

## **SLOUGH BOROUGH COUNCIL**

**REPORT TO:** Overview and Scrutiny Committee **DATE:** 12 July, 2011

**CONTACT OFFICER:** Emma Foy, Acting Head of Finance, (01753 875358)

**WARD(S):** All

### **PART I**

#### **FOR COMMENT AND CONSIDERATION**

#### **REVENUE BUDGET MONITORING REPORT TO 31<sup>st</sup> MAY 2011- (PERIODS ONE AND TWO)**

##### **1. Purpose**

- 1.1 The purpose of this report is to inform O&S of the latest financial position as at the end of May 2011.

##### **2. Recommendations**

2.1 O&S is requested to:

- Note the current projected outturn position on the General Fund of an overspend of £632K.
- Note that the Housing Revenue Account (HRA) reported a projected overspend of £86.5K
- Note the identified areas of risk and emerging issues;
- Approve the content of this report for inclusion in Cabinet on 18<sup>th</sup> July 2011.

##### **3. Background**

- 3.1 The Council's net revenue budget for 2010/11 is £108.5m.
- 3.2 The Housing Services agreed net operating budget for 2010/11 is a surplus of £87K.

##### **4. Projected Outturn Position as at 31<sup>st</sup> May 2011**

- 4.1 There is currently a forecast overspend for the 2011/12 General Fund at the end of period two of £632K. This level of overspend relating primarily to the costs of our looked after children was anticipated and Members have already agreed a £600k contingency sum to be allocated to the area. Members have further requested a full review of all associated costs in the area to ensure adequate resources continue to be maintained. The only other forecast variance from budget reported at this stage is a small, £13k under spend within Resources and regeneration.

- 4.2 For the Housing revenue account there is currently a projected over spend position of £86.5k from the budgeted surplus position of £87k
- 4.3 The position is summarised in Table 1, on the following page, and detailed in Appendix A.

**Table 1 - Projected as at 31st May 2011**

Directorate	Base Budget	Current Net Budget	Actual YTD Net Spend	Projected Outturn	Variance Over/(Under) Spend
	A			B	C = B - A
	£'M	£'M	£'M	£'M	£'M
Community and Wellbeing	39.139	40.386	4.424	40.386	0.000
Education and Childrens Services	27.789	28.134	-3.387	28.779	0.645
Customer and Transactional Services	5.206	5.399	9.704	5.399	0.000
Resources and Regeneration	33.724	33.980	3.914	33.967	(0.013)
Chief Executive	0.657	0.834	0.222	0.834	0.000
Corporate	(0.201)	(0.201)	0.014	(0.201)	0.000
<b>Total Cost of Services</b>	<b>106.314</b>	<b>108.532</b>	<b>14.893</b>	<b>109.164</b>	<b>0.632</b>
<b>% of revenue budget over/(under) spent by Services</b>					<b>0.58%</b>
Treasury Management	3.017	3.017	0.000	3.017	0.000
Contingencies & earmarked reserves	4.233	2.016	0.000	2.016	0.000
Early Intervention Grant	(7.140)	(7.140)	-1.812	(7.140)	0.000
Council Tax Freeze Grant	(1.187)	(1.187)	-0.239	(1.187)	0.000
New Homes Bonus Grant	(0.130)	(0.130)	-0.454	(0.130)	0.000
Local Services Support Grant			-0.102		
Sub Total	(1.207)	(3.425)	(2.607)	(3.425)	0.000
<b>Total General Fund</b>	<b>105.107</b>	<b>105.107</b>	<b>12.286</b>	<b>105.739</b>	<b>0.632</b>
<b>% of revenue budget over/(under) spent in total</b>					<b>0.60%</b>

## 5. Month on Month Movement in Variances

- 5.1 **Community and Wellbeing** are reporting a breakeven position. Further details can be seen in Appendix A.
- 5.2 **Education and Children's Services** are reporting a overall net over spend position of £645K. A provision of £600k has already been established agreed and a full review of all associated costs of our looked after children has been requested by members to ensure we continue to maintain adequate resources in this area. Further provision has been

made for the one off costs associated with formulation and implementation of the improvement plan following the recent Ofsted inspection.

- 5.3 **Resources and Regeneration** are reporting an under spend of £13K, this is primarily made up of increased income from cemetery and cremation services and the Enterprise contract offset against lost rent on Windsor Road.
- 5.4 **The Chief Executive's** department is forecasting a break even position.
- 5.5 **Commercial and Transactional services** are forecasting a break even position.
- 5.6 **Treasury Management** reports a breakeven position.
- 5.7 **Treasury Management - Impact of Capital re-programming.** As reported in the previous financial year of November, the re-profiling of the capital programme has identified revenue savings of £235k in the current year. However it is very important to bring to the attention of O&S and members that the overall size of the capital programme has not changed and this saving has only occurred because of the re-profiling of when schemes will be undertaken. This means that pressures will occur in latter years. An exercise is currently being undertaken to rationalise the capital programme.
- 5.8 **The Housing Revenue Account** is showing an over spend of £86,500 against a budget surplus of £87,000. This is due to lower forecast for anticipated rents and an increase in the forecast provision for doubtful debts due entirely to the current economic climate.

