

Meeting of the Cabinet – 9th December 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. The budget for 2009/10 was set on the prudent assumption of a pay award of 2.25%. The pay award for 2009/10 has now been agreed at 1% (or 1.25% for employees up to Scale Point 10). Budgets have been adjusted to reflect this agreement, improving the forecast outturn position on the General Fund by £1.7m.
4. When I reported to Cabinet in September, I highlighted a number of pressures including impacts of the recession on service demands and cash flow as well as demographic pressures, particularly as they affect services to adults and children. 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. Forecast variations from directorates' approved budgets are outlined below:

	£m	
Directorate of Children's Services – Projected Overspend	0.9	DR
Mainly due to increases in the numbers of looked-after children. See further detail below table.		
Finance, ICT and Procurement – Projected Underspend	0.1	CR
Further forecast savings mainly from vacancies over and above the savings taken to reserves in September.		
Directorate of the Urban Environment – Projected Underspend	0.1	CR
Mainly savings in utility costs and VAT refunds, offset mainly by reduction of car parking and building control and planning income.		
Total net	0.7	DR

Safeguarding children and young people is a key duty for the Council and one that carries significant risk to both the individual and organisation. When I reported to Cabinet in September, I included detailed commentary from the Director of Children's Services relating to local and national increases in referral, numbers and

costs of Looked After Children, pressures from the conduct of child protection conferences and efforts to manage costs through placements with Independent Fostering Associations (IFA). The situation is being replicated in councils across the country with a heightened awareness of professional and the public in identifying safeguarding issues. This has resulted in the potential now, more than in the past, to protect more children and provide appropriate services to support them and their families. However, we are dealing with an imbalance between demand and available resource. There has been a continued increase in referral and assessment and complexity of needs, along with a rising number and costs of Looked After Children, pressures from the courts, conduct of child protection conferences and statutory reviews for looked after children. Representations are being made both locally and nationally to the Government regarding the pressure upon present and potentially future budget management within Children's Services and councils across the country. Children's Services within Dudley has identified £800,000 of immediate budget reductions and profiled its medium and longer term projections to make savings in areas other than those meeting the direct needs of this new pressure but even after these actions, there is a forecast net overspend of £904,000 in the current year.

5. In addition to the above, pressures continue in a number of areas, which directors are currently seeking to manage within their total approved resources:
- Pressures on home care for the elderly and from new placements of people with learning disabilities.
 - 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.

General Fund balances

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

	Original Budget £m		Latest Position £m	
Balance at 31 st 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
Forecast underspending in Finance, ICT and Procurement identified in September			0.1	CR
Adjustment to budget for pay award 2009/10			1.7	CR
Earmarked to fund net overspending set out in paragraph 4 if required			0.7	DR
Forecast balance at 31st March 2010	0.0		1.8	CR

7. 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, and still is, recognised that there is likely to be a shortfall in resources in the

medium term. It is therefore proposed that the forecast balance shown above be held to support the Council's budget strategy going forward and that work continues 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 as was originally planned.

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

8. This report deals with projected total spending in 2009/10 and forecasts a net favourable variance against the original budget of £1.8m. There are risks to this forecast from a range of pressures including those outlined in paragraph 5 and this forecast may not be sustainable if those pressures are not managed.

Law

- 9 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

10. These proposals comply with the Council's policy on Equality and Diversity.

Recommendation

11. It is recommended that the Cabinet:-
- (a) notes the forecast net overspending set out in paragraph 4;
 - (b) notes the favourable variance arising from the pay award for 2009/10 and agrees that the saving will be transferred to General Balances;
 - (c) approves "earmarking" General Balances to fund the projected overspending in the Directorate of Children's Services, if ultimately required;
 - (d) notes the projected underspending in Finance, ICT and Procurement and the Directorate of the Urban Environment and agrees that these savings will be transferred to General Balances;

- (e) 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;
- (f) notes the pressures on the Council's Medium Term Financial Strategy;
- (g) takes action to replenish General Balances when the opportunity arises.



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COMPARISON OF APPROVED BUDGETS AND PROJECTED SPENDING 2009/10

	Approved Budget £'000	Projected Spending £'000	Variation £'000
Chief Executive's	11,935	11,935	0
Children's Services	62,956	63,860	904
DACHS	101,360	101,360	0
DUE	54,070	53,996	-74
Finance, ICT & Procurement	706	561	-145
Law, Property & Human Resources	1,814	1,814	0
Total	232,841	233,526	685