

BUSINESS SUPPORT OVERVIEW AND SCRUTINY COMMITTEE

17 JULY 2008

REVENUE BUDGET MONITORING 2008-2009

Director / Author:

Mick Hayward, Chief Finance Officer

Summary

This report summarises the revenue monitoring position for the current year to date. This is the first monitoring report for the year and is based on actual income and expenditure to May 2008.

1. Budget and Policy Framework

- 1.1 It is the responsibility of Cabinet to ensure that income and expenditure remains within the budget approved by Council to hold Cabinet to account for the action that is taken.

2. Background

- 2.1. At its meeting on 28 February 2008, the Council set gross revenue spending at £521 million and a General Fund net revenue budget of £332.5 million for 2008-2009. Council tax increased by 5%.
- 2.2. Subsequent to the Council meeting the schools budget was calculated using actual pupil numbers as at January 2008, which were lower than the Department for Children, Schools and Families (DCSF) original forecast. This produced a revised Dedicated Schools Grant (DSG) allocation of £163.9 million, which represents a reduction of £507,000 to the net General Fund budget, but has a nil impact on non-schools services, as the required schools budget reduces commensurately. The total annual budget is now therefore £332 million. On the 19 June the DCSF issued the final DSG for 2008-2009 at £163.8 million, which is £82,000 less than calculated. This will result in a pressure to the Council in respect of DSG funded services.
- 2.3. This is the first monitoring report for 2008-2009 and is based on expenditure to May 2008. Directorate management teams have considered the monitoring reports and the results are summarised in Table 1 below. An analysis of the main risks to the authority's financial position is included at Appendices 2a - c.

3. Summary Position

- 3.1. It can be seen from Table 1 that, after management action, the outturn forecast for 2008-2009 currently stands at a £1.1 million overspend. All three directorates are forecasting an overspend, however as in the previous year the most significant financial pressure is against those services now within the Children and Adult Services directorate. A brief commentary on each directorate's forecast is set out at sections 4 to 8.

Table 1: Overall Summary

Directorate	Budget 2008-2009 £000s	Forecast variance £000s	Proposed action £000s	Adjusted variance £000s
Children and Adult Services	265,538	825	0	825
Regeneration, Community and Culture	50,689	1,356	(1,188)	168
Business Support	12,619	403	(290)	113
Public Health	384	(4)	0	(4)
Interest & Financing	12,644	0	0	0
Levies	879	5	0	5
Area Based Grant	(10,926)	0	0	0
Planned Use of Reserves	166	0	0	0
Total	331,993	2,585	(1,478)	1,107

- 3.3. Appendices 1a and 1b represent analyses of the forecast position by Portfolio and by Assistant Director respectively. Appendix 2 sets out the significant risks from the financial risk statements prepared by each directorate at the beginning of the financial year. These statements identify areas of risk in excess of £100,000, an indication of the scale of those risks, and any contingency/control measures identified.

4. Children and Adult Services (Appendix 3)

- 4.1. The main components of the directorate's forecast overspend are:
- £656,000 pressure against Older People Services, principally resulting from a forecast overspending against the domiciliary care budget.
 - £782,000 underspend against Disability Services, principally a significant underspend against residential care, offset by pressure against domiciliary care budgets.
 - Savings measures against in-house services will only achieve a part year effect in the current year, resulting in a £408,000 pressure.
 - £217,000 pressure against Mental Health Services, principally as a result of former Community Support Service clients becoming the Council's responsibility.
 - £222,000 forecast overspend against Looked After Children, principally the result of demographic pressures against the Care Leavers budget being understated in the budget build.

5. Regeneration, Community and Culture (Appendix 4)

- 5.1. The directorate is reporting a £1,356,000 pressure, which reduces to £168,000 after management action. The key issues for the directorate are an overspending against the Highways / Medway Tunnel budgets of £550,000 and the non-achievement of restructuring savings amounting to £199,000. In respect of the highways overspending, management action assumes that there will be an injection of resource over and above the previous level of income from the Rochester Bridge Trust for the Medway Tunnel works. In the event that this is not possible, other highways works will need to be curtailed.

6. Business Support (Appendix 5)

- 6.1. The principal cause of the forecast overspending of £113,000 is as a result of a shortfall in land charges income of around £100,000, occurring because of the downturn in the housing market.

7. Public Health

- 7.1. This service reports to the Director of Public Health and essentially comprises PCT and grant funded activities. These include programmes to tackle teenage pregnancy, drug and alcohol misuse and obesity. The forecasts assume that the grants will be fully expended.

8. Housing Revenue Account (Appendix 6)

- 8.1. The Housing Revenue Account is forecasting a surplus of £1,378,000, which represents a favourable variance of £146,600 when compared with the original budgeted surplus of £1,231,000.

9. Conclusions

- 9.1. Whilst a £1.1 million pressure compares very favourably with the £5.9 million overspend forecast at the same time last year, the fact remains that the authority retains no reserve cover beyond the minimum CPA requirements and therefore it is imperative that measures are identified in order to contain total net expenditure within the Council's overall cash limit.
- 9.2. In addition to the above, which reports on the monitoring of the Council's approved budget, there is a potential cost of some £1 million arising from the closure of the Mental Health Community Support Service for which there is no budget provision. This is a service that had been commissioned and funded by the Medway Primary Care Trust (PCT) with Medway Council the employer for a group of some 87 staff. The service was provided by the Kent and Medway Partnership Trust with the Community Support staff seconded to that body and their costs reimbursed by the PCT. The dissolution of the service has been the subject of previous reports to members but at the moment it would appear that the termination costs of our employees remain our responsibility. The final position remains unclear pending the outcome of appeals against redundancy and further negotiation with the PCT. In the event that the liability does fall to the Council then the funding position will require re-evaluation with a potential call upon scarce reserves.

