

Report to: **Cabinet**

Date: **1 February 2005**

By: **Deputy Chief Executive and Director of Corporate Resources**

Title of Report: **Budget Monitoring 2004/05**

Purpose of Report: **To provide an update on the 2004/05 budget monitoring position**

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## **RECOMMENDATION**

### **To note the report**

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#### **1. Financial Appraisal**

1.1 The report outlines the actions being taken to keep revenue and capital spending within the resources available and to identify and manage risks.

1.2 The financial information contained in this report is based around the budget and expenditure reports produced at the end of November 2004 (month 8 of the financial year).

#### **2. Supporting Information**

### **REVENUE**

2.1 The most significant issue is clearly in relation to Social Services. Despite the aim of break even in the action plan put in place in October, when the outturn forecast was estimated by the management team to be some £2.5m, the outturn overspend for the year is now judged to be £2.0m. Some £1.4m is attributable to Adult Social Care (mainly community care budget) and some £0.6m in the Children's Social Services area. The background to this is set out in the departmental commentaries at Appendix A.

2.2 In both cases above, the over-spends reflect significant overspend pressures which will also undoubtedly impact on budget plans for 2005/06. Robust action plans will be required to restrain growth pressures within the increased allocations set under Reconciling Policy and Resources. This is dealt with further elsewhere on the agenda under the item on Reconciling Policy and Resources for 2005/06.

2.3 For the current year, the projected overspend is more than matched by underspends elsewhere, which means the council will not overspend overall for 2004/05. It is, however, a vital principle of sound financial management across a complex organisation such as ours that the benefit of being allowed to carry forward underspends is matched by the responsibility to carry forward, and hence repay, overspends. Given the reality that much of the pressures will figure also in 2005/06, it is proposed that both Adult Social Care and Children's Social Services are allowed to repay the respective deficits over the next two years.

2.4 In the short term, the likely overspend as at 31 March 2005 has to be financed. In respect of Adult Social Care, it is proposed that the committed but unused portion of the corporate bed blocking clearance reserve (in respect of 'tail' commitment in 2006/07 and 2007/08) will be used to balance the overspend on Adult Social Care for 2004/05 in the first instance. This also comes to £1.4m but means the action plan being developed will also need to generate savings to fund these tail commitments in 2006/07 and 2007/08 as they will now fall on the ASC budget in those years. This means the service is recovering the deficit over two years.

2.5 In respect of the Children's overspend of £0.6m (and to avoid reduction in managed underspends in other departments), it is proposed that this can be covered by the projected underspend on treasury management of £1.9m for 2004/05. This would then reduce this treasury underspend to £1.3m but given recent events it would be prudent to hold a further contingency of (say) £0.7m. The remaining underspend on treasury management of £0.6m could be assumed to be available for one-off purposes next year.

## **CAPITAL**

3.3 The revised 2004/05 capital programme approved at Cabinet on 17<sup>th</sup> November 2004 has been further adjusted by £1.3m to reflect significant re-profiling of the payments associated with the CBOSS project. This results in a provision for gross payments of £54.7m as shown in Appendix C. Added to this figure is a further £12,000 of new variations approved since November.

3.4 At the end of November the only significant variation identified relates to an additional spend of some £0.5m in Transport and Environment department. The revised capital programme included an assumed slippage of this amount in recognition of the risks associated with road schemes starting in the last quarter. Every effort has been made to spend in line with the original programme and this is now looking more likely. Further minor slippage has been identified in relation to some Education schemes. The total reported gross variance at the end of November (excluding schools) is £435k.

3.5 Current indications are that spend for 2004/05 will be at a higher level than in previous years, which is to be expected given the scale of the 2004-05 programme. 56% of the revised programme has been completed at the end of November.

3.6 Resources are being received in line with expectations.

## **4. Conclusion and Reason for Recommendation**

4.1 To note the report, and the actions currently planned to balance the budget.

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