

## **BUSINESS SUPPORT OVERVIEW AND SCRUTINY COMMITTEE**

**10 DECEMBER 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 September 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 22 September 2009, noted a potential overspend of £0.505 million, after management action, based on the July 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 September 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 £0.005 million underspend which, after eliminating the DSG overspend of £0.620 million, gives an overall underspend on general fund services of over £0.625 million. For information, the forecast overspend this time last year was £1.2 million. The forecasts now include the effect of the current year's pay award for non-teaching staff.

**Table 1: Overall Summary**

<b>Directorate/Funding</b>	<b>Budget 2009/2010 £000s</b>	<b>Forecast variance £000s</b>	<b>Proposed action £000s</b>	<b>Adjusted variance £000s</b>	<b>Previous variance £000s</b>
Children and Adult Services:					
- DSG funded services	167,712	620	0	620	490
- General fund services	108,347	(740)	0	(740)	(692)
Regeneration, Community and Culture	51,430	311	0	311	887
Business Support	18,482	(196)	0	(196)	(148)
Public Health	409	0	0	0	(32)
Interest & Financing	13,450	0	0	0	0
Levies	882	0	0	0	0
Area Based Grant	(11,849)	0	0	0	0
Planned Use of Reserves / PSA	(4,878)	0	0	0	0
Dedicated Schools Grant	(167,712)	0	0	0	0
<b>Total</b>	<b>176,273</b>	<b>(5)</b>	<b>0</b>	<b>(5)</b>	<b>505</b>

#### **4. Children and Adult Services**

- 4.1. The directorate is forecasting a £1,233,000 underspend against Adult Social Care. This represents a small deterioration against the previous reported position, principally in respect of physical disability clients no longer receiving a service and a reduction to the residential and nursing forecast where budgeted clients have not yet accessed the service.
- 4.2. The Children's Care division projected overspend has reduced by £123,000 to £255,000. The additional staff approved by Members in response to Lord Laming's recommendations have now been allocated to the integrated teams and included in the forecast.
- 4.3. The forecast overspend on SEN placements in independent and non-maintained schools has increased by £234,000 since July predominantly due to an increase of 9 placements over budget and an expectation of a further 12 children to be placed later this year.
- 4.4. The forecast overspend on Schools Retained Funding & Grants of £760,000 represents an increase of £93,000 since July. This is due mainly to an increase of £65,000 in the expected cost of maternity leave reimbursements to schools and an increase of £23,000 in premature retirement and redundancy costs for school staff. The budget for Trade Union facilities is also expected to overspend by £20,000 relating to increased activity due to school reorganisation proposals.

## **5. Regeneration, Community and Culture**

- 5.1 The directorate is forecasting an overspend of £311,000 after management action, a decrease of £576,000 against the previous forecast. The significant variations from each division of the directorate are as follows:
- Front Line Services – The division is currently forecasting an underspend of £827,000. This is a major change compared to the July forecast which was reporting an overspend of £883,000. This is due to the decision to extend the current waste contract, which as a consequence produces savings of £1,200,000. There has also been an improved forecast on the level of income expected from the parking service;
  - Development, Economy and Transport – The division is currently forecasting an overspend of £322,000, an improvement from the previously reported position of an overspend of £567,000. The improvement is largely attributable to a significant income receipt for development control. Other variations are mainly due to Integrated Transport £104,000, Development Control £70,000, National Armed Forces Day £40,000 and Building Control £39,000;
  - Leisure and Culture – The budgeted income for sport and leisure in 2009/2010 (£4.8m) is set at some £800,000 more than the actual income for 2008/2009. At this stage there is a forecast overspend of £780,000 mainly due to the income shortfall against budget of £795,000.
- 5.2 A moratorium is already in place within the directorate and stringent control will continue to be applied to further address the remaining deficit.

## **6. Business Support**

- 6.1 Overall the department is forecasting an underspend of £196,000 which is an improvement of £368,000 against the July forecast although there are considerable variations within the divisions of the department:
- £200,000 under recovery of unsubsidised benefit payments more than offset by the accumulated surplus of £330,000 on the revenue and benefits trading account;
  - £124,000 shortfall against income budget for reprographics unit although measures to mitigate some of the lost volume are being investigated;
  - £85,000 income shortfall in Land Charges;
  - £110,000 income shortfall of rental income within Housing Property management mainly from empty properties at the Twdall precinct and small business unit vacancies which are both a reflection of the recession.
  - £35,000 overspend on management information arising from the employment of an interim manager pending the arrival of a permanent employee in December;
  - £67,000 overspend on Children Review Services due to the need to use additional locum staff to respond to the significant increase in child protection work following the Baby P case. The existing staff complement cannot chair the volume of reviews required within statutory deadlines. The increase in Medway is mirrored nationally.
- 6.2 The vacancy saving target of £480,000 has been exceeded by £627,000 as the department is currently forecasting vacancy savings of £1,107,000. This significant saving comfortably offsets the overspends referred to above.

## **7. Public Health**

7.1 The service is now predicting to break even.

## **8. Interest & Financing**

8.1 No variation reported at this time although there is a pressure on the budget due to very low investment returns with every 1% reduction in the rate of return equating to £1.3 million. As a consequence of this sensitivity the position is quite volatile but is kept under regular review.

## **9. Housing Revenue Account**

9.1. The Housing Revenue Account is forecasting a surplus of £121,900, a reduction of £84,000 against its budgeted surplus of £205,900.

## **10. Conclusions**

10.1 The fifth round of returns from budget managers forecasts an underspend of only £5,000. However, should the Schools Forum agree to the £620,000 forecast overspending attributable to DSG funded services being rolled over to 2010/2011 as a first call upon next year's DSG, a net underspend of £625,000 will occur.

10.2 In considering this report on 24 November, Cabinet noted the result of the fifth round of revenue monitoring for 2009/2010.

## **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.

### **Lead officer contact**

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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.

Revenue Budget Monitoring Report to Cabinet 22 September 2009

Revenue Budget Monitoring Report to Cabinet 24 November 2009