10. Financial and legal implications

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

Lead officer contact

Mick Hayward, Chief Finance Officer, Gun Wharf, 01634 332220,
mick.hayward@medway.gov.uk

Background papers

Revenue budget approved by Council 28 February 2008
Monthly monitoring returns submitted by budget managers
Report to Cabinet 15 July 2008

**MEDWAY COUNCIL
GENERAL FUND REVENUE MONITORING - May 2007**

Portfolio	Expenditure				Income				Net
	2008/2009 Budget £000's	Actual to date £000's	2008/2009 Forecast £000's	Forecast Variance £000's	2008/2009 Budget £000's	Actual to date £000's	2008/2009 Forecast £000's	Forecast Variance £000's	Forecast Variance £000's
Children and Adult Services									
Adult Services	90,674	9,064	91,297	623	(28,431)	(4,765)	(28,772)	(341)	282
Children's Services	190,642	4,597	212,136	21,493	(8,595)	(3,362)	(29,954)	(21,359)	134
Children's Social Care	20,925	2,412	21,454	529	(246)	8	(412)	(166)	363
Community Safety and Enforcement	182	24	185	3	0	0	0	0	3
Community Services	3,417	484	3,546	129	(3,034)	(493)	(3,120)	(86)	43
	305,841	16,580	328,618	22,777	(40,306)	(8,612)	(62,258)	(21,952)	825
Regeneration, Community and Culture									
Leader	1,400	275	1,518	118	(1,400)	118	(1,518)	(118)	0
Community Safety and Enforcement	4,291	507	4,926	635	(525)	(196)	(1,177)	(652)	(17)
Community Services	22,052	3,075	21,873	(180)	(8,483)	(1,308)	(8,407)	75	(104)
Front Line Services	38,067	49	38,037	(31)	(9,958)	493	(9,834)	124	93
Strategic Development and Economic Growth	7,772	1,090	8,192	420	(2,529)	(176)	(2,753)	(224)	196
	73,582	4,996	74,545	963	(22,895)	(1,069)	(23,690)	(795)	168
Business Support Department									
Leader	2,706	303	2,718	12	(106)	(0)	(106)	(0)	12
Finance	108,325	12,128	108,416	91	(102,667)	(15,272)	(102,553)	114	205
Adult Services	480	85	518	38	(508)	(108)	(536)	(28)	11
Community Safety and Enforcement	1,005	167	1,047	42	(632)	(54)	(628)	4	46
Community Services	5,033	303	5,157	125	(1,738)	(98)	(1,871)	(133)	(8)
Customer First and Corporate Services	18,647	2,754	18,864	217	(17,926)	(1,034)	(18,296)	(370)	(153)
Strategic Development and Economic Growth	0	0	0	0	0	0	0	0	0
	136,195	15,741	136,721	525	(123,578)	(16,566)	(123,989)	(412)	113
Director of Public Health									
Adult Services	938	(89)	893	(45)	(554)	(270)	(512)	42	(4)
Interest and Financing									
Finance	22,829	0	22,829	0	(10,185)	0	(10,185)	0	0
Levies									
Community Safety and Enforcement	879	38	884	5	0	0	0	0	5
Area Based Grant									
Finance	0	0	0	0	(10,926)	0	(10,926)	0	0
Planned Use of Reserves									
Finance	166	0	166	0	0	0	0	0	0
Total	540,432	37,265	564,656	24,224	(208,443)	(26,518)	(231,560)	(23,117)	1,107

MEDWAY COUNCIL
GENERAL FUND REVENUE MONITORING - May 2007

Assistant Director	Expenditure				Income				Net
	2008/2009 Budget £000's	Actual to date £000's	2008/2009 Forecast £000's	Forecast Variance £000's	2008/2009 Budget £000's	Actual to date £000's	2008/2009 Forecast £000's	Forecast Variance £000's	Forecast Variance £000's
Children and Adult Services									
Adult Social Care	90,574	9,069	91,200	626	(28,431)	(4,765)	(28,763)	(332)	294
Children's Care	22,146	2,710	22,884	738	(706)	3	(897)	(191)	547
Learning and Achievement	22,094	3,419	22,352	258	(10,762)	(1,018)	(10,961)	(199)	59
Inclusion	20,465	891	23,138	2,673	(88)	1,124	(2,694)	(2,606)	66
Schools Retained Funding and Grants	(14,738)	146	3,564	18,302	(15)	(3,977)	(18,515)	(18,500)	(198)
Commissioning	3,118	345	3,300	181	(303)	21	(428)	(124)	57
Schools Delegated Funding	162,182	0	162,182	0	0	0	0	0	0
	305,841	16,580	328,618	22,777	(40,306)	(8,612)	(62,258)	(21,952)	825
Regeneration, Community and Culture									
Front Line Services	35,517	105	36,008	490	(9,249)	(384)	(9,746)	(497)	(6)
Development and Transport	14,757	1,461	15,035	279	(3,737)	519	(3,993)	(256)	23
Medway Renaissance	1,400	275	1,518	118	(1,400)	118	(1,518)	(118)	0
Leisure and Culture	22,052	3,075	21,873	(179)	(8,483)	(1,308)	(8,407)	75	(104)
Directors Office	(144)	80	111	255	(25)	(14)	(25)	0	255
	73,582	4,996	74,545	963	(22,895)	(1,069)	(23,690)	(795)	168
Business Support Department									
Financial Services	97,731	10,758	97,782	52	(90,453)	(15,052)	(90,459)	(6)	46
Housing and Corporate Services	14,972	1,485	15,225	253	(12,976)	(407)	(13,009)	(33)	220
Communications, Performance and Partnerships	4,130	666	4,085	(45)	(3,181)	(181)	(3,245)	(64)	(108)
Democracy and Customer First	7,815	964	7,893	78	(5,055)	(325)	(5,109)	(54)	24
Organisational Services	11,548	1,869	11,734	187	(11,912)	(602)	(12,168)	(255)	(69)
	136,195	15,741	136,721	525	(123,578)	(16,566)	(123,989)	(412)	113
Director of Public Health	938	(89)	893	(45)	(554)	(270)	(512)	42	(4)
Interest and Financing	22,829	0	22,829	0	(10,185)	0	(10,185)	0	0
Levies	879	38	884	5	0	0	0	0	5
Area Based Grant	0	0	0	0	(10,926)	0	(10,926)	0	0
Planned Use of Reserves	166	0	166	0	0	0	0	0	0
Total	540,432	37,265	564,656	24,224	(208,443)	(26,518)	(231,561)	(23,118)	1,107

