

8 November 2011		ITEM 6
Corporate Overview and Scrutiny Committee		
2011/12 BUDGET MONITORING – MONTH 6		
Portfolio Holder: Cllr John Kent, Leader and Portfolio Holder for Strategy and Finance		
Wards and communities affected: N/A	Key Decision: N/A	
Accountable Head of Service(s): Sean Clark, Head of Corporate Finance;		
Accountable Director(s): Martin Hone, Corporate Director of Finance		
This report is Public		
Purpose of Report: To advise Corporate Overview and Scrutiny Committee of the Period 6 budget position, and the forecast outturn at the end of the 2011/12 financial year.		

EXECUTIVE SUMMARY

This report provides an update as at Period 6 (September) of the financial position of the Council. This includes the current forecast outturn spend on revenue budgets and the consequential impact of the level of reserves.

The overall position is as follows:

1. A projected balanced budget position on both the General Fund and Housing Revenue Accounts at the end of the financial year.
2. Levels of reserves equivalent to £8.011m and £1.700m within the General Fund and Housing Revenue Accounts respectively.
3. Costs pressures of £0.452m and £0.863m within the two accounts.

The overall financial position is that through continued improvement to financial management throughout the Council during 2011/12, the reserves are anticipated to be at the recommended level within the Councils Medium Term Financial Strategy at the end of the year.

1. RECOMMENDATIONS:

That Corporate Overview and Scrutiny Committee:

- | | | |
|-----|-----|---|
| 1.0 | 1.1 | Note the overall financial position for 2011-12 |
| | 2.0 | |
| 3.0 | 1.2 | Note the actions being taken in order to deliver a balance financial |

4.0 position at the end of the financial year.

5.0

6.0 1.3 Note that a detailed report will be presented to Cabinet on 9 November 2011.

2. INTRODUCTION AND BACKGROUND:

- 2.1 This report presents a review of the current financial position throughout the organisation based on current budget monitoring and forecast outturn analysis.
- 2.2 The Committee is invited to scrutinise performance to the end of September 2011
- 2.3 The detailed information regarding the 2011/12 budget monitoring position at period 6 is contained in appendix 1, the report to Cabinet 9 November 2011
- 2.4 A summary of the Cabinet report is set out in sections 3 and 4 below.

3. FINANCIAL OVERVIEW

3.1 GENERAL FUND OUTTURN FOR 2011/12

- 3.2 The forecast outturn position for each directorate is shown in the table below. For consistency, the directorate split illustrates the position as at the start of the financial year i.e. by showing Children, Education and Families and Community Wellbeing separately.

General Fund Forecast Outturn - Directorate Analysis

Directorate	Revised Budget for year £000s	Forecast Variance for year at month 6 £000s	Month 6 Variance as percentage of budget %
Directorate Budgets			
Transformation	3,737	0	0
Delivery Unit	2,956	(7)	(0.24%)
Children, Education and Families	30,804	0	0.00%
Community Wellbeing	40,592	(95)	(0.23%)
Finance & Corporate Governance	8,383	0	0.00%
Sustainable Communities	23,464	(56)	(0.24%)
Sub Total Directorate Budgets	109,936	(158)	(0.14%)
Corporate Budgets	17,027	265	1.56%
Severance Costs		345	
Savings to be identified	0	(452)	
Net Expenditure	126,963	0	0.00%

3.1 GENERAL FUND RESERVES

- 3.2 Members will recall that the balance of reserves as at 1 April 2011 stood at £5.120, compared to £2.1m at the same time in 2010.
- 3.3 The Director of Finance and Head of Corporate Finance have continued with the debt management strategy that was in place during 2010/11, and this is estimated to generated an additional £2.891m surplus against the treasury management budgets which will subsequently be transferred directly into the Council's reserves.

RESERVES - Projected General Fund Balance as at 31 March 2012

	£m
Total Available 1 April 2011	5.120
Forecast Budget Variance at 31 st March 2012	0.000
Treasury Management Surplus	2.891
Projected Balances at 31 March 2012	8.011

- 3.4 As can be seen in the table above, in order for the Council to close the financial year with reserves at a level of £8m, it is paramount that the expenditure in the year is equivalent to the budget, with no adverse variances.
- 3.5 In addition to the General Reserves, the Star Chamber process identified the need to set aside £1.0m as a contingency against demographic pressures next year and a further £0.4m to pump prime and support the transformation programme through invest to save and project management. The £1.4m required will be in addition to the General Fund balance and will be achieved through excess savings and a balance sheet review, including the use of S106 monies.

