

BUSINESS SUPPORT OVERVIEW AND SCRUTINY COMMITTEE

18 AUGUST 2009

REVENUE BUDGET MONITORING 2009-2010

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Summary

This report summarises the revenue monitoring position for the current year based on actual income and expenditure to May 2009.

1. Budget and Policy Framework

It is the responsibility of Cabinet to ensure that income and expenditure remains within the budget approved by Council. It is for the Overview and Scrutiny Committee to hold Cabinet accountable for those actions taken.

1.1.

2. Background

2.1. At its meeting on 26 February 2009, the Council set gross revenue spending at £608 million and a General Fund net budget requirement of £176.273m for 2009-2010. Council tax increased by 4.89%.

2.2. As in previous years, monitoring reports will be submitted to Cabinet bi-monthly, reporting by exception and focussing on action plans to contain expenditure within budgeted levels. This is the first monitoring report for 2009-2010 and is based on expenditure to May 2009. 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 2009-2010 currently stands at a £1.074 million overspend although more than half of that sum is in respect of DSG funded services. Appendix 1 provides further detail of directorate variations.

Table 1: Overall Summary

Directorate	Budget 2009-2010 £000s	Forecast variance £000s	Proposed action £000s	Adjusted variance £000s
Children and Adult Services:				
- DSG funded services	167,712	814	0	814
- General fund services	108,328	(679)	0	(679)
Regeneration, Community and Culture	51,505	1,752	(781)	971
Business Support	18,381	1,100	(1,100)	0
Public Health	409	(32)	0	(32)
Interest & Financing	13,450	0	0	0
Levies	882	0	0	0
Area Based Grant	(11,804)	0	0	0
Planned Use of Reserves / PSA	(4,878)	0	0	0
Total	176,273	2,955	(1,881)	1,074

4. Children and Adult Services

- 4.1. The directorate is forecasting a £899,000 underspend against Adult Social Care. This is consistent with the fact that the division reported a significant underspend at the end of 2008-2009, owing to a combination of factors - the transfer of clients from high cost residential placements onto direct payments, a significant number of transitional clients and those with older carers not coming into the service as early as expected and the higher than usual numbers of clients with physical disabilities that died during the year.
- 4.2. This has been offset by some significant anticipated overspends:
- Children's Care is forecasting a £195,000 overspend, principally a result of the urgent decision to recruit additional social workers to cope with significant increases in referrals.
 - Special Educational Needs is projecting a £358,000 overspend against the budget for independent and non-maintained sector placements.
 - The anticipated impact of funding deficits on school closures arising from the new Strood Academy is estimated at £591,000.

5. Regeneration, Community and Culture

- 5.1 The directorate is forecasting an overspend of £971,000 after management action. There are four principle reasons for this variation:
- Car parking and enforcement – The budgeted income for 2009-2010 (£5.15m) is set at some £380,000 more than the actual receipts for 2008-2009. At this stage an under-recovery against budget of £252,000 is forecast although this will be dependant on issues such as space availability, Christmas parking arrangements and enforcement car activity;
 - Development Control – This service overspent by some £400,000 in 2008-2009, principally due to the loss of Planning Delivery Grant. Although cost reduction measures are being implemented, a forecast overspend of £150,000 is still anticipated;

- Integrated Transport – Latest information from the contractor suggests an overspend of £81,000 against the budget of £3.78m for the older persons and disabled scheme, and
- Sport and Leisure – There is an estimated shortfall of £457,000 on income from fees & charges.

5.2 No variation is currently forecast in respect of waste services pending the outcome of the procurement process although, if the disposal tonnage recorded last year remains as a base position, there would be an underspending.

6. Business Support

6.1 Initial returns from budget managers forecast an overspend of £1.1m largely due to:

- Forecast overspends on central accommodation running costs, principally building maintenance and utility costs £483,000;
- £157,000 shortfall against income budget for reprographics unit although the recent move to Gun Wharf may mitigate some of the lost volume; and
- £280,000 pressure in respect of benefit payments although compensating savings from additional grant and operating surpluses for the Revenues and Benefits trading entity may mitigate this in future reports.

6.2 Management team has identified compensating action of £1,100,000 and there is an expectation of achieving break-even against budget by year-end.

6.3 This action consists of:-

- £400,000 further vacancy savings in addition to those already included within the May forecasts.
- Use of accumulated surpluses on the MRBS trading account to offset the pressure on benefit payments £280,000.
- Reassessment of the forecasts for central accommodation running costs £420,000.

7. Public Health

7.1. A small underspend is forecast as a result of staff vacancies.

8. Interest & Financing

8.1 No variation reported at this time

9. Housing Revenue Account

9.1. The Housing Revenue Account is forecasting a surplus of £563,000, an increase of £357,100 against its budgeted surplus of £205,900.

10. Conclusions

- 10.1 The first round of returns from budget managers forecast an overspend of almost £3m. However, directorate management teams have identified actions to reduce these forecasts to a potential overspend of £1.1m.
- 10.2 Not included in these forecasts is the potential saving from the annual pay award for which a general provision of 2% is included within budgets. Each 1% reduction in the settlement below 2% would produce a saving in excess of £800,000.
- 10.3 It should also be born in mind that there is a track record of pessimism in the forecasts presented at this point in the year and clearly against the backdrop of a significant underspend last year there remains good cause to believe that these forecasts are manageable.

11. Risk Management

- 11.1 Appendix 2 to the report identifies the more significant financial risks faced by the Council in respect of services. The Corporate Risk Register also included short-term finance as a risk up until the February 2009 review that removed the risk in the light of the Council's proven ability to manage such risks. Clearly it is appropriate for members to be made aware of the areas of the budget that are felt to be at risk in terms of ability to deliver service within the budget allocated but it is both Cabinet's and management's responsibility (at all levels in the organisation) to manage such risks.

12. Financial and legal implications

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

13. Recommendations

- 13.1. Members are requested to comment on the forecast outturn position for 2009/10 and the management action proposed.

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Background papers

Revenue budget approved by Council 26 February 2009
Monthly monitoring returns submitted by budget managers