Financial Risk Analysis Form 2008-09

Directorate	Children & Adults
--------------------	-------------------

Director	Rose Collinson
-----------------	----------------

SERVICE HEADING	ELEMENT OF SERVICE SUBJECT TO RISK	EXPLANATION OF RISK	Maximum Risk £000s		CONTROL / CONTINGENCY MEASURES
			<200	200>	
			✓	✓	
Older People	Residential /Nursing Care	Operating 1 in 1 out process currently 31 clients at panel awaiting decision. A legal challenge could lead to a class act whereby all clients would have to be funded.		✓	Risk identified but no contingency fund available - weekly panel works on those highlighted priorities so addresses those most in need.
Older People	Intermediate Care/Residential Beds	Clients awaiting rehabilitation and intermediate care services.	✓		Changes in the use of beds at Platters Farm will provide more short stay rehabilitation beds in-house.
Older People	Home Care	The introduction of revised eligibility criteria, under Fair Access to Care Services does not deliver the projected savings.		✓	All new referrals are assessed using the revised eligibility criteria. All existing service users are to be
Older People	Home Care	Increased demand on service due to demographic growth in the elderly population.		✓	Population data is used to evidence projections and demographic growth assumptions at 3.9% have been built into the budget.
Older People	Client Income	If the COLLECT system, which is no longer supported by the manufacturer, fails prior to implementation of the RAISE Finance module, there may be a delay in conducting financial assessments and invoicing	✓		The Client Financial Affairs team have a manual spreadsheet system that could cope for a short period of time.
Older People	All Services	Increased capacity at Medway Maritime Hospital may lead to increased discharges from hospital requiring social care packages.	✓		Activity will be monitored through the whole systems group.
Physical Disability	Direct Payments	Promotion of the direct payments option may be encouraging people who were previously reticent about accessing traditional care services.	✓		Maximising Independent Living Fund applications and maintaining client audits will help mitigate the financial
Physical Disability	Home Care	The introduction of revised eligibility criteria, under Fair Access to CareServices does not deliver the projected savings.		✓	All new referrals are assessed using the revised eligibility criteria. All existing service users are to be
Learning Disability	In-house Day Care	Major emergency resulting in closure of service e.g. fire, flood which may result in temporary/permanent replacement of service.	✓		Business continuity plan and emergency planning. Insurance cover.
Learning Disability	In-house Day Care	Failure to maintain adequate staffing levels resulting in poor quality service delivery and at worse serious injury or loss of life through inadequate supervision of service users.		✓	Staff recruitment. Risk assessment.

SERVICE HEADING	ELEMENT OF SERVICE SUBJECT TO RISK	EXPLANATION OF RISK	Maximum Risk £000s		CONTROL / CONTINGENCY MEASURES
			<200	200>	
Learning Disability	Residential	Increases in the no. of service users: - Changes in Learning & Skills Council (L&SC) funding mean Medway Council could become responsible for up to 40 young service users who will require assessment and possible care packages during 2008/2009. - If all the providers decide to sign onto the new Medway contract the price increase of 3.2% will mean that there are insufficient funds to cover this increase. - Secure unit clients can cost between £5,000 and £8,000 per week. There is currently a client at arbitration for whom the Council could potentially be liable for the full cost of a secure unit placement. - Ordinary Residence claims can often be back-dated several year.		✓	Additional RAISE training, on site, individually tailored to support the differing needs of professional staff who are being asked to undertake additional significant administrative processes. Establish a waiting list. Develop closer working relationships with childrens services. Maximise, with support from social care contracts, the development of supported living opportunities for people living in Medway. Have clearer procedures relating to contractual arrangements which will avoid delays in payments to providers. Implement FACS as a matter of urgency. Have an agreed protocol for transfer of expensive cases from childrens services to adult services and across adult
Learning Disability	Homecare	Service users are living longer and increasingly there is a risk that elderly parents / carers can no longer cope with the responsibility.		✓	Encourage Direct Payments. Work on individualised budgets and maximise the use of ILF. Challenge the DWP assessments to get as many people as possible onto higher rate Disability Living Allowance - the precursor for an ILF application.
Learning Disability	Direct Payments	Promotion of the direct payments option may be encouraging people who were previously reticent about accessing traditional care services. The introduction of Independent User Trusts could increase the unit cost of direct payments, through the introduction of a management fee.	✓		Maximising Independent Living Fund applications and maintaining client audits will help mitigate the financial risk.
Learning Disability	Adult Placement	Recruitment and retention of staff - if the service is unable to recruit social workers this team will be unable to recruit families and will not be able to place clients.	✓		Marketing and promoting the success of this service to encourage more carers to come forward to be assessed.
Internal Direct Delivery Service	Staff funded by Medway PCT	The PCT could withdraw funding.	✓		Ensure a formal, legally binding agreement is in place.
Internal Direct Delivery Service	Linked Service Centres	Savings associated with LSC Modernisation might not be delivered.	✓		Agree measures to achieve specific savings.
Internal Direct Delivery Service	Domiciliary	Delay in outsourcing homecare within the timescales required.		✓	The service will be downsized through natural attrition during the intervening period.
Internal Direct Delivery Service	All Linked Service Centres	Overspend on agency staff.	✓		Better recruitment and retention of staff.
Mental Health	Community Support Service	Redundancy costs arising as a result of closing the service		✓	Ongoing negotiation with Medway PCT.
Mental Health	Residential	New Clients placed between time of budget build and start of financial year	✓		Implementation of Panel process.
Integrated Assessment Teams	Staffing Budget	High staff iskcnss levels, staff turnover and difficulties in recruiting, could lead to extensive use of agency staff.		✓	A recruitment strategy underpinned by an attractive recruitment and retention package.
Integrated Assessment Teams	Behaviour Support Service	The budget for this service has been delegated to schools and there is a risk that some, or all, might choose not to buy back the service.		✓	Work with schools to ensure the teachers are fully used through the buy back process.
Integrated Assessment Teams	Elaine IST	The building opened in July 2007 and has only be partially occupied. There is a risk of escalating premises costs once the building is fully	✓		A Support Service Officer has been appointed to monitor the budget closely.

