

CABINET MEETING – 5 OCTOBER 2011

EXECUTIVE SUMMARY SHEET- PART I

Title of Report:

Revenue Budget Second Review 2011/2012

Author(s):

Executive Director of Commercial and Corporate Services

Purpose of Report:

To report details the outcome of the Revenue Budget Second Review for 2011/2012.

Description of Decision:

Cabinet is recommended to

- approve the contingency transfers proposed at Appendix A.

Is the decision consistent with the Budget/Policy Framework?

Yes

If not, Council approval is required to change the Budget/Policy Framework

Suggested reason(s) for Decision:

To respond to variations in expenditure and income which have arisen in 2011/2012 and enable effective budgetary control to be exercised.

Alternative options to be considered and recommended to be rejected:

No alternative options are proposed.

Is this a “Key Decision” as defined in the Constitution?

No

Relevant Scrutiny Committee:

Management

Is it included in the Forward Plan?

Yes provisionally

In light of the content of this report it is not necessary.

Cabinet 5th October 2011

Revenue Budget Second Review 2011/2012

Report of the Executive Director of Commercial and Corporate Services

1. Introduction

This report advises Members of the overall Revenue position following the second review for 2011/2012 including proposed contingency transfers for the second quarter of 2011/2012.

2. Description of Decision

- 2.1. Cabinet is requested to approve the proposed contingency transfers proposed at Appendix A.

3. Revenue Budget Monitoring 2011/2012

Overall Position

- 3.1 In overall terms whilst there are significant challenges in delivering the savings requirement for 2011/2012 and ongoing mitigating actions being put in place by Portfolio holders, at this stage it is anticipated that the outturn position will be positive. In addition savings on capital financing charges as a result of slippage on the capital programme and income from interest on investments are anticipated to result in savings of approximately £4.0m at year end. It is proposed that these amounts and any further underspendings arising from underspent contingencies at the end of 2011/2012 are earmarked to support transitional costs arising from the 2012/2013 budget setting process.

A full review has been undertaken in respect of each Portfolio and a summary of the position following the second review is set out in the report for each Portfolio, together with the contingency allocations proposed for the second quarter.

3.2 Contingency Transfers

A full review has been undertaken for each service and full details of proposed contingency transfers are set out at Appendix A.

3.3 Major Variations

Cabinet Portfolio holders have been fully briefed on the variations which have arisen in the second quarter of the year. Significant items to draw to Members attention are set out below:

3.3.1 Leader

It is forecast the Portfolio will be within its delegated budget at the end of 2011/2012. The following is drawn to members attention:

- **Design and Print**
A service review is currently on-going within the Design and Print service to identify future service delivery options. The service has experienced a further reduction in income during 2011/12 as a result of a decline in council printing requirements, as other parts of the council have made efficiencies and introduced cost containment measures. Action is being put in place to mitigate this shortfall and the position will be updated as part of the third quarterly review.

3.3.2 Deputy Leader

It is forecast the Portfolio will be within its delegated budget at the end of 2011/2012. There are no issues to draw to members attention at this time.

3.3.3 Cabinet Secretary

It is forecast the Portfolio will be within its delegated budget at the end of 2011/2012. The following areas are drawn to Members attention:

- **Port**
The Port is forecasting a deficit against budget of £412,000 due to the continuing difficult trading conditions associated with the global economic downturn. This position represents a significant improvement on the outturn position for 2010/2011 as a result of an increase in income levels early in the current financial year. The position is being kept under close review with regular updates to the Port Board. The forecast deficit position was provided for in setting the 2011/2012 contingencies provision.
- **Industrial Units**
The Industrial Units portfolio is anticipating a shortfall in income of £100,000 due to vacant units. Recent progress on letting of units is anticipated to reduce this shortfall in future years. The forecast shortfall in income for 2011/2012 was provided for in setting the budget for contingencies. The ongoing position will be considered as part of the 2012/2013 budget process.

3.3.4 Children and Learning City

It is forecast the Portfolio will be within budget at the end of 2011/2012. However the Safeguarding service area continues to be subject to significant demand pressures. As part of the 2011/2012 budget planning framework additional funding was provided to address budget pressures within the Safeguarding Service in respect of external placements and agency social workers. However, demand for services continues to increase resulting in significant budget pressures in the following areas:

- **External Placements**
It is currently forecast the service will exceed its budget by £630,000 which can be met from the External Placement Reserve (£360,000) and anticipated savings as a result of management actions in other areas of the Looked after Children budget including use of grant funding. The ongoing position will be taken into account within the medium term financial planning process.
- **Safeguarding Legal Fees** – It is currently predicted that this area will overspend by £150,000 at the year end. A review of this area is being undertaken to ascertain the extent to which internal resources can be enhanced or other mechanisms used to mitigate this impact on an ongoing basis
- **Extended Rights to Free Transport**
Subsequent to the setting of the 2011/2012 budget, notification was received in relation to the Extended Rights to Free Travel and General Duty to Promote Sustainable Travel Grant of £0.154m in 2011/2012, increasing to £0.191m in 2012/2013. It is proposed to passport £0.094m of this funding to Children's Services to assist Home to School, and Home to College Transport services in responding to new statements and promoting independent travel initiatives. The remaining funding in 2011/2012 of £0.060m will be earmarked to support transitional costs arising from implementation of the Sunderland Way of Working operational arrangements.

3.3.5 Prosperous City

It is forecast the Portfolio will be within its delegated budget at the end of 2011/2012. There are no issues to be drawn to members attention at this time.

