

**BUSINESS SUPPORT
OVERVIEW AND SCRUTINY COMMITTEE
9 DECEMBER 2008
REVENUE BUDGET MONITORING 2008-2009**

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Summary

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

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. In the revenue monitoring report considered by Cabinet on 15 July, 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 2008-09 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.
- 2.3. Cabinet, at its meeting on 23 September 2008, noted a potential overspend of £2.170 million based on the July monitoring. Management action of £382,000 reduced the net overspend to £1.788m.

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 £1.2 million overspend, representing an improvement of around £600,000 against the previously reported position based on July data. Appendices 1a and 1b represent analyses of the directorate position by portfolio and assistant director respectively.

Table 1: Overall Summary

Directorate	Budget 2008-2009 £000s	Forecast variance £000s	Proposed action £000s	Adjusted variance £000s	Previous variance £000s
Children and Adult Services	265,421	732	0	732	715
Regeneration, Community and Culture	50,752	1,165	(749)	416	842
Business Support	12,674	726	(500)	226	234
Public Health	383	(21)	0	(21)	(7)
Interest & Financing	12,644	(173)	0	(173)	0
Levies	879	4	0	4	4
Area Based Grant	(10,926)	0	0	0	0
Planned Use of Reserves	1,166	0	0	0	0
Total	332,993	2,433	(1,249)	1,184	1,788

4. Children and Adult Services

- 4.1. The main components of the directorate's forecast overspend are:
- £1,062,000 pressure against Older People Services, principally resulting from a forecast overspending against the domiciliary care budget.
 - £2,092,000 underspend against Disability Services, principally a significant underspend against residential care, offset by pressure against domiciliary care budgets. The £338,000 reduction in the forecast since the July monitoring reflects the continued reduction in demographic growth assumptions as the year progresses, as a result of anticipated transitional clients, people with elderly carers and clients awaiting panel decisions not accessing the service as soon as expected.
 - Savings measures against in-house services will only achieve a part year effect in the current year, resulting in a £591,000 pressure.
 - £195,000 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.
 - £363,000 overspend against the three Integrated Teams. This represents a deterioration in the forecast position since the previous monitoring report and reflects limited buy-back of the Behaviour Support Service, offset by management action to reduce expenditure on the service.

- £331,000 forecast overspend against Specialist Children's Services, principally the result of demographic pressures against the Care Leavers budget not being fully addressed during the budget build.
- £108,000 pressure representing the impact of the Public Law Outline on the legal services budget.
- £130,000 pressure, within learning and achievement, mainly resulting from delays in outsourcing Adult Education.
- £132,000 within specialist youth services, which relates to the youth offending team (YOT) and results from the full funding requirement not being fully addressed during the budget build.
- £123,000 of redundancy and early retirement costs, representing the costs of seven former members of staff from a number of different services within the directorate.
- A forecast underspending, totalling £307,000, is forecast for social inclusion, mainly resulting from independent and non-maintained schools (£231,000), where the total cost of placements continues to increase, but is still within the provision available; and £64,000 on SEN transport from retendered routes, but the position needs to be reviewed in light of the new requirements for the new academic year
- A forecast underspending of £97,000 is shown against the inclusion division management team and reflects the effect of all three service manager posts being vacant.

5. Regeneration, Community and Culture

5.1 The directorate is forecasting an overspend of £1.165m substantially due to:-

- Hyper energy inflation £403,000
- Loss of Planning Delivery Grant £274,000
- Unachieved target – Service Manager restructure £229,000
- Unachieved target – vacancy savings £290,000

5.2 The management action plan drawn up by the directorate has identified target savings of £749,000 as follows:-

- Salaries. At this stage vacancies savings of approximately £150,000 have been identified against the target of £440,000. It is felt that only a further saving of £30,000 is achievable
- Loss of Income – Black Lion. The forecasts allow for a loss of income of £84,000 as a result of the closure of the centre for capital works and it is proposed that this loss be charged against the capital scheme.
- Concessionary Fares. It is estimated that a reduction in the expenditure forecasts of £115,000 can be anticipated based on current usage information.
- Waste expenditure will be analysed to identify items that can be charged to capital grant. Target saving £60,000.
- Non Essential Supplies & Services. At this stage of the financial year, these costs represent one of the few opportunities to reduce expenditure. There will inevitably be some impact on the quality of service delivery but the following target savings are considered reasonable taking account of expenditure to date:- Front Line Services £180,000, Development, Economy and Transport

£130,000 and Leisure and Culture £150,000. These savings represent 25% of unspent forecasts and 12% of original budgets and will require stringent control by managers to be realised.

5.3 If all of these options are successfully pursued, total savings of £749,000 will be achieved, reducing the forecast overspend to £416,000. Whilst all further options will be considered, it is difficult to see how further inroads can be made in the timescales available and without a significant impact on services.

5.4 A major risk remains in respect of budgeted income from the sale of landfill allowances (£440,000) as a significant number have recently been placed on the market.

6 Business Support

6.1 The directorate is forecasting a £726,000 overspend, the principal components of which are:-

- £574,000 in respect of central accommodation costs principally due to hyper energy inflation.
- £313,000 against benefit payments. This results from a combination of increased housing for vulnerable people and the impact of subsidy limitation.

6.2 The Department Management Team have agreed a target saving of £500,000 from discretionary expenditure, principally supplies and services. If this target is achieved it will reduce the overspend to £226,000.

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 £159,000, which represents an adverse movement of £167,000 when compared to the £316,000 surplus reported in July 2008.

9 Conclusions

9.1 Whilst the improvement since the previous cycle is welcome, a significant deficit forecast of £1.2 million remains and members will need to consider what action should be taken to reduce the overspend further.

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 2008/9 and the management action proposed.

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Background papers

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