SERVICE HEADING	ELEMENT OF SERVICE SUBJECT TO RISK	EXPLANATION OF RISK	Maximum Risk £000s		CONTROL / CONTINGENCY MEASURES
			<200	200>	
Specialist Children's Services	Care Leavers	Expensive support placements on the increase. The 2008-09 budget is only £661k compared with a 07/08 outturn of £759k.		✓	Close monitoring and ensure all income from housing benefit collected.
Specialist Children's Services	P&V Residential	The P&V budget assumes £200k can be saved by increasing capacity at the Old Vicarage. Plans for a two bed extension are in the early stages and there is a risk that they may not come to fruition if (i) the build cost is higher than the capital allocation or; (ii) the plans attract opposition from the Upnor Society.		✓	Sound management of the contract and good communication and consultation with stakeholders.
Children's Care Management	Legal Services	Risk that complex cases result in escalating legal costs.		✓	Closer monitoring of legal costs and the in-house appointment of a specialist solicitor / advocate.
Commissioning	Social Care Workforce Development Grant	This grant is deployed to support the development of the independent social care sector workforce, but has now been incorporated in the Area Based Grant, the allocation of which should be in consultation with the Local Strategic Partnership. There is a risk that the LSP could advocate redeployment of the grant at the expense of the planned programmes, which are key to achieving the workforce development requirements of the externally contracted social care services and meeting the Council's statutory responsibilities in this respect as monitored by CSCI. The workforce aspects of the planned modernisation of the adult social care services is also dependent on this grant.		✓	The Medway Workforce Development Partnership, the Medway College of Social Care and associated programmes will be funded through this grant to ensure delivery of the required outcomes.
Youth Offending Team	Staffing Budget	There is a risk that the service will be unable to deliver the savings target imposed at Star Chamber. Unless staffing costs are reduced or additional income obtained from partner agencies the service will	✓		A reorganisation of YOT management to reallocate resources is planned. Any unnecessary expenditure will be kept to a minimum.
Early Years	Nursery Education Payments	Possible increased numbers of eligible children accessing funding. The potential risk is impossible to predict at this point in time.		✓	The funding is a statutory requirement. We continually monitor the expenditure here and constantly review the potential full year position, however it is not until the end of the financial year that we have a clear picture.
Medway Adult Learning Service	Grant Income	Reduction in LSC funding when allocations notified June/July 2008.	✓		Once allocations are confirmed, we will be in dialogue with the LSC to negotiate realistic targets.
Medway Adult Learning Service	Fees and Charges	Failure to recruit agreed numbers of learners leading to renegotiation of targets with LSC and possible reduction in funding.	✓		The service will endeavour to meet LSC targets set and carefully monitor our performance throughout the year - taking responsive action as necessary.
Medway Adult Learning Service	Outsourcing of Service	Transfer to new provider does not go ahead - savings and increased income built into budget not achievable.	✓		This will not be confirmed until 30 June.
Schools Delegated Budget - In Year Adjustments		The claims from schools, using the prescribed criteria e.g. increased pupil numbers in September, could exceed the provision available.		✓	There is little, which can be implemented to provide mitigation, as all legitimate claims against the prescribed criteria, would need to be honoured.

Financial Risk Analysis Form 2008-09

Directorate	Regeneration, Community and Culture
--------------------	-------------------------------------

Director	Robin Cooper
-----------------	--------------

SERVICE SUBJECT TO RISK	EXPLANATION OF RISK	Maximum Risk £000s		CONTROL / CONTINGENCY MEASURES
		<200	200>	
Capital Projects	Major flood event		✓	Bid for capital funding for defences
Capital Projects	Failure of coast protection wall		✓	Bid for capital funding
Director's Office	The directorate may not find sufficient funds to manage the vacancy saving		✓	DMT to monitor all vacancies and recruitment.
Director's Office	The directorate may not be able to fund pressures arising from re-organisation	✓		Directorate re-organisation underway
Waste Services	Pressure to clear private land and incursions	✓		Overspends will be met from other budgets within the service
Parking Services	Under achievement in parking income in Chatham	✓		Monitor expenditure to minimise impact
Parking Services	Loss of income when Brook Multi Storey Car Park is refurbished	✓		Capital funding to be sought to refurbish car park but will still necessitate loss of income. Carry out work in phases to minimise impact on customers and budget
Parking Services	Lack of income from on street pay and display based on historic data.	✓		Introduce more on-street pay and display in Gillingham. Reduction in expenditure to meet budget gap where possible.
Highways	Restrictions on available resources for highways maintenance present a risk that it may not be possible to deliver both responsive repairs and planned maintenance to residents satisfaction.		✓	Works will need to be prioritised to available resources or alternative funding streams identified.