## 6. Emerging Issues / Risks

### Introduction

- 6.1 It should be noted at this point that the 2011-12 PPRG process has not yet started and therefore savings will be identified to be delivered in the current financial year. These savings are not reflected in this report.

### Directorate Specific

#### 6.2 Community and Wellbeing:

No specific risks identified.

#### 6.3 Education and Children's Services:

- There are some significant areas of development still in transition across the department including the implementation of the Integrated Youth Support Service (IYSS) and the allocation of the Early Intervention Grant (EIG) to various services as it has had to accommodate a significant reduction in the overall level of funding.
- Detailed work on these is in progress but until finalised an accurate assessment of their financial position cannot be completed.

- In addition to this work required in response to the recent Ofsted Inspection is being formulated and costed. Furthermore the Department's response to the Inspection findings will continue to be scrutinised. The detailed financial impact of this is not yet finalised or reflected in this report although provision has been made to accommodate any non recurring costs.
- The department are currently working alongside schools in the review of the centrally retained elements of the DSG which is expected to result in some significant changes in the way some services are shaped and delivered. It is unclear at this stage what impact this may have on services funded by the Local Authority.
- The Slough Schools Education Forum, which comprises representative head teachers from across Slough, have strongly endorsed the continuing implementation of the Authority's Inclusion Policy which is around capacity and capability building in schools to support as many pupils as possible within the community of Slough schools and within inclusive placements alongside their mainstream colleagues.

#### **6.4 Resources and Regeneration:**

- The economy remains a key risk for the directorate's income as outlined within 'Volatile Areas/Demand Led'.
- Government grants are a significant funding source for several of the Directorate's key services. The new Governments spending plans is having a significant impact on these services areas at a time when there are increasing demands.
- Climate change continues to impact on winter maintenance and subsequent repairs, flooding and grounds maintenance costs. Innovative measures to negate the impact are being sought utilising grant funding.

All of these risks will be closely monitored and the impact clearly identified and reported as and when it is clear they are likely to become a reality.

#### **6.5 Chief Executive:**

- As this financial year progresses, it is prudent to assume further government reductions particularly across specific grants will occur. This will be continually monitored so that directorates can react immediately and deliver savings required in the current year.

#### **6.6 Commercial and Transactional Services:**

- No specific risks noted

### **7. Emerging Opportunities**

#### **Directorate Specific**

## **7.1 Community & Wellbeing**

None identified at this stage.

## **7.2 Education & Children's Services**

None identified at this stage.

## **7.3 Resources and Regeneration**

- Maximise external grant funding opportunities by using 'Grant Finder' software to locate new grants, although on the 10<sup>th</sup> June the Government provided details relating to reductions in individual grants to local authorities and the removal of ring fencing from funding streams.
- Exceptional funding for Highways maintenance was announced on 23 February 2011 and the SBC allocation for 2011/12 is £197k.
- Option appraisals on shared service arrangements relating to regulatory services and building control.
- Discussions with neighbouring councils and our contractor Enterprise Ltd are taking place to develop initiatives to help bring down waste management costs.
- Developing the Highways Asset Management Plan will support whole life costing methodology on road and pavement resurfacing methodology and provide better value for money.
- A number of highways properties that had been leased to Co-op Homes were handed back in December 2009. Redevelopment plans and timescales are being examined by Housing services to determine if short term lets are feasible to offset the current loss of rent to the Authority.
- Transformation activities continue across the directorate.
- All miscellaneous dwellings in the Authority are being examined with a view to let them as temporary accommodation and offset existing risks of rent loss where ever possible.

## **7.4 Commercial and Transactional Services**

- None to be noted.

## **7.5 Housing Services**

- The recent announcement regarding potential reforms to the Housing Revenue Account Subsidy system indicate potential flexibilities in how the Council may spend housing income and set rents. The Department will continue to monitor

announcements in this area in order to quantify the effect on the HRA budget going forward.

## **8. Capital**

- 8.1 The general fund council capital programme is £72.4m for the period 2011/12 to 2016/17. The programmed spend for 2010/11 is currently £37.4m pre any rationalisation of the capital programme.
- 8.2 The overall programmed spend for the HRA capital programme is £10.9m for 2011/12..

## **9. Staffing Budgets**

O&S will be aware that as part of the exercise to implement Job Evaluation and Harmonisation all staffing budgets were re-calculated from a zero base. This approach eliminated the existing staff turnover targets and provided directorate budgets with 99% of the total cost requirement under their control. This comprised 98% which was allocated directly to service budgets and 1% held by each director to manage any staffing pressures and changes as they arose. The remaining 1% is held centrally within contingency balances.

