

BUSINESS SUPPORT OVERVIEW AND SCRUTINY COMMITTEE

16 OCTOBER 2008

REVENUE BUDGET MONITORING 2007/2008

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 second monitoring report for the year and is based on actual income and expenditure to July 2007.

2. Recommendations

- 2.1 Members are requested to comment on the forecast outturn position for 2007/2008 and the management action already taken and proposed.

3. Background

- 3.1 At its meeting on 1 March 2007, the Council set gross revenue spending at £536m, almost £25m above the level for 2006/2007 and a General Fund net revenue budget of £316 million for 2007/2008. Council tax rose by 4.5%.
- 3.2 Cabinet, at its meeting on 17 July 2007, noted a potential overspend of £5.9m based on May reports and endorsed the requirement for directorates to prepare detailed action plans to contain expenditure to approved budgets. Urgent measures need to be implemented to address this overspend. Immediate action will be implemented to target certain back office services to achieve further savings and efficiencies.
- 3.3 It can be seen from Table 1 below that, even after management action saving some £1.5m, the outturn forecast has deteriorated and now stands at a £6.4m overspend. Further analysis is provided at Appendix 1 but it is worth highlighting that some £4.7m of this overspending forecast originates from the demand led services to the most vulnerable members of the community; the elderly, the disabled and children with special educational needs and other difficulties.

Table 1: Directorate Summary

Directorate	Budget 2007/2008 £000s	Forecast variance £000s	Proposed action £000s	Adjusted variance £000s	Previous variance £000s
Children's Services	189,031	2,530	(311)	2,219	1,716
Community Services	69,205	4,450	(708)	3,742	3,426
Regeneration and Development	34,272	665	0	665	718
Business Support	7,203	436	(436)	0	0
Interest & Financing	14,591	(250)	0	(250)	0
Levies	763	37	0	37	0
Planned Use of Reserves	(175)	0	0	0	0
Total	314,890	7,868	(1,455)	6,413	5,860

4. Children's Services

4.1 The Directorate is predicting an overspend of £2.530m before management action. The major variances are:

- Young people – Youth Offending, Care Leavers and Youth Health and Action present an overspend forecast at £311,000;
- Children & Families social work – forecast overspend £153,000;
- Learning Support - £124,000;
- SEN (special recoupmnt and independent and non-maintained placements) - £1,211,000;
- SEN home to school transport - £537,000; and
- Casework legal fees - £260,000.

4.2 Management action totalling £310,500 has been identified which reduces the forecast overspend to £2.219m, an increase of £503,000 compared to the May report.

4.3 There are a number of areas currently being examined with a view to bringing forward proposals, some of which will be longer term, to the next cycle and these include:

- a joint review by Children's Services and Legal Services of current legal arrangements/costs;
- an update on the SEN review including more effective service options. This will include specific consideration of provision for pupils with Autistic Spectrum Disorders (ASD) that represent a significant proportion of high-cost placements out of Medway;
- a review of the SEN decision making panel by the Assistant Director Children's Care;
- clarification of the role and financial implications of delayed appointments in respect of the administrative staff supporting the Independent Reviewing Officers (IROs);

- a review of voluntary organisation grant contract commitments in the light of the reduced funding available from Medway Primary Care Trust (PCT); and
- an update on the revised Learning Support Service (LSS) figures (taking into account recent vacancies) showing future plans for the service change.

4.4 These actions are on course for completion in September and will include an evaluation of the savings potential. However it is important to note that most of these will be savings to be achieved in the medium term rather than the current financial year.

5. Community Services

5.1 The directorate is currently predicting an overspend of £4.450m before management action. The main areas of concern are:

- Physical Disability, £1,502m over budget;
- Older People, £632,000 over budget,
- Learning Disability, £886,000 over budget;
- In-house Direct Delivery services, £348,000 over budget;
- Leisure & Sports, £319,000 over budget.

5.2 The directorate has identified actions to achieve savings of £708,000 against these forecasts. These were highlighted in the previous report and where necessary have now been consulted upon but are principally:

- savings on care package costs through Telecare facilities; and
- miscellaneous savings across services as discussed in the May report which includes a number of Leisure services proposals and those in respect of the Stirling Centre and Crèche facilities are identified in more detail in Appendix 2.

5.3 There are a number of areas that may have service implications but the aim is to target efficiencies in back office services and mitigate the impact on front line services. The directorate is examining proposals that will be brought forward to the next cycle some of which include:

- Use of Supporting People funding currently under committed; and
- A review of aspects of the economic development and social regeneration functions to explore opportunities for reductions in discretionary spending areas.

5.4 The Housing Revenue Account is forecasting a surplus of £424,000 which is an underspend of £149,000 against the original budget.

