

# MEDWAY COUNCIL

## CABINET

27 NOVEMBER 2007

### REVENUE BUDGET MONITORING 2007/2008

Portfolio Holder: Councillor Alan Jarrett, Finance

Director/Author: Mick Hayward, Chief Finance Officer

#### 1. Summary

- 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 September 2007.

#### 2. Decision Issue

- 2.1 It is the responsibility of Cabinet to manage income and expenditure to remain within the budget approved by Council.

#### 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%. It is the responsibility of Cabinet to manage income and expenditure to remain within the budget approved by Council.
- 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. The subsequent report to Cabinet on 25 September 2007 reported that the forecast overspend had increased to £6.4m and various savings measures were agreed.
- 3.3 It can be seen from Table 1 below that, after management action saving some £1m, the outturn forecast has improved significantly and now stands at a £2.730m overspend.

**Table 1: Directorate Summary**

Directorate	Budget 2007/2008 £000s	Forecast variance £000s	Proposed action £000s	Adjusted variance £000s	Previous variance £000s
Children's Services	188,983	1,572	(525)	<b>1,047</b>	<b>2,219</b>
Community Services	69,205	3,550	(543)	<b>3,007</b>	<b>3,741</b>
Regeneration and Development	34,320	857	0	<b>857</b>	<b>665</b>
Business Support	7,203	(568)	0	<b>(568)</b>	<b>0</b>
Interest & Financing	14,591	(250)	0	<b>(250)</b>	<b>(250)</b>
Levies	763	37	0	<b>37</b>	<b>37</b>
Reserve & Other Adjustments	(175)	(1,400)	0	<b>(1,400)</b>	<b>0</b>
<b>Total</b>	<b>314,890</b>	<b>3,798</b>	<b>(1,068)</b>	<b>2,730</b>	<b>6,413</b>

#### 4. Children's Services

- 4.1 The Directorate is predicting an overspend of £1.572m before management action. The principal areas of difficulty are:
- Young people – Youth Offending and Care Leavers present an overspend forecast at £190,000;
  - Children & Families social work – forecast overspend £174,000;
  - SEN (special recoupmnt and independent and non-maintained placements) - £1,536,000;
  - SEN home to school transport - £623,000; and
  - Casework legal fees - £348,000.
- 4.2 Management action totalling £525,000 has been identified arising from the introduction of the Council-wide spending restrictions which reduces the forecast overspend to £1.047m, a reduction of £1.172m compared to the July report.
- 4.3 A number of areas are being examined with a view to bringing forward savings proposals, but these will have an impact from 2008/09 rather than in the current year:
- A joint review of current legal arrangements/costs
  - SEN transport eligibility criteria
  - SEN review with specific consideration of provision for pupils with Autistic Spectrum Disorders (ASD)
  - A review of the SEN Decision Making Panel process
  - Independent Review Officers (IROs) administration arrangements
  - Voluntary sector contracts
  - Future plans for the Learning Support Service (LSS)

## **5. Community Services**

- 5.1 The directorate is currently predicting an overspend of £3.550m before management action. The main areas of concern are:
- Physical Disability, £1,264m over;
  - Older People, £664,000 over,
  - Learning Disability, £1.041m over;
  - Leisure & Sports, £335,000 over.
- 5.2 The directorate has identified actions to achieve savings of £543,000 against these forecasts including:
- changes to the charging policy for older persons homecare (£180,000);
  - capping the Council's contribution to older persons homecare (£52,000);
  - savings on care package costs through Telecare facilities (£90,000);
  - Use of 'lifeline' for new applicants (£60,000)
  - Adult placements 'invest to save' (£50,000)
  - Use of Supporting People Grant (£50,000)
- 5.3 The net overspend of £3.007m is a reduction of £734,000 compared to that previously reported.
- 5.4 The Housing Revenue Account is forecasting a surplus of £372,000 which is an underspend of £97,000 against the original budget.

## **6. Regeneration & Development**

- 6.1 The returns from budget managers indicate a potential overspend of £0.857m arising predominantly from three services:-
- Shortfall in parking income (£221,000)
  - Medway Tunnel maintenance (£391,000)
  - Uptake on concessionary fares (£260,000)
- 6.2 The directorate is committed to achieving a break-even position, as in previous years, but this will be very difficult bearing in mind that there is less flexibility in the budget following the transfer of a substantial part of the highways funding to capital.

## **7. Business Support**

- 7.1 The department has had to address two major pressures, £167,000 savings target and £235,000 in respect of benefit payments. However, measures taken across services along with the moratorium mean that a underspend of £568,000 is now forecast.
- 7.2 The main areas of saving have forecast in:-
- Human Resources (£294,000)
  - Customer First (£218,000)
  - ICT (£180,000)
  - Democratic Services (£128,000)
  - Commercial Property (£109,000)
- 7.3 Further savings proposals, as reported to Cabinet on 16 October, will have no significant impact in 2007/2008 but will accrue from 2008/2009 onward.

## **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.

## **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. Reserves & Other Adjustments**

- 10.1 Additional income has been confirmed from NNDR refunds (£400,000) and Local Authority Business Incentive Grant – LABGI (£1m). Under LABGI authorities receive a proportion of their growth in business rates as an incentive to maximise economic growth.

