked-After Children that are being managed within the Directorate of Adult, Community and Housing Services and the Directorate of Children’s Services.
6. At this stage of the year, these pressures are being managed within existing total cash limited budgets in accordance with the Council’s Approved Financial Management Regime. There is, however, a risk that this will ultimately not be possible, particularly in the case of increased fuel and utility costs and reduced Building Regulation and Land Charges fee income and further increased budget allocations later in the year may be necessary. The position will be carefully monitored.

Funding adjustments to the budget

7. The effect of the adjustments in paragraph 4 on General Balances, compared to the original Approved Budget for 2008/9, is as follows:

	Original Budget £m		Latest Position £m	
Balance at 31 st March 2008	7.6	CR	7.6	CR
Effect of 2007/8 outturn	-		0.3	CR
	7.6	CR	7.9	CR
Less: estimated use 2008/9	6.0	DR	6.0	DR
To fund adjustments to the budget for 2008/9	-		0.3	DR
Balance at 31st March 2009	1.6	CR	1.6	CR

8. 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. 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.

9. The favourable 2007/08 outturn resulted in an increase in General Balances of £0.3m over the level anticipated in the budget. The budget adjustments proposed in paragraph 4 reverse this and there are further spending pressures that may emerge later in the year. In accordance with the FMR and the MTFs, 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

10. This report deals with projected total spending in 2008/9 and recommends a net increase to the budget of £0.3m. There is a continuing risk of further overspending in the current year and increasing pressures into 2009/10.

Law

11. 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

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

Recommendation

13. It is recommended that the Cabinet:-
- (a) approves allocations from General Balances to fund the budget adjustments set out in paragraph 4;
 - (b) notes the spending pressures outlined in paragraph 5;
 - (c) 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;
 - (d) notes the effects on the Council's Medium Term Financial Plan;
 - (e) takes action to replenish General Balances when the opportunity arises.



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COMPARISON OF APPROVED BUDGETS AND PROJECTED SPENDING 2008/09

	Approved Budget £'000	Proposed Revised Budget £'000	Change £'000
Chief Executives	9,418	10,243	825
Children's Services	64,230	64,230	0
DACHS	98,657	98,657	0
DUE	54,324	54,924	600
Finance - directorate	20,293	20,163	-130
Finance - corporate	-21,586	-22,586	-1,000
Law and Property	1,535	1,535	0
Total	226,871	227,166	295