

NORTH LINCOLNSHIRE COUNCIL

CABINET

BUDGET REVIEW OCTOBER 2008

1. OBJECT AND KEY POINTS IN THIS REPORT

1.1 This report has several purposes:

- It provides a review of the approved revenue budget
- It considers the implications of our investments with Icelandic banks
- It considers the resource implications of the Community Strategy and Local Area Agreement
- It identifies slippage in the capital programme and the resources which fund it

1.2 Key points are:

- There are revenue budget pressures to address in 2008/09
- Our investments in two Icelandic banks are at risk
- Reward grant from the previous LAA could provide funding for the Community Strategy and LAA
- The capital programme needs to be realigned.

2. BACKGROUND INFORMATION

Financial Position

2.1 The October Budget Review is part of a quarterly review process for the revenue and capital budgets. It builds on monthly monitoring and provides an opportunity for cabinet to take stock of the financial position on a regular basis. This year it has a particular emphasis on the Local Area Agreement, to ensure that adequate resources are committed to delivering the shared LSP priorities.

- 2.2 As part of the June Budget Review cabinet (9 July 2008):
- Considered emerging budget pressures in 2008/09 and asked for further review
 - Set aside a £1.1m continuing care money bonus in adult services
 - Asked for further work on the budget implications of the new Local Area Agreement and Community Strategy
- 2.3 This October budget review provides an update on the revenue and capital position and the emerging resource implications of the Local Area Agreement and Community Strategy.

3. **OPTIONS FOR CONSIDERATION**

- 3.1 The paper considers
- The revenue budget position for 2008/09
 - Progress on developing costed delivery plans for the LAA and Community Strategy
 - Capital programme spending and resources 2008/11
- 3.2 It identifies where there are cost pressures and cost savings and makes proposals for how these might be addressed.

4. **ANALYSIS OF OPTIONS**

Revenue budget 2008/09

- 4.1 The current position is a projected overspend of £203k. Some services forecast an overspend after taking steps to find offsetting savings:

Adult Social Care £864k

A combination of underlying cost pressures in older people's residential care and rising demand for homecare among older people and the physically disabled

Community Planning and Resources £214k

A range of cost pressures including income shortfalls at the Gateway and reprographics unit and efficiency savings from changed business processes council wide yet to be identified in other service budgets

Neighbourhood and Environment £170k

Rising costs and income shortfalls on the school meals budget; and increased fuel costs on streetscene services

Highways and Planning £150k

General economic conditions and increased use of the concessionary fares are depressing car park income; and fees for site development are falling as developers postpone investments

Legal and democratic £215k

Member pension costs and a downturn in search fee income

Energy budgets £190k

The 2008/09 budget provided for Increases in energy costs. Taken together these are sufficient to cover contract increases from 1 October 2008 in most service areas. The street lighting budget, however, faces an estimated additional cost increase of £190k.

4.2 There are two compensating underspends:

Central budgets £500k

Investment of council cash balances are projected to generate £500k additional interest

Continuing care £1,100k

The value of continuing care for adults in care settings now to be funded by the PCT not the council

4.3 Alongside this review of approved budgets cabinet must also consider the resource implications of the Local Area Agreement and the Community Strategy.

4.4 A recent issue to consider is the situation of the council's investments with the Icelandic banks Landbanki and Heritable. A total of £5.5m is invested which is at risk through the collapse of these banks. At present it is not known whether all, any or part of this investment is lost. An examination of the council's reserves shows that sufficient funds are available to meet this loss in full if required, enabling the financial plan to be delivered as normal.

LAA and Community Strategy

4.5 Since the agreement was signed at the end of June officers of the council and partner organisations have been working to develop action plans to deliver the commitments in the agreement and strategy. This is proving to be a challenging exercise which in many areas requires further development of cross- organisational planning and delivery.

4.6 As part of this process an effort has been made to map the current resources which will help to deliver the outcomes. This mapping is nearing completion although some areas have identified a gap between aspiration and available funding.