SERVICE SUBJECT TO RISK	EXPLANATION OF RISK	Maximum Risk £000s		CONTROL / CONTINGENCY MEASURES
		<200	200>	
Highways	Forecast income from Plasma Screens on lamp posts will not be achieved due to delayed implementation.	✓		Initial applications have been submitted by the company seeking to implement the scheme.
Integrated Transport	New process for concessionary fares introduced from April 2008 covering the whole of England, resulting in the risk of higher take-up.		✓	Out of control of the Council. Lobbying government for additional funding.
Development, Economy & Transport Support	PDG ceased with effect from 31 March 2008. It is replaced by Housing & Planning Delivery Grant but the criteria for HPDG have not yet been announced. Draft criteria consulted on in 2007 would provide very little funding to Medway. This puts at risk the posts currently funded from PDG.		✓	Analyse information on the new HPDG as it comes in. Establish increased level of income due to increase in planning fees.
Development Control	Income targets may not be achieved due to current economic climate which will impact on our ability to fund the LDF.	✓		Planning fees were increased with effect from 1 April 2008 but it is unclear what increase in income this will produce.
Leisure	Anticipated loss of income from the Medway Park Development	✓		Off set against anticipated income from the development at Deangate Golf driving range

Financial Risk Analysis Form 2008-09

Directorate	Business Support
--------------------	------------------

Chief Executive	Neil Davies
------------------------	-------------

SERVICE SUBJECT TO RISK	EXPLANATION OF RISK	Maximum Risk £000s		CONTROL / CONTINGENCY MEASURES
		<200	200>	
Legal Services ET case in respect of Lawyer (Contracts)	Cost if the Council were to lose the case	✓		Ensure adequate time & expertise is spent on case to ensure accuracy and relevant deadlines are met
Land Charges LA Searches v Personal Searches	Competition for maintaining our share of the market	✓		Marketing and new ways of working to stop the slide
Operational Buildings	Not out of buildings by set timescale - additional cost of NNDR, energy, staffing/security, etc	✓		
Reprographics	Income target still high and not certain if achievable.	✓		move to Gun Wharf could realise new business but not guaranteed
Benefit Payments	Small changes in the overall level of subsidy can have a significant effect. Unfortunately it is very difficult to accurately forecast subsidy outturn due to the complexity of the various cyclic payment runs, which are undertaken. Consequently, the detail of which cannot be predicted with certainty until the complex calculation of subsidy is calculated at the year-end.		✓	Benefit legislation changes regularly, which can in turn affect subsidy – up to date knowledge will be needed. Bespoke Integra reports may well be required. Accountancy support may well be needed
NNDR Empty Buildings savings target	Saving built into budget on the assumption that empty buildings will be filled or demolished		✓	Demolition costs to be funded from capital.
BSD DMT	Budget assumes vacancy savings of £280k. Achievement will depend on occurrence and cover requirement		✓	Vacancy savings target to be monitored monthly - managers to consider saving before filling vacancies
Business System	Risk of key staff leaving and inability to recruit	✓		Contract staff would need to be employed
ICT Computer Services	Insufficient project managers or business analysts available for key projects in the Council.		✓	Contract staff would need to be employed

TITLE OF REPORT	REVENUE BUDGET MONITORING MAY 2008 CHILDREN AND ADULT SERVICES DIRECTORATE
RESPONSIBLE OFFICER	<i>Rose Collinson, Director of Children and Adult Services</i>

1. Forecast Position

- 1.1 The returns from budget managers indicate that the directorate will overspend by **£825,000**. A summary for the directorate as a whole is shown in Table 1. More detailed analysis at service manager level is attached with this appendix.

Table 1

Directorate Summary	Net Current Budget	Forecast Outturn	Forecast Over/(Under) Spend
	£000's	£000's	£000's
Adult Social Care	62,143	62,437	294
Children's Care	21,440	21,987	547
Learning and Achievement	11,332	11,391	59
Inclusion	20,377	20,443	66
Schools Retained Funding and Grants	(14,753)	(14,951)	(198)
Commissioning	2,815	2,872	57
Schools Delegated Budgets	162,182	162,182	0
Children & Adult Services Total	265,538	266,363	825

2. Significant Variances

- 2.1 The major variances are summarised in Table 2 below.

Table 2

Budget Heading	Net Current Budget	Forecast Outturn	Forecast Over/(Under) Spend
	£000's	£000's	£000's
Adult Social Care:			
Older People P&V Residential	4,053	4,359	306
Older People P&V Nursing	5,146	4,732	(414)
Older People P&V Domiciliary	6,045	6,949	904
Community Meals	241	101	(140)
Physical Disability P&V Residential	4,860	4,305	(555)
Physical Disability P&V Domiciliary	1,870	2,248	378
Learning Disability P&V Residential	18,962	17,010	(1,952)
Learning Disability P&V Domiciliary	210	1,051	841
Learning Disability PCT Contribution	(10,100)	(9,594)	506
Internal Direct Delivery Services	4,412	4,820	408
Dementia Care (OPMH)	757	815	58

Mental Health P&V Residential	926	1,085	159
Children's Care:			
Integrated Teams - Staffing	2,463	2,507	44
Integrated Teams – Behaviour Support	(19)	187	206
Contact Centre	48	81	33
Looked After Children - Transport	37	86	49
Looked After Children – Care Packages	34	82	49
Care Leavers	666	790	124
Inclusion:			
Young Offender Teams	440	555	114
Youth Services	1,805	1,670	(135)
Schools Retained Funding & Grants:			
Directorate Contingency	1,797	1,653	(144)

3. Adult Social Care (£294,000 overspend)

3.1 Commissioning and Client Financial Affairs

Vacancies across the whole team, offset by some additional income, are expected to yield a £51,000 underspend.