6. Regeneration & Development

- 6.1 The returns from budget managers indicate a potential overspend of £0.665m which is a small improvement from the previous forecast. This arises predominantly from:-
- pressures on parking services
 - vacancy savings that are as yet unidentified.
- 6.2 The directorate is committed to achieving a break-even position as in previous years but for 2007/08 there is less flexibility in the budget because of the transfer of a substantial part of the highways funding to capital.

7. Business Support

- 7.1 The returns for July indicate a potential overspend for the directorate of £0.436m. This is mainly as a result of a predicted shortfall in budgeted income for benefit overpayment recovery that is consequent upon lower levels of overpayments, and reduced income from Land Charges and CCTV operations. All of these are a continuation of budget difficulties experienced in 2006/07. However a combination of tight vacancy control and enforcement of expenditure constraint give the department confidence that, as with last year's outturn, the overspend currently forecast can be contained.
- 7.2 In addition the directorate is committed to an examination of the discretionary components of it's activity with a view to identifying further efficiencies in back office and support functions. These are to be implemented without a significant adverse effect on front line service delivery across the council. Proposals will be finalised for the next cycle.

8. Interest and Financing

- 8.1 Overall the treasury management function is currently forecasting a surplus of £250,000 but this is a volatile area as recent movements in markets and interest rates have shown. The July performance is an improvement upon the neutral May position and the position will be monitored closely to gain an early indication of any likely benefit from increased interest rates being obtained on investments.

9. Levies

- 9.1 Levies are currently forecasting an overspend of £37,000 due to a 24% increase in the levy from the Environment Agency in respect of land drainage.

10. Planned Use of Reserves

- 10.1 This budget consists of the use of £570,000 from the insurance fund offset by £395,000 contribution to reserves to smooth the cost of LOBO's (lending options borrower option loans).

11. Conclusions

- 11.1 Clearly, the deterioration in the forecast to an overspend of some £6.4m is unacceptable and must be addressed by firm action. With the year almost at the half-way stage it is imperative that action is decisive and prompt in recognition of what is the most serious financial position the council has ever faced. Coupled with the resource forecasts contained in the Medium Term Financial Plan elsewhere on this agenda it is also important that these actions contribute towards the task of closing the resource gap on a recurring basis.
- 11.2 As paragraphs 4.3, 5.3 and 7.2 indicate, work is in hand to identify further options for members across all services and these will come forward as swiftly as possible. Some proposals are already being consulted upon and these are detailed in the recommendations below and included in the management action proposals identified in this report. This includes suggested revisions to some fees and charges across the Council, including revisions to car parking, bereavement services, homecare, waste and other fees and these are set out in Appendix 4 and 5. This will have the twin benefit of assisting in reducing the budget gap and provide greater certainty in setting next year's budget. In addition longer term options, particularly focussed on more cost effective solutions to expensive, out of area, placements are also being worked upon as part of a longer term effort to reduce the resource gap.

12. Financial and legal implications

- 12.1 These are set out in the body of the report.

13. Cabinet Decision

- 13.1 Cabinet noted the following actions taken under delegated authority:
- Management restructuring in the leisure centres;
 - Implementation of new income collection methods at the leisure centres.
 - A reiteration of the spending moratorium backed by specific identification of unspent supplies and services budgets;
 - A rigid review of all posts that become vacant with recruitment proposals backed by a business case and authorised at director and portfolio holder level and this to include any proposal to utilise agency staff on an interim basis;
- In respect of these two points a letter from the Chief Finance Officer has recently been sent to all staff reinforcing these requirements followed by revised procedures for vacancy approval being sent by the Assistant Director Organisational Services to all managers.*
- A review of all discretionary spending areas not covered by the general moratorium to determine the necessity of further commitment e.g. learning and development, events, grants etc.

13.2 Cabinet approved the following actions as set out more fully in Appendix 2 albeit these are now the subject of a call-in to Community Services Overview and Scrutiny Committee:

- That there is a restriction of opening hours for general public use at the Stirling Centre and that officers explore the use of facilities by local schools during these periods. This is to be done in consultation with the Portfolio Holder for Community Services.
- Closure of the crèche facilities at Black Lion, Strood and Hoo, with the small number of existing users being directed to alternate private sector nursery or childminder provision.

13.3 Cabinet recommended to Council that the reviewed fees and charges set out in Appendix 3 and 4 be adopted.

Appendices

Appendix 1 - Directorate Summary

Appendix 2 - Measures in relation to Stirling Centre and crèche facilities

Appendix 3 - Fees and Charges

Appendix 4 - Car parking Tariff Proposals

Appendix 5 - Children's Services Monitoring Report

Appendix 6 - Community Services Monitoring Report

Appendix 7 - Regeneration & Development Monitoring Report

Appendix 8 - Business Support Monitoring Report

Background papers

Revenue budget approved by Council 1 March 2007

Revenue budget monitoring – report to Cabinet 17 July

Revenue budget monitoring – report to Cabinet 25 September

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