4.7 The current picture is summarised at appendix 1 though this could be subject to change. This shows that existing council resources are

sufficient to underpin many of the key commitments; for others there are potential additional costs.

- 4.8 Subject to appropriate validation of the results it is likely that there will be reward grant for elements of the previous Local Area Agreement. This could total £1.6m received over two years split equally between revenue and capital. It would be appropriate for the Local Strategic Partnership to consider how the revenue element of this could be deployed to support the new LAA and Community Strategy when the contributions of all partners have been finalised. The capital element could be used in a similar way to support the Geographic Programme once agreed with Yorkshire Forward. Any further pressures resulting from the LAA will need to be met from existing resources by reprioritising their use.

Revenue budget options

- 4.9 Paragraphs 4.1 and 4.2 show that pressures of £1.803m on current council spending exceed forecast savings by £203k. There is a case for re-examining those budgets under pressure, but overall budgets must be contained within the cash limit set by council in February.
- 4.10 There are a number of possible approaches. Services could be asked to manage pressures within their approved cash limits and the savings set aside. However most have already taken steps to identify savings and the scale of the pressures shown here is after those measures have been put in place.
- 4.11 Some of the cost pressures are new and were not anticipated when the budget was set. This is particularly the case with those caused by the economic downturn. Others, such as the adult care pressures and the income shortfalls in Community Planning and Resources have existed for some time, but have been successfully contained in previous years. Savings from changed business processes council wide need to be identified to meet the budgeted savings.
- 4.12 On balance therefore the recommended approach is to address economic pressures; to cover the adult care pressures for this year but seek payback over the next three years; and to maintain a modest contingency to cover any further problems which may emerge.

	2008/09
	£000
Adult social care	700
Neighbourhood & Environment	170
Highways and Planning	340
Legal and Democratic	215
Contingency	175
Total	1600

- 4.13 As noted earlier any losses from investments with Icelandic banks can be covered from reserves. These budget plans therefore continue to be deliverable. However very tight expenditure control is necessary to ensure that there is no further call on reserves. A verbal update on the position will be given to the meeting.

Capital programme 2008/11

- 4.14 Council approved a programme for three years in February 2008 and did so based on an estimate of the total resources available to the council over that period. Since then some adjustments have been made for rephasing of spend from 2007/08 and new funding approvals on specific schemes. Total programmed spending for 2008/09 is £56.7m.
- 4.15 A review of how the programme is progressing shows that there are revised phasings for some major schemes. This moves spending from 2008/09 into 2009/10 but does not reduce programmed spending overall.

Rephase to 2009/10	Total £000	Grant £000	Internal £000
Sports Academy	9,879	3,750	6,129
Normanby Hall Access	1,189	832	357
Foxhills Sports Centre	400	0	400
Sub-regional housing project	1,000	213	787
Sandfield House	150	0	150
Building Schools for the Future	6,310	5,310	1,000
Schools Formula Capital	1,365	1,365	0
Extended schools	156	156	0
Worlaby primary	90	90	0
Oakfield primary amalgamation	103	0	103
School kitchen ventilation works	299	24	275
Lakeside new primary	273	0	273
Total	21,214	11,740	9,474

- 4.16 A review of the resources to fund the overall programme also shows that the timing of capital receipts assumed when the programme was set in February have been affected by market and other factors.
- 4.17 Different scenarios are possible about the prospects for proceeds from asset sales. Much depends on the general state of the economy and when it improves. A possible scenario is that receipts in the period 2007/11 will be £16m, compared to £26m assumed when the budget was set
- 4.18 Depending on the phasing of expenditure there may be a funding gap in 2009/10 and beyond. However the level of budgeted borrowing combined with capital receipts already received and not yet used to fund capital spending means that the remaining 2008/9 programme

can still be delivered. It would be appropriate to initiate a full review of the capital programme and its funding for the next meeting of cabinet.