## **10. Conclusion**

- 10.1 The position as at the end of December 2010 leaves an overall headline under spend position of £632k against the General Fund revenue account.
- 10.2 The general fund capital programme is £72.4m for the period 2011/12 to 2016/17. The programmed spend for 2010/11 is currently £37.4m pre any rationalisation of the capital programme.

## Summary Variance Analysis

For the Period Ended: 31<sup>st</sup> December 2010

### Community & Wellbeing

Service Area	Total Variance £'000	Explanation
Community Services and Adult Social Care	0	<b>New This month: On Target</b> – Significant slippage on savings fully offset by alternative savings or the use of one off resources. However, there is still a shortfall on full year permanent savings.
Culture & Skills	0	<b>New This month: On Target</b> – some concern over saving item for £20k but this is confidently expected to be offset fully by higher income from community halls.
Personalisation, Commissioning & Partnerships	0	<b>New This month: On Target</b> - No significant variances identified as yet.
Public Protection	0	<b>New This month: On Target</b> – No significant variances identified as yet. Proposals for full year savings still to be identified.
Procurement	0	<b>New This month: On Target</b> - No significant variances identified as yet. Major recruitment underway, some savings resulting from vacant posts expected to be offset by the cost of recruitment.
Central Management	0	<b>New This month: On Target</b>
<b>TOTAL</b>	0	

## Appendix A (Cont.)

### Education & Children's Services

Service Area	Total Variance £'000	Explanation
Children and Families	679	In recognition of the pressures expected in the Children and Families budget a Corporate Contingency of £600k has been set aside to help alleviate these costs. Members have requested a full review of all budget allocation in this area to ensure the service continues to be adequately resourced.
Strategic Management, Information and Resources	-34	<b>Information, Performance and Review:</b> The level of schools buy back for the provision of EMS support has been greater than anticipated and has resulted in increased income of £34k.
	<b>645</b>	<b>Total Variance</b>



## Appendix A (Cont.)

### Commercial and Transactional Services

Service Area	Total Variance £'000	Explanation
Service Area	Change £'000	Explanation
Information Technology	0	No Variance reported this month.
Customer Service Centre	0	No Variance reported this month.
Benefits, Council Tax and NNDR	0	No Variance reported this month.
Transactional Finance	0	No Variance reported this month.
Transactional HR and Payroll	0	No Variance reported this month.
Strategic Management	0	No Variance reported this month.
	<b>0</b>	<b>Total Variance</b>

## Appendix A (Cont.)

### Chief Executive's

Service Area	Total Variance £'000	Explanation
Chief Executive's Office	0	<b>New This month:</b> No Variance reported this month. <b>Previously Reported:</b>
Communications	0	<b>New This month:</b> No Variance reported this month. <b>Previously Reported:</b>
Policy	0	<b>New This month:</b> No Variance reported this month. <b>Previously Reported:</b>
<b>Total Variance</b>	0	

## Appendix A (Cont.)

### Resources and Regeneration

Service Area	Total Variance £'000	Explanation
Management Unit	(40)	Transformation costs in the Investigations unit.
Finance and Audit	58	Investigations unit reorganisation is in progress and salary costs of £40k above budget are anticipated due to timing. Treasury management costs are likely to be £18k over budget to finance transitional advice services.
Professional Services & monitoring officer	0	Human resources staff costs likely to be £18k over budget due to timing of a planned reorganisation. Other minor savings are available in the area to offset this pressure.
Transport & Planning	58	Highways maintenance has received a £197k grant for additional remedial works which are programmed for completion over the summer months. Miscellaneous properties are managed by property services and reported in this area. As properties on Windsor road become vacant they are being boarded up awaiting redevelopment as part of a planned road widening scheme. Rent loss of £58k is anticipated this year.
Strategic Housing	0	Head of Housing strategy is an interim post which is currently planned to continue until March 2012 at an estimated cost of £100k.. All budgets in this area are being reviewed to generate local savings to finance the position.
Environmental Services & Quality	(89)	<p>Cemetery and cremation services and Registrars income trend improved in 2010/11 and this has continued into the new year. £47k and £42k respectively of increased receipts are anticipated at this early part of the year.</p> <p>Contracts with Enterprise are currently under review with all activity being examined. Indexation is likely to be 4.5 - 5% at a cost of £600k with a budget provision of £300k. Profit share income reported as part of the 2010/11 out turn is likely to contribute a further £200k this year leaving £100k as a saving to be identified. The contract with Lakeside limited in respect of the waste to energy plant was set up in 2010/11 and is an important part of the disposal policy going forward. In the short term incineration costs will be lower than Land fill costs and are expected to provide the necessary saving to cover indexation but additional carbon taxes are being mooted by Government which will negate this position in the medium term.</p>
Property Services	0	Major savings targets are present in all budgets and are currently being examined to ensure they can be delivered this year. These include £600k from the Corporate repairs costs of which £447k was delivered in 2010/11 as an ongoing saving.
<b>Total</b>	<b>(13)</b>	

