

BUSINESS SUPPORT OVERVIEW AND SCRUTINY COMMITTEE

15 OCTOBER 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 July 2009.

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. It is for the Overview and Scrutiny Committee to hold Cabinet accountable for those actions taken.

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. Cabinet, at its meeting on 14 July 2009, noted a potential overspend of £1.074 million, after management action, based on the May monitoring. Although directorate management teams consider monitoring reports monthly they are, as in previous years, presented to Members on a bi-monthly basis. Directorate management teams have now considered the monitoring reports, based on July forecasts, and the results are summarised in Table 1 below with further analysis shown at Appendix 1.

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 £0.505 million overspend although almost all of that sum is in respect of DSG funded services. Also the forecast do not at this stage include any estimate of underspending that may occur when the current year's pay award for non-teaching staff is settled. The budget includes an allowance for a 2% award and the current offer from employers is just over 1%. Together with the late increase in the 2008/2009 award the net effect on revenue could be an underspending in the order of

£0.5 million. This is important in the context of having been identified as a potential source of funding for the Laming initiative that is putting pressure on Children's services budget as highlighted in paragraph 4.2.

Table 1: Overall Summary

Directorate/Funding	Budget 2009/2010 £000s	Forecast variance £000s	Proposed action £000s	Adjusted variance £000s	Previous variance £000s
Children and Adult Services:					
- DSG funded services	167,712	490	0	490	814
- General fund services	108,318	(692)	0	(692)	(679)
Regeneration, Community and Culture	51,430	2,116	(1,229)	887	971
Business Support	18,482	452	(600)	(148)	0
Public Health	409	(32)	0	(32)	(32)
Interest & Financing	13,450	0	0	0	0
Levies	882	0	0	0	0
Area Based Grant	(11,820)	0	0	0	0
Planned Use of Reserves / PSA	(4,878)	0	0	0	0
Dedicated Schools Grant	(167,712)	0	0	0	0
Total	176,273	2,334	(1,829)	505	1,074

4. Children and Adult Services

- 4.1. The directorate is forecasting a £1,287,000 underspend against Adult Social Care. This represents a £388,000 improvement against the previous reported position, principally as a result of a detailed review of the assumptions around individuals who are not yet accessing disability services, but who are expected to do so. In addition to this, some issues arising from the transfer from COLLECT to RAISE, resulted in the previous income forecasts being understated.
- 4.2. The Children's Care division has increased its projected overspend by £183,000 to £378,000. This is fully attributable to the need to respond to the Laming recommendations around safeguarding children.
- 4.3. The forecast position against Special Education Needs has improved by £345,000 to a net underspend of £90,000. This is the result of a reduction in the projected costs of independent and non-maintained placements, together with savings from re-tendering SEN transport routes.
- 4.4. The anticipated costs of redundancies and deficits, arising from the closures of Chapter and Temple schools and the restructuring at Medway Community College have increased by a further £237,000 generating an overspend of £490,000 against the DSG in respect of accumulated deficits and £401,000 against General Fund services in respect of redundancies.

5. Regeneration, Community and Culture

- 5.1 The directorate is forecasting an overspend of £887,000 after management action, a decrease of £84,000 against the previous forecast. The significant variations are as follows:
- 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 of income of £755,000 is forecast. This will be dependant on issues such as space availability, Christmas parking arrangements and enforcement car activity. It is expected that the decision to extend the observation period to 10 minutes on expired pay and display tickets and CCTV enforcement and 5 minutes on loading restrictions will result in a loss of income of £200,000.
 - 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 £175,000 is still anticipated – a £25,000 increase against previous forecast;
 - Integrated Transport – information from the contractor continues to suggest an overspend of £81,000 against the budget of £3.78m for the older persons and disabled scheme; and
 - Sport and Leisure – The budgeted income for 2009/2010 (£4.8m) is set at some £800,000 more than the actual income for 2008/2009. At this stage there is an estimated shortfall of £509,000 on income against that budgeted target.
- 5.2 No variation had been forecast in respect of waste services pending the outcome of the procurement process. However now that Cabinet have agreed to extend current arrangements for up to two years the reduction in disposal tonnage recorded last year can now be reflected as a revision to the forecast of £600,000 and this has been added to the management action agreed at the Directorate Management Team. Other management action includes a moratorium on discretionary expenditure on supplies and services, a freeze on staff recruitment, management of various pressures and anticipated additional planning fee income.

6. Business Support

- 6.1 The department is forecasting an overspend of £452,000, prior to management action, largely due to:
- £176,000 shortfall against income budget for reprographics unit although the recent move to Gun Wharf may mitigate some of the lost volume; and
 - £215,000 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 action assumes that the MRBS trading surplus will be used to offset the pressure arising from benefit payments and that further vacancies will occur in the next eight months to increase salary savings.

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 although investment returns on re-invested sums as they mature are very low (1% – 2%) and this is putting a pressure on the budget.

9. Housing Revenue Account

9.1. The Housing Revenue Account is forecasting a surplus of £135,500, a reduction of £70,400 against its budgeted surplus of £205,900.

10. Conclusions

10.1 The third round of returns from budget managers forecast an overspend of some £2.3m. However, directorate management teams have identified actions to reduce these forecasts to a potential overspend of £0.5m and this is almost entirely DSG funded expenditure.

10.2 The forecasts as presented do not include a significant variations for pay that is estimated at some £0.5m which could potentially negate the effect of the DSG overspending were members minded to do so. However in the first instance the £490,000 forecast overspending attributable to DSG funded services should be rolled over to 2010/2011 as a first call upon next year's DSG and the Schools Forum requested to agree the funding.

10.3 In considering this report on 22 September, Cabinet noted the result of the second round of revenue monitoring for 2009/2010 and the proposed management action to reduce the potential deficit including the request for the Schools Forum to fund the roll-over of the overspending on the DSG arising from the accumulated deficit for the Chapter and Temple schools closure.

11. Risk Management

11.1 The more significant financial risks faced by the Council in providing services were considered by Members in July during the first monitoring cycle. Directorate management teams continually review revenue expenditure and take corrective action where appropriate.

12. Financial and legal implications

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

13. Recommendation

13.1. Members are requested to comment on the forecast outturn position for 2009/10 and the management action proposed including the request for the Schools Forum to fund the roll-over of the overspending on the DSG arising from the accumulated deficit for the Chapter and Temple schools closure.

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Background papers

Revenue budget approved by Council 26 February 2009.

Monthly monitoring returns submitted by budget managers.

Revenue Budget Monitoring Report to Cabinet 14 July 2009 and Business Support
Overview and Scrutiny Committee 18 August 2009

Revenue Budget Monitoring Report to Cabinet 22 September 2009.