## **11. Conclusions**

- 11.1 The reduction of £3.683m in the forecast overspend is obviously very welcome. However, the forecast overspend still stands at £2.730m and contains a number of significant risks, particularly for Community Services.
- 11.2 Officers will continue to closely monitor the moratorium and controls on recruitment and it is anticipated that further progress to reduce the remaining deficit will be reflected in the next cycle.

## **12. Financial and legal implications**

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

## **13. Recommendations**

- 13.1 That Cabinet reinforce the requirement upon directors to enforce the vacancy controls and spending moratorium to achieve budget balance.

## **14. Suggested Reason for Decision**

- 14.1 Cabinet has the responsibility to ensure effective budgetary control to contain expenditure within the approved limits set by Council. Where a budget overspend is forecast, Cabinet supported by the corporate management team must identify measures to remove the excess expenditure

## **Background papers**

Revenue budget approved by Council 1 March 2007

Revenue budget monitoring reports to Cabinet 17 July 2007, 25 September 2007 & 16 October 2007.

**Report author:** Mick Hayward, Chief Finance Officer

MEDWAY COUNCIL GENERAL FUND REVENUE MONITORING - September 2007											
Directorate (Portfolio)	Expenditure					Income					Net
	2007/2008 Budget £000's	Actual to date £000's	2007/2008 Forecast £000's	Forecast Variance £000's	2007/2008 Budget £000's	Actual to date £000's	2007/2008 Forecast £000's	Forecast Variance £000's	Net Forecast Variance £000's	July Variance £000's	
<b>Business Support</b>											
Finance Portfolio	96,957	39,162	102,373	5,416	(92,748)	(46,832)	(97,761)	(5,012)	403	505	
Customer First & Corporate Services	16,117	9,135	16,283	166	(16,228)	(7,890)	(17,238)	(1,010)	(843)	(62)	
Community Safety & Enforcement/Adults	379	228	394	15	(45)	(0)	(53)	(9)	6	16	
Adult Services	545	325	453	(92)	(597)	(368)	(506)	90	(2)	(22)	
Leader	3,831	2,143	3,740	(91)	(1,007)	(947)	(1,049)	(42)	(132)	(436)	
	<b>117,828</b>	<b>50,992</b>	<b>123,242</b>	<b>5,414</b>	<b>(110,625)</b>	<b>(56,037)</b>	<b>(116,607)</b>	<b>(5,982)</b>	<b>(568)</b>	<b>0</b>	
<b>Regeneration &amp; Development</b>											
Leader	1,230	706	1,248	18	(1,230)	109	(1,248)	(18)	0	0	
Front Line Services	35,934	13,570	37,028	1,094	(9,603)	(2,708)	(9,439)	164	1,258	758	
Strategic Development & Economic Growth	6,120	3,789	6,321	201	(2,000)	(1,028)	(2,471)	(471)	(270)	(99)	
Safer Communities & Enforcement	4,651	2,472	4,584	(67)	(782)	(770)	(846)	(64)	(131)	6	
Proposed Management Action	0	0	0	0	0	0	0	0	0	0	
	<b>47,935</b>	<b>20,537</b>	<b>49,181</b>	<b>1,246</b>	<b>(13,615)</b>	<b>(4,397)</b>	<b>(14,004)</b>	<b>(389)</b>	<b>857</b>	<b>665</b>	
<b>Children's</b>											
Children's	241,870	118,799	247,294	5,424	(52,887)	(22,841)	(56,739)	(3,852)	1,572	2,530	
Proposed Management Action	0	0	(525)	(525)	0	0	0	0	(525)	(311)	
	<b>241,870</b>	<b>118,799</b>	<b>246,769</b>	<b>4,899</b>	<b>(52,887)</b>	<b>(22,841)</b>	<b>(56,739)</b>	<b>(3,852)</b>	<b>1,047</b>	<b>2,219</b>	
<b>Community Services</b>											
Adult Services	92,894	43,366	96,239	3,345	(38,017)	(17,746)	(38,121)	(104)	3,240	4,038	
Community Services	24,250	11,426	24,304	54	(11,837)	(5,465)	(11,476)	361	414	409	
Strategic Development & Economic Growth	3,216	1,559	3,322	106	(1,372)	(311)	(1,580)	(208)	(102)	11	
Customer Care & Community Safety	70	27	67	(3)	0	0	0	0	(3)	(7)	
Proposed Management Action	0	0	(543)	(543)	0	0	0	0	(543)	(708)	
	<b>120,431</b>	<b>56,377</b>	<b>123,390</b>	<b>2,959</b>	<b>(51,225)</b>	<b>(23,522)</b>	<b>(51,177)</b>	<b>48</b>	<b>3,007</b>	<b>3,741</b>	
<b>Interest and Financing</b>											
Finance	21,534	1,491	21,534	0	(6,943)	0	(7,193)	(250)	(250)	(250)	
<b>Levies</b>											
Finance	763	240	800	37	0	0	0	0	37	37	
<b>Planned Use of Reserves</b>											
Finance	0	0	0	0	(175)	(1,000)	(1,575)	(1,400)	(1,400)	0	
<b>Total</b>	<b>550,361</b>	<b>169,567</b>	<b>564,916</b>	<b>14,556</b>	<b>(235,470)</b>	<b>(107,797)</b>	<b>(247,295)</b>	<b>(11,825)</b>	<b>2,730</b>	<b>6,413</b>	