3.2 Older People Services

Whilst projected residential activity is in excess of the budgeted levels (16,528 v. 15,839 weeks), nursing activity is below budgeted levels (15,363 v. 15,670 weeks). Allied to lower than expected unit costs, a net £108,000 underspend is forecast. Domiciliary care is expected to overspend by around £904,000 owing to difficulties in recruiting qualified staff to back-fill and allow existing social care staff to reassess clients under the revised eligibility criteria (FACS). A £140,000 underspend is forecast against the community meals budget.

3.3 Physical Disability Services

Residential care is forecast to underspend by around £555,000 owing to natural attrition between the budget setting process and the present time. Domiciliary care is expected to overspend by around £378,000 owing in part to delays in reassessing clients under the revised eligibility criteria (as above).

3.4 Learning Disability Services

Residential care is forecast to underspend by around £1,952,000. £3,000,000 growth was built into the 2008-09 budget, representing the full year effect of known transitional clients and clients agreed by the Person Centred Commissioning Group. A large number of these clients are still not yet in receipt of a care managed service and the forecast assumes that they will come into the service gradually during the year, reducing forecast expenditure by around £1,000,000. In addition to this, the number of high cost secure unit clients has reduced, saving a further £878,000. Domiciliary care is expected to overspend by around £841,000 owing in part to delays in reassessing clients under the revised eligibility criteria (as above).

3.5 Internal Direct Delivery Services

Savings proposals to outsource the in-house homecare service and reconfigure the linked service centres assumed full year savings, but for various reasons a full year effect will not be achieved, resulting in a £408,000 forecast pressure.

3.6 Mental Health Services

Dementia care is expected to overspend by £58,000 principally due to a net increase in residential and nursing clients of 3. Other residential care is forecast to overspend by £159,000 owing to additional clients becoming the responsibility of Medway Council following decommissioning of the Community Support Service.

4. Children's Care (£546,600 overspend)

4.1 Integrated Teams – Staffing

Staffing budgets across the three integrated teams are forecast to overspend by around £44,600. This is principally the result of approval to recruit an additional agency worker and temporary SSA, for a period of six months, in response to workloads.

4.2 Integrated Teams – Behaviour Support Service

The budget for the Behaviour Support Service has been delegated to schools this year, however negotiations around the buy-back arrangements have not been concluded and therefore, no income is anticipated from schools in respect of this service for the first five months of the financial year. This represents a shortfall against budgeted income of approximately £206,500.

4.3 Assessment and Contact

Forecasting a £33,300 pressure. The original budget proposals included £100,000 to fund the Contact Centre, which was in excess of the funds available, however to date the directorate has not identified sufficient savings to meet this pressure.

4.4 Looked After Children

There are three main areas of overspending:

- LAC Children's Transport: Forecasting a £48,700 pressure. This is consistent with a £40,600 overspend in 2007-08, as no pressure was flagged up during the 2008-09 budget build.
- LAC Children's Care Packages: Forecasting a £48,800 pressure. This is consistent with a £47,300 overspend in 2007-08, as no pressure was flagged up during the 2008-09 budget build.
- Care Leavers: Forecasting a £123,900 pressure. The original budget proposals incorporated £230,000 of demographic pressure, however this was deleted from the budget during the Star Chamber process, as part of the savings target of £434,000 set for the young people's division.

5. Learning and Achievement (£58,600 overspend)

5.1 The overspend mostly relates to Adult Education.

6. Inclusion (£66,400 overspend)

6.1 SEN Placements

The forecast for placements in schools in other LA areas ('inter-authority recouplement') and in the Independent/Non-Maintained sector shows an underspending of £137,000. The 2008/09 budget for Independent /Non-Maintained was based on 153 places, compared to 143 children currently placed. The forecast

outturn also takes into account 20 additional placements from September and 17 leavers at the end of July.

6.2 SEN Home to School Transport

The current forecast overspend of £171,000 will be revised in the autumn when data relating to the new academic years is available.

6.3 Youth Offenders Team

The overspend of £114,000 is mainly the result of staffing costs being higher than the funding available. The original budget proposals incorporated a pressure of £146,000 relating to costs anticipated in 2007-2008. However, this increase was deleted as part of the savings target of £434,000 set for the young people's division. However, £30,000 of the forecast overspend is due to the Violent Extremism grant being credited to the 2007/08 financial year when in fact the Youth Justice Board (YJB) had intended this to be spent in 2008/09.

6.4 Youth Service

The forecast underspending of £135,000 for the service, which has been restructured is mainly the result of staffing vacancies.

7. **Schools Retained Funding & Grants (£198,000 underspend)**

7.1 The main reason for the forecast underspend is the use of the Directorate Contingency to meet the forecast overspend on headings funded by the Dedicated Schools Grant. £708,000 of the Directorate Contingency budget is funded by the DSG and can be used to offset overspends on other DSG budgets such as the Behaviour Support Service referred to in paragraph 5.2.

8. **Commissioning (£57,000 overspend)**

8.1 The overspend is mainly due to commitments on grants to voluntary organisations being in excess of the budget available.