4 FORECAST OUTTURN 2011/12 – HOUSING REVENUE ACCOUNT

- 4.1 Whilst the HRA is forecasting a balanced position at the end of the financial year there are a number of significant cost pressures that have arisen.
- 4.2 The removal of the supporting people grant has resulted in lost income totalling £0.782m. This has a direct impact on the overall level of resources available to finance operations in the HRA.
- 4.3 There is a projected reduction in income of £0.224m associated with void dwellings and garages. In short, this is the total amount of time that it takes for properties to be re-let following a change in tenancy or repairs. The turnaround time on dwelling voids has increased and, as a result, this reduces the overall level of rent that will be collected on the property. The rental demand for Council owned garages has also not risen during the year and the total amount of income received is likely to fall short of the target. A recovery plan has been agreed to improve both the turnaround in empty dwellings and garages.
- 4.4 There is currently a projected net pressure of £1.967m in relation to day to day repairs. This is as a consequence of both demand being greater than originally anticipated and uncertainties about the final charges for each job completed in the first six months of the financial year. This forecast position and level of spend is based upon the data that is currently available, although further work is being undertaken in order to gain a better understanding of this. The management of this demand led function is complex and there are a number of issues that are currently

being addressed in order to make the process more efficient and transparent. At the forefront of this is ensuring that the IT interfaces between the Council and Morrison are installed and that the process to integrate the Saffron system with Morrison's system is finalised. This will allow for greater control over the expenditure and management of data. In addition, the voids strategy and inspection process are also being reviewed.

- 4.5 Officers will continue to priorities clarifying all outstanding invoices from Morrison so that the full picture is known and agreed by the end of November.
- 4.6 Savings of £1.681m have been identified, arising as a result of slippage within other HRA budgets where underspends have been projected, have been identified and are being held to offset the adverse repairs budget variances. These saving are a mix of works that are unable to be completed on planned maintenance during the current financial year and savings obtained within other revenue budgets. Where planned maintenance works are not completed this year they will be rolled forward to be completed in 2012/13. However, further work is required on the repairs budget to ensure that there is not an ongoing increase in the run-rate of repairs expenditure which would cause ongoing pressures in future years.
- 4.7 Further savings totalling £0.429m have been identified though budget management processes and debt management and financing reductions.
- 4.8 The overall impact of the pressures and savings currently identified leaves a resulting deficit of £0.866m on the HRA. Officers are currently reviewing the options to mitigate this cost pressure through a strategy of prudent budgetary controls (limiting expenditure to essential repair items, and controlling high value orders by senior manager authorisations) and off-setting residual projected overspends from underspends elsewhere in the HRA. Housing officers believe that the current budget pressures will be covered by these budget controls and actions that have been put in place for the remainder of the financial year. However, it remains a risk that the actions will not cover the overspend and that there will be a call on the HRA reserves during this financial year.
- 4.9 The HRA is forecast to breakeven at 31 March 2012. Detailed breakdown and analysis is provided in Appendix 1.

Projected HRA Balance as at 31 March 2011	£ms
Balance as at 1 April 2011	2.548
Use of balances to fund essential health and safety work	(0.848)
Forecast variance for the Year	0.000
Projected Balance at 31 March 2012	1.700

- 4.10 Whilst the HRA is forecasting a balanced position at the end of the financial year there are a number of significant cost pressures that have arisen.

5 IMPACT ON CORPORATE POLICIES, PRIORITIES, PERFORMANCE AND COMMUNITY IMPACT

- 5.1 The savings that are being achieved will, in part, be impacting on the community and performance. However, maintaining a balanced budget whilst improving the

level of reserves allows budget decisions to be made in a more timely and controlled fashion.

6 IMPLICATIONS

6.1 Financial

Implications verified by: **Sean Clark**
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sclark@thurrock.gov.uk

The report shows a challenging position for both the general fund and the housing revenue account. Officers must work closely with their Portfolio Holders to identify further savings to ensure that a balanced budget is maintained.

6.2 Legal

Implications verified by: **David Lawson**
Telephone and email: **01375 652087**
dlawson@thurrock.gov.uk

There are no direct legal implications arising from this report. This report provides an update and allows members to review the adequacy of existing budgets

6.3 Diversity and Equality

Implications verified by: **Samson DeAlyn**
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SDeAlyn@thurrock.gov.uk

This report is a budget monitoring report. There are no specific equality or human rights implications arising from this report.

6.4 Other implications (where significant) – i.e. Section 17, Risk Assessment, Health Impact Assessment, Sustainability, IT, Environmental

There are no specific implications from this report.

7 CONCLUSION

With both the General Fund and the Housing Revenue Account currently showing pressures, it is important that the financial rigour that has been displayed in recent months is maintained to bring the budget position back into balance...

BACKGROUND PAPERS USED IN PREPARING THIS REPORT:

There are various working papers within directorates and accountancy.

APPENDICES TO THIS REPORT:

Appendix 1 – Report to Cabinet 9 November 2011

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