

BUSINESS SUPPORT OVERVIEW AND SCRUTINY COMMITTEE

7 FEBRUARY 2007

REVENUE BUDGET MONITORING 2006/2007

Report from: Mick Hayward, Chief Finance Officer

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1. Purpose of Item

1.1 This report summarises the financial monitoring position for the current year to date. This is the third monitoring report for the year and is based on actual income and expenditure to November 2006.

2. Recommendations

2.1 Members are requested to comment on the forecast outturn position for 2006/2007 and the management action already taken and proposed.

2. Background

2.1 At its meeting on 2 March 2006, the Council set gross revenue spending at £511m, almost £20m above the level for 2005/2006 and a General Fund net revenue budget of £300 million for 2006/2007.

2.2 On 26 September 2006 Cabinet, in response to a forecast overspend of £2.713m, agreed:-

- to reinforce the requirement for the budget to be adhered to and instructed directors to ensure that plans were put before Cabinet to achieve this as a matter of urgency;
- to review the exempt status for vacant posts; and
- as an immediate step to reintroduce the organisation-wide spending moratorium.

2.3 The subsequent monitoring report to Cabinet on 28 November, based on September data, forecast the overspend at £2.428m.

3. Forecast

3.1 Directorate management teams have considered the November monitoring reports and the results are summarised in Table 1 below with further detail at Appendix 1. It can be seen that the outturn forecast overspend for 2006/2007 now stands at £2.274m, a decrease of £ £154,000 compared to the previous cycle with the major factors being:-

- a deterioration in the Community Services overspend of £282,000
- an increase in the surplus anticipated from interest and financing of £500,000

Table 1: Directorate Summary

Directorate	Budget £000s	Nov variance £000s	Proposed action £000s	Adjusted variance Nov £000s	Adjusted variance Sep £000s
Children's Services	177,732	2,410	(507)	1,903	1,890
Community Services	65,243	2,216	(737)	1479	1,197
Regeneration and Development	34,036	129	(129)	0	0
Finance and Corporate Services	3,767	(42)	0	(42)	(56)
Interest & Financing	16,188	(1,000)	0	(1,000)	(500)
Levies	741	(26)	0	(26)	(26)
Chief Executive	3,096	(40)	0	(40)	(77)
Total Service Expenditure	300,803	3,647	(1,373)	2,274	2,428

4. Children's Services (Appendix 2)

- 4.1 The forecast overspend, after management action, has increased marginally from the previous cycle to £1,903m.
- 4.2 The net movement of £13,000 includes the following significant changes:-
- Adoption (reduction of £123,400) - £97,600 in adoption fees, post-adoption costs (£11,900) and supplies and services (£13,900).
 - Disability Services (reduction of £99,500) - vacancies for a senior practitioner and social worker (£33,100) and lower than expected costs of support packages for children with a disability (£47,300).
 - Youth Offenders Team (increase of £90,000) - detailed analysis undertaken.
 - Audit and Review Team (increase of £60,700) – earlier appointment to vacancies than previously anticipated.
 - Maternity and Paternity Leave (increase of £42,600) - the number of cases this year is similar to prior years but more expensive than the previous average.
 - Pensions and Redundancy Costs (increase of £48,200) - payments to non-teaching staff made redundant by schools in the summer.
- 4.3 The following services remain the major factors within the forecast overspend for the directorate:-
- Independent and non-maintained schools – forecast overspend £946,000.
 - Private and voluntary fostering – forecast overspend £641,000.
 - SEN home to school transport – forecast overspend £507,000.

- 4.4 A significant element of the forecast overspending relates to centrally retained, pupil-related activity budgets, which fall within the funding responsibility of the Dedicated Schools Grant (DSG). The DfES regulations permit such an overspending to be rolled forward and be the first call on the DSG for the following financial year. However, if this action were to be taken, the Central Expenditure Limit (CEL) for the Authority, which is the maximum amount of retained funding permitted, would be exceeded. This can be overcome by the agreement of the Medway Schools Forum to the CEL being increased.
- 4.5 The Medway Schools Forum met on 18 January and agreed in principle to the CEL for 2007-2008 to be increased by up to £1 million to accommodate the forecast overspending. The detailed implications of this adjustment, between years, requires further investigation before determining a figure by which the forecast overspending can be reduced.

5. Community Services (Appendix 3)

- 5.1 The forecast overspend, after management action, has increased by £ 282,000 from the previous cycle to £1.479m.
- 5.2 The adverse movement has occurred on:-
- Adult Social Care £148,000 (principally Physical Disability Care)
 - Economic Development, Skills & Leisure £ 164,000 (Events £104,000 and the Corn Exchange £ 81,000)
 - Service Improvement £30,000 favourable
- 5.3 The position on Events is being investigated in detail to determine the net cost of each activity and, in particular, activities requested by other directorates in addition to the main programme, with a view to ensuring that all income and contributions due are recovered.
- 5.4 For the Corn Exchange, the movement continues to be examined in detail and management action will be taken to restrict further expenditure and raise additional income in order to reduce the forecast overspending.
- 5.5 The following are the main overspends contributing to the forecast variance of £2.216m before management action: -
- Adult Social Care £1.320m (Physical Disability Care £1.025m, Mental Health £239,000)
 - Community Services £ 750,000 (Leisure & Sports £464,000, Corn Exchange £ 83,000,, Library & Info Services £64,000)
 - Strategic Development & Economic Growth £112,000 (Events £101,000)

6. Regeneration & Development (Appendix 4)

- 6.1 Previous monthly reports had indicated a potential overspend for this directorate in excess of £900,000. However, this was substantially eliminated by an action plan of measures previously reported.

6.2 There are no major issues arising since the last monitoring report and the directorate remains committed to achieving break-even.

7. Finance & Corporate Services (Appendix 5)

7.1 The Directorate is now forecasting a small underspend of £42,000 with staff vacancies being the principle saving against previously reported pressures.

8. Chief Executive (Appendix 6)

8.1 This division is currently forecasting an underspend of £40,000 against budget due to staff vacancies

9. Interest and Financing

9.1 The recent increase in rates is expected to produce some benefit to investment income and current cash flow remains buoyant. On this basis, a surplus of £1,000,000 is thought secure to be included in respect of treasury activity at this stage.

10. Levies

10.1 Levies are currently forecasting a small underspending arising from the Environment Levy.

11. Financial and legal implications

11.1 These are set out in the body of the report.

Background papers

Revenue Budget approved by Council 2 March 2006
Revenue Monitoring Report to Cabinet 18 July 2006
Revenue Monitoring Report to Cabinet 26 September 2006
Revenue Monitoring Report to Cabinet 28 November 2006

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