

**BUSINESS SUPPORT
OVERVIEW AND SCRUTINY COMMITTEE
16 OCTOBER 2008
REVENUE BUDGET MONITORING 2008-2009**

Director / Author:

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Summary

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.

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.

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 million for 2008-2009. Council tax increased by 5%.
- 2.2. Cabinet, at its meeting on 15 July 2008, noted a potential overspend of £1.1 million based on the May monitoring. Furthermore, Members were advised of a potential cost arising from the closure of the Mental Health Community Support Service. The estimated cost of early retirement and redundancy payments is circa £1 million and at its meeting on 31 July Council approved for an addition to the 2008-2009 revenue budget, to be met from the General Fund balance. Members also instructed Cabinet and officers to use their best endeavours to reduce the impact of these additional costs upon reserves and clearly that will be difficult against the forecast identified in this report.

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 £1.8 million overspend, representing an increase of around £681,000 against the previous reported position. This deterioration in the authority's overall position can be attributable to the

Regeneration, Community and Culture directorate, although all three directorates are still forecasting overspends. Appendices 1a and 1b represent analyses of the directorate position by Portfolio and by Assistant Director respectively.

Table 1: Overall Summary

Directorate	Budget 2008- 2009 £000s	Forecast variance £000s	Propose d action £000s	Adjusted variance £000s	Previous variance £000s
Children and Adult Services	265,560	715	0	715	825
Regeneration, Community and Culture	50,689	1,224	(382)	842	168
Business Support	12,596	234	0	234	113
Public Health	384	(7)	0	(7)	(4)
Interest & Financing	12,644	0	0	0	0
Levies	879	4	0	4	5
Area Based Grant	(10,926)	0	0	0	0
Planned Use of Reserves	1,166	0	0	0	0
Total	332,992	2,170	(382)	1,788	1,107

4. Children and Adult Services

4.1. The main components of the directorate's forecast overspend are:

- £905,000 pressure against Older People Services, principally resulting from a forecast overspending against the domiciliary care budget.
- £1,754,000 underspend against Disability Services, principally a significant underspend against residential care, offset by pressure against domiciliary care budgets.
- Saving measures against in-house services will only achieve a part year effect in the current year, resulting in a £574,000 pressure.
- £217,000 pressure against Mental Health Services, principally as a result of former Community Support Service clients becoming the Council's responsibility from the point of closure of the service.
- £179,000 overspend against the three Integrated Teams, representing zero buy-back of the Behaviour Support Service during the first five months of the year. The directorate's forecast assumes full buy-back from September.
- £329,000 forecast overspend against Looked After Children, principally the result of demographic pressures against the Care Leavers budget being understated by around £200,000 in the budget build.
- £131,000 pressure resulting from delays in outsourcing Adult Education.
- £124,000 of redundancy and early retirement costs.

- 4.2. Management action includes the following and it is hoped these measures will reduce future forecasts:
- Reviewing high cost placements within the Adult Social Services and Children's Care divisions. One area the directorate management team need to consider is the most cost-effective way of providing for children with very complex needs, for example special schools often represent better value than residential placements.
 - Whilst the forecast currently assumes full buy-back of the Behaviour Support Service for the period September 2008 to March 2009, this now appears to be very unlikely. Demand from schools is being assessed and management action is being taken to mitigate the potential overspend, focusing upon re-deployment and management of vacancies.
 - The Assistant Director, Children's Care continues to engage with the PCT around joint funding of residential high cost placements for children with complex needs, this will be supported by a review of the current terms of reference relating to funding agreements.

5. Regeneration, Community and Culture

- 5.1 The directorate is reporting a £1,224,000 pressure, which reduces to £842,000 after management action. The major variance relates to energy costs within Highways (£257,000) and Leisure (£130,000) reflecting the huge increases being experienced in the new contracts for utilities commencing across the Council for the second half-year. These increases are as much as 40%, albeit that is against current contracts that have been fixed for the past two years. The highways variation is predominantly in respect of electricity for street lighting and for leisure is gas for heating pools, although other general consumption for heat and light in premises is also subject to this 'hyper inflation'. This is very much a national issue and our experience is certainly common with the contracts being part of the Local Authority South East Region (LASER) consortium. In addition the loss of Planning Delivery Grant against 2007/08 funding levels has created a pressure of £274,000, directorate vacancy requirements are forecast to fall short by £383,000 and restructure savings targets of £229,000 are currently not being met.
- 5.2 Management action will comprise of more robust management of vacancies and the use of agency staff (£107,000 target) and the Director has instructed Assistant Directors to make compensating reductions against pressures for non-staffing headings within their divisions (£275,000 target).

6 Business Support

- 6.1 The directorate is forecasting a £234,000 overspend, the principal components of which are as follows:
- £313,000 against benefit payments. This results from a combination of increased housing for vulnerable people and the impact of subsidy limitation.
 - Lower than anticipated income from land charges, resulting from the depressed state of the housing market - £120,000.
 - Similarly a shortfall of around £118,000 is predicted against the design and surveying income target.

- These pressures are offset by circa £553,000 of vacancy savings in excess of the budgeted level.

6.2 The major movement against the previous position is the benefit overspending, the impact of which has been mitigated by additional vacancy forecasts.

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

8.1 The Housing Revenue Account is forecasting a surplus of £326,000, which represents an adverse movement of £1,051,500 when compared to the £1,377,600 surplus reported in May 2008. This is essentially the result of Council's decision, on 31 July, to make a revenue contribution of £1,000,000 to the HRA capital programme.

9 Conclusions

9.1 Whilst a £1.8 million forecast overspend still compares very favourably with the position reported the same time last year, an increase of £681,000 against the previous forecast is cause for concern and it is imperative that measures are identified in order to contain total net expenditure within the Council's overall cash limit.

10 Financial and legal implications

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

11 Recommendations

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

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Background papers

Revenue budget approved by Council 28 February 2008
Monthly monitoring returns submitted by budget managers