

Meeting of the Council – 13th October 2008

Report of the Cabinet

Spending Projections 2008/09

Purpose of Report

1. To report details of the projected outturn for 2008/09 and to recommend amendments to the revenue budget, funded from General Balances.
2. In the light of the Council's overall financial position, to reiterate the need for all Cabinet Members, the Chief Executive, Directors and budget holders to exercise stringent budgetary control for the remainder of the current financial year.

Background

3. When the outturn position for 2007/08 was reported to the Cabinet in June, the risks to the financial position in 2008/09 from unbudgeted expenditure on the Leaps and Bounds project and from the rising cost of fuel and utilities were highlighted in the report of the Director of Finance.
4. In the light of the latest budgetary control information, produced in accordance with the Council's approved Financial Management Regime (FMR), the Cabinet at its meeting held on 10th September 2008, resolved to recommend the Council to approve a number of adjustments to the budget recommended by the Director of Finance, 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 2008/09, is as follows:

| | Original Budget | | Latest Position | |
|---|-----------------|-----------|-----------------|-----------|
| | £m | | £m | |
| Balance at 31 st March 2008 | 7.6 | CR | 7.6 | CR |
| Effect of 2007/08 outturn | - | | 0.3 | CR |
| | 7.6 | CR | 7.9 | CR |
| Less: estimated use 2008/09 | 6.0 | DR | 6.0 | DR |
| To fund adjustments to the budget for 2008/09 | - | | 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 Council is recommended to reiterate the need for all Cabinet Members, the Chief Executive, Directors and budget holders to exercise stringent budgetary control for the remainder of the current financial year.
10. On consideration of the information in this report the Cabinet, at its meeting held on 10th September 2008, resolved to recommend to the Council as set out in paragraph 14 below.

Finance

11. This report deals with projected total spending in 2008/09 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

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.

Recommendations

14. It is recommended that the Council:-
- (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, the Chief Executive, 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.

David Caunt

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Leader of the Council

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 |