3.3.6 Healthy City

The Portfolio continues to experience a number of service pressures and the following areas are drawn to Members attention:

- **Health, Housing and Adult Services**
The Directorate are progressing the three year delivery plans which seek to enable people to receive care associated with their needs and introduce ways of enabling people to live independently in their own homes. Some of these plans will be delivered later than the original timescales. The directorate have identified alternatives to deliver the required level of savings including utilising £0.842m received from Health to help mitigate the shortfall.

Officers are currently identifying projects/areas of investment which will help deliver the savings required.

- **Sport and Leisure**
The service continues to be adversely affected by the impact of the economic downturn, which is resulting in reduced attendances, particularly in Wellness Centres and a consequential shortfall in income. This reflects the national trend, however, work is underway to quantify the financial impact and a plan of action is in the process of being developed. An update will be provided as part of the third revenue review report.
- **Meals at Home**
Following a review of the service clients are transitioning from this service to alternative service providers. Internal service provision will cease operation as at the 31 August 2011. However as clients are transitioning to alternative service providers this is resulting in a reduction in meal numbers provided and therefore reduced income for the service resulting in a forecast budget shortfall which will need to be addressed.

3.3.7 Safer City and Culture

The Portfolio is forecast to be within its delegated budget at the end of 2011/2012. There are no issues to draw to members attention at this stage.

3.3.8 Attractive and Inclusive

The following is drawn to Members attention:

- **Parking Services**
This service area is continuing to experience a downturn in income, similar to previous years resulting in a forecast shortfall in income of £227,000. The potential shortfall in income was provided for in setting the 2011/2012 contingencies provision.

3.3.9 Sustainable Communities

The Portfolio is forecast to be within its delegated budget at the end of 2011/2012.

3.3.10 Responsive Local Services and Customer Care

The Portfolio is forecast to be within its delegated budget at the end of 2011/2012.

4. Summary Position - Implementation of Savings Plans

4.1 The budget process for 2011/2012 took account of the requirement for reductions in expenditure of £57.9 million. As outlined to cabinet in June, progress in implementing the proposals is being rigorously monitored by Directors in conjunction with Portfolio Holders, using a traffic light system. Monthly budget monitoring is being carried out at an enhanced level to ensure the position is understood early and actions put in place to mitigate any impact.

4.2 At this stage, the following is noted

- £33.2m of the savings has been fully realised;
- £15.8m are not yet scheduled for full implementation but good progress has been made in these areas with action plans developed, responsibilities assigned and timescales identified. At this stage therefore it is not anticipated that this will impact on the overall financial position of the Council as the saving is anticipated to be achieved.
- £8.4m of savings have been affected by delays in implementation, however these are either offset by reductions in costs to the Switch team which is budgeted for, or alternative savings have been identified and the ongoing position into 2012/2013 is secured;
- £0.4m of savings have one off alternative savings identified to ensure a balanced budget in 2011/2012, however the ongoing position into 2012/2013 is still to be secured;
- At this stage £0.1m of savings are forecast unlikely to be achieved as originally intended. Work is on-going to identify alternative savings to address this gap.

As reported as part of the budget setting process transitional costs are arising in 2011/2012 as the organisation moves to the revised Sunderland Way of Working operational arrangements. Budget provision was provided to meet the costs of the SWITCH team and this is being closely monitored.

4.3 At this stage in the transition process one off early retirement costs of £3.567m have arisen, the cost of which can be met from the resources set aside to meet transitional costs as part of the outturn position for 2011/2012.

4.4 The first six months of 2011/12 represents a period of significant transition in relation to staffing and associated salaries costs. As restructures are being implemented considerable realignment of costs and budgets is being necessitated in order to map staff appointments to redesigned services or the SWITCH team. This is resulting in considerable difficulty in monitoring and forecasting staffing costs at the micro / individual service level for individual budget managers. At this stage therefore a holistic approach to monitoring salaries costs across the council has been adopted. This takes into account salaries costs incurred to date and forecast across the council including costs of staff within the SWITCH team.

4.5 The net position in relation to staffing cost under spends across the council will be earmarked to support transitional costs arising from the implementation of the Sunderland Way of Working operational arrangements.

5. Reasons for Decision

5.1 To respond to variations in expenditure and income which have arisen in 2011/2012 and enable effective budgetary control to be exercised.

6. Alternative Options

6.1 No alternative options are proposed

7. Background Papers:

7.1 Portfolio Holders Briefing Notes

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Variations Necessitating Contingency Transfers 2011/2012

	Justification / Approval	2011/2012 £	Full Year Effect £
Leader			
Transformation, Programme and Projects salary costs	General Provision	61,773	61,773
Deputy Leader			
Graduate Trainee Costs	Specific Provision	15,286	15,286
Diversity and Inclusion	General Provision	30,000	30,000
Cabinet Secretary			
Counsel Fees	General Provision	6,950	6,950
Rental Income Shortfall – Industrial Units	Strategic Priorities	85,000	100,000
Children and Learning City			
Hendon Old Orphanage	Specific Provision	7,893	94,712
Counsel Fees	General Provision	48,249	48,249
Safer City and Culture			
Bowes Railway Grant	General Provision	5,112	0
Summer Events	Specific Provision	175,000	175,000
Attractive and Inclusive			
Coroners Court - Premises hire costs	General Provision	34,621	0
Overall Efficiencies			
Flexible Working Efficiencies	General Provision	(101,819)	0
Procurement Efficiencies	Specific Provisions	(232,311)	(232,311)
BTP Efficiencies	Specific Provisions	(145,426)	(145,426)
	TOTAL	(9,672)	154,233