9. **Schools Delegated Budgets**

9.1 The full position covering all schools, including a list of schools in deficit, will be reported in the June monitoring report.

10. **Management Action**

1.1. The directorate management team discussed what action could be taken to reduce the forecast expenditure in order to return the directorate to a breakeven position. Members are requested to note the following, although at this stage the potential financial impact is not reflected in the forecast:

- Until the process of reassessing existing clients under the revised eligibility criteria has progressed further there remains considerable uncertainty over delivery of the Fair Access to Care Services savings, however the forecast was deliberately prudent and officers expect that it will reduce as the position becomes clearer.
- The Standards Fund allocations will be thoroughly reviewed to determine the extent, within the eligibility criteria, that they can be used to meet base budget expenditure.
- Early indications are that there may be savings from the retendering of SEN transport routes from September.

TITLE OF REPORT	REVENUE BUDGET MONITORING MAY 2008 REGENERATION, COMMUNITY AND CULTURE DIRECTORATE
RESPONSIBLE OFFICER	<i>Robin Cooper, Director of Regeneration, Community and Culture</i>

1. FORECAST POSITION

- 1.1 The May returns from budget managers indicate a potential overspend of £1,356,000 as summarised in Table 1 below.

Table 1

	Budget £000's	Forecast £000's	Variation £000's
Front Line Services	26,268	26,827	559
Development and Transport	11,020	11,225	206
Medway Renaissance	0	0	0
Leisure and Culture	13,569	13,466	(104)
Director's Office	(169)	526	695
Total	50,687	52,042	1,356

- 1.2 Front Line Services
This forecast is principally attributable to maintenance for Medway Tunnel (£555,000).
- 1.3 Development and Transport
Forecast pressures within planning services (£346,000) are due to the loss of Planning Delivery Grant and overspends on supplies and service costs. Integrated Transport is indicating an underspend of £172,000, principally due to less than budgeted take up of the young persons scheme.
- 1.4 Leisure and Culture
Miscellaneous savings on Medway Leisure (£72,000) and Theatres (£49,000).
- 1.5 Director's Office
Vacancy Provision (£440,000) with part compensating savings currently shown in other services (see management action plan) and restructure savings (£199,000) which although will be partially achieved will be offset by redundancy and retirement costs.

2. MANAGEMENT ACTION PLAN

- 2.1 This is the first report for the financial year and the forecasts are obviously at an early stage of development. However it is important to identify measures to both mitigate the emerging pressures and contribute compensating savings where possible.
- 2.2 DMT proposals are at an early stage but the following is the immediate actions to mitigate the forecast overspend of £1.355m.
- 2.3 Revised Forecast – Estimate on payments to other bodies has been re forecast down by £30,000. Compensating savings of £10,000 for the temporary staff post in Front Line Services Support identified.

2.4 Departmental managers are committed to bringing the budget in at zero. We anticipate that markets will break even, that we should receive some income from the replacement for Planning Delivery Grant and it is hoped to inject up to £500,000 into highways later in the year. The remainder of the highways overspend forecast will also be reduced by £55,000. The Directorate identifies a forecast saving of £440,000 in respect of current vacancies albeit that a number of these savings may be balanced out by the use of temporary cover or reduced income generation where they are fee-earning staff. There is an obvious risk of double counting these savings to the extent that they already feature in manager's forecasts as underspends.

- Planning Delivery Grant replacement estimate - £100,000
- Highways - £555,000
- Markets - £ 53,000
- Management of Vacancy Provision - £440,000
- Result of management action - £1,148,000

Table 2

	Variation	Effect of Management Action	Revised Estimated Overspend
	£000's	£000's	£000's
Front Line Services	559	(565)	(6)
Development and Transport	206	(183)	23
Medway Renaissance	0	0	0
Leisure and Culture	(104)	0	(104)
Director's Office	695	(440)	255
Total	1,356	(1188)	168

<i>TITLE OF REPORT</i>	REVENUE BUDGET MONITORING MAY 2008 BUSINESS SUPPORT DEPARTMENT
<i>RESPONSIBLE OFFICER</i>	Neil Davies, Chief Executive

1. Forecast Position

- 1.1 The current forecasts indicate an overspend of £113,000. Table 1 shows the forecast variance by assistant director. More detailed analysis at service manager level is attached with this appendix.

Table 1

Assistant Director	Current Budget £000's	Current Forecast £000's	Vacancy Adj £000's	Mgmt Action £000's	Forecast Variance 000's
Chief Financial Officer	7,277	7,613	(224)	(66)	46
Housing and Corporate Services	1,996	2,216	69	(69)	220
Communications, Performance & Partnerships	949	841	22	(22)	(108)
Democracy & Customer First	2,760	2,784	44	(44)	24
Organisational Services	(365)	(433)	89	(89)	(69)
TOTAL	12,618	13,021	0	(290)	113

- 1.2 The vacancy adjustment column above reflects the redistribution across AD's of the vacancy saving target for Business Support and the management action reflects the assumption that these savings will be achieved by positive action to manage vacancies. Current vacancies are forecast to save around £683,000 however this will be balanced out by the use of temporary cover or reduced income generation where they are fee-earning staff. There is an obvious risk of double counting these savings to the extent that they already feature in managers forecasts.

2. Significant Variances

2.1 Chief Financial Officer

The major area of difficulty at this stage is the target savings on NNDR payments due on empty buildings. The budget included a target of £205,000 for this heading and to date only £95,000 has been identified.

2.2 Housing and Corporate Services

The fall in the housing market has had an impact on the level of land charges income collected for April & May which will lead to an under recovery in excess of £100,000 if this continues.