5. RESOURCE IMPLICATIONS

5.1 The financial implications are outlined in section 4 of the report.

6. OTHER IMPLICATIONS

6.1 A range of implications may arise depending on decisions taken in respect of the revenue and capital budgets.

7. OUTCOMES OF CONSULTATION

7.1 No consultation is required.

8. RECOMMENDATIONS

8.1 That cabinet consider its preferred options for the 2008/9 revenue budget and capital programme, in particular:

- a. Revenue budgets be revised within the overall cash limit as set out in the table at paragraph 4.12
- b. Tight expenditure control be maintained to ensure the council's financial plans remain deliverable in view of potential losses from investments with Icelandic banks
- c. Confirm that any additional spending implications arising from the LAA and Community Strategy will be dealt with through allocation of the reward monies from the previous LAA by the LSP, or by reprioritisation of existing resources
- d. Approve the rephasing of the capital programme as shown in the table at paragraph 4.15
- e. Commence a full review of the capital programme and its funding to be the subject of a further report to the next meeting.

SERVICE DIRECTOR FINANCE

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Background Papers used in the preparation of this report
Budget Monitoring Summary Report 2008/09, Period 5

NORTH LINCOLNSHIRE'S SUSTAINABLE COMMUNITY STRATEGY										APPENDIX 1	
	Revenue			COMMENT	Capital			COMMENT			
	2008/09	2009/10	2010/11		2008/09	2009/10	2010/11				
	GAP	GAP	GAP		GAP	GAP	GAP				
	£000	£000	£000		£000	£000	£000				
AN AREA THAT IS THRIVING											
SA 1: Create a strong identity for the area	0	20	0	develop brand for north Lincolnshire	0	500	500	Geographic programme (£1m match funding)			
SA 2 Developing a dynamic economy(LAA166,172)	10	55	0	worklessness study/sector development study	0	0	0				
SA3 Enhance skills and employability (LAA164,117)	0	6	100	initiatives to develop skills in workforce(£0.1m)	0	0	0				
SA4 Area Renaissance	59	156	30	project development managers £0.4m (potential grant for part cost). One action plan outstanding	175	325	0	Match funding for Crowle market place scheme £0.5m (total bid£3.4m)			
COMMUNITIES THAT ARE CONFIDENT AND CARING											
SC1: Building the capacity of communities (LAA7)	0	62	0	Shortfall on Acorns delivery 2009/10	0	0	0				
SC2: Improving our community environments (LAA 21,55,169,186,195))	115	236	233	Recycling for SMEs (£200k). Climate change agenda: media campaign (£110k), impact assessment (£55k), renewable energy feasibility at NLC £45k, ISO4001 for NLC £60K	0	0	0				
SC3: Feeling and being safer (LAA 16,20,32,64)	51	235	235	Funding gap on delivery of safer communities programme as time-limited funding ends. Affects ability to deliver specific initiatives across this theme	0	0	0				
SC4: Looking after our communities (LAA 30,47)	50	200	200	Team of 3 to target vulnerable individuals & chaotic families	0	0	0				
INDIVIDUALS CAN SEE THE DIFFERENCE											
SI1: Everyone achieving (LAA102)	0	0	0	No funding gaps identified	0	0	0				
SI2: Looking after ourselves (LAA 40,55,112,115,121,123,135,141,53,54)	0	0	0	Action plans for Wellbeing and Health Improvement Board to follow	0	0	0				
SI3: Making the most of our leisure (LAA8)	26	445	484	Delivery of Active Choices, Active Futures including fall out of time-limited funding streams for established activities eg street sport	0	90	0	Develop green gym etc at Normanby (£90k)			
SE4: Area cohesion (LAA 1,189)	37	125	95	Network of habitats £0.3m,nature reserves £0.1m (part external funding)	0	0	0				
EVERYONE WORKS FOR THE BENEFIT OF NORTH LINCOLNSHIRE											
SE1: Developing a shared identity	0	0	0	Two action plans outstanding	0	0	0				
SE2: Developing communities to achieve the area vision (LAA110)	0	0	0	Two action plans outstanding	0	0	0				
SE3: Re-engaging communities (LAA 153,116,4)	0	0	0	Two action plans outstanding	0	0	0				
CURRENT FUNDING GAP	348	1,540	1,377		175	915	500				