Legal Services are currently dealing with two employment tribunals that are forecast to incur costs of £45,000.

Private Sector Housing is forecasting an overspending as a consequence of the use of consultants to assist with the improvement plans but this is offset by an underspending arising from revisions to the lease arrangements for the Twydall shops.

2.3 Communications, Performance & Partnerships

There are forecast vacancy savings of around £100,000 across the teams in this area.

2.4 Democracy & Customer First

There are various minor forecast overspends that total £24,000. The vacancy saving target of £180,000 for customer first is currently forecast as being achievable.

2.5 Organisational Services

The forecast underspend of £69,000 is due to potential increased income from the temp agency and some vacancy savings.

3. Management Action

- 3.1 This is the first report for the financial year and the forecasts are obviously at an early stage of development, however the Departmental Management Team is attempting to identify measures to both mitigate the emerging pressures and contribute compensating savings where possible.

<i>TITLE OF REPORT</i>	REVENUE BUDGET MONITORING MAY 2008 HOUSING REVENUE ACCOUNT
<i>RESPONSIBLE OFFICER</i>	Neil Davies, Chief Executive

1. Forecast Position

- 1.1 The Housing Revenue Account (HRA) is forecasting a projected surplus of £1,377,600, which represents a favourable variance of £146,600 when compared with the original budgeted surplus of £1,231,000. The main variations are summarised in Table 1.

Table 1

Service	Outturn 2007-2008 £000's	Budget £000's	Forecast £000's	Variance £000's
Housing Management	1,028	1,112	975	(136)
Estate Management	990	877	991	114
Housing Maintenance	2,507	2,659	2,647	(12)
Sheltered Housing	768	792	733	(59)
Caretaking Service	378	367	391	23
Housing Benefits	86	57	57	0
Capital Financing Costs	4,423	3,114	3,158	45
Subsidy	994	1,440	1,387	(52)
Rent Income	(11,128)	(11,459)	(11,456)	3
Other Income	(314)	(190)	(262)	(72)
Total	(269)	(1,231)	(1,378)	(147)

2 Significant Variances

2.1 Housing Management (£136,300 favourable)

The favourable variance when compared with the original budget relates to two separate staffing issues. Firstly, the Housing Business Group Manager has recently left the Council and it is unlikely that the vacant post will be filled, resulting in savings of £42,000 in 2008/2009. In addition to this, the costs relating to 3 members of staff whose salaries were originally budgeted within this team as part of the projected restructure, have now remained within the Estate Management Team (£84,000).

2.2 Estate Management (£113,700 adverse)

The costs relating to three members of staff budgeted within Management Team, have now remained within Estate Management (£84,000). A budget transfer will be actioned prior to the June budget monitoring cycle. The remaining adverse variance relates to an additional post within Estate Management that was not originally budgeted for. This post is currently under

review, but it is anticipated that it will be part of the structure for the remainder of this financial year at the very least.

2.3 Sheltered Housing (£58,700 favourable)

The budget for this area included an allowance for payment of decant expenses to tenants in Plewis House as that residence could have formed part of the Fitzthorold House redevelopment. However, this will now not be the case, and therefore, the budget will not be spent.

2.4 Caretaking Service (£23,200 adverse)

The additional costs relate to the projected cost of temporary staff not budgeted for (£13,000), the increased cost of tipping charges which falls directly on this service (£6,000) and the cost of purchasing new hand-held devices in order to implement the 'Scrutinise' computer system which should improve the accuracy in the calculation of service charges to both tenants and leaseholders (£4,600).

2.5 Capital Financing Costs (£44,600 adverse)

The increased costs relate to an increase in borrowing costs (interest rates) compared with that originally budgeted for. This is compensated for within the Housing Subsidy calculation (see below). If Council approves the request for further capital monies at its July meeting, then the forecast against this line will increase by £1,000,000 to take account of the required revenue funding needed.

2.6 Housing Subsidy (£52,200 Favourable)

Medway Council is in a 'negative' subsidy situation. This means that the Government's calculation as to whether Medway's HRA has too much or not enough money, shows that it has too much. Whilst there is a complete review underway, the results of which are due to be published in the spring of 2009, part of the calculation is an allowance for the cost of borrowing costs relating to the total debt incurred in borrowing to assist with capital works year on year. As explained in 2.5 above, the interest rates are higher on the outstanding borrowing, and therefore as the cost has risen, so has the allowance, thereby reducing the amount of negative subsidy to be paid within 2008-2009.

2.7 Other Income (£72,300 favourable)

The main income in this area relates to interest earned on reserve balances such as the main working balance and the major repairs reserve. Whilst the balances will be reducing in order to fund the required capital programme, the budgeted income figure is too low, and therefore a more accurate forecast has been calculated for monitoring purposes.

3 Other Information

3.1 Number of Sales through Right To Buy

The predicted number of sales of council houses and flats is 13 for 2008/2009 which compares with 11 that took place in 2007/2008. As at 23 June 2008 the Council has received 4 applications for 2008-2009, 6 from 2007-2008 and 6 from 2006-2007, all of which have been successful, but a 'drop-out' rate of 16% is anticipated prior to sales being completed. To date 1 property has been sold. It is anticipated that there will be 12 further sales within the current financial year.

3.2 Voids

The current void level for dwellings as at 10 June 2008 is 1.24%, which is slightly higher than the targeted void figure (0.9%) for performance.

The current void level for garages is 23.8% as at 10 June 2008.

4 Effect on the Business Plan

- 4.1 The business plan is in the final stages of being fully updated to take into account the results of the last review of the stock condition data and the revised capital programme. Therefore, it is intended to fully update the business plan and take a briefing note to Members in the near future.