

CABINET

7 AUGUST 2012

REVENUE BUDGET MONITORING 2012/2013

Portfolio Holder: Councillor Alan Jarrett (Finance Portfolio)
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Summary

This report details the revenue budget forecasts as at the end of Quarter 1 (April to June 2012) and highlights the major financial risks remaining in respect of the 2012/2013 General Fund revenue budget.

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.
- 1.2. The Cabinet is asked to accept this report as urgent to enable Cabinet to receive and consider the latest performance monitoring information at the earliest opportunity.

2. Background

- 2.1. At its meeting on 23 February 2012, the Council set a General Fund net budget requirement of £180.998 million for 2012/2013, whilst Council Tax continues to be frozen at 2010/2011 levels, on the back of a further 'freeze grant' offered by Central Government.
- 2.2. This is the first quarterly report, summarising reports that have previously been submitted to directorate management teams, based on returns from individual budget managers. In preparing their returns budget managers have been asked to take account of last years outturn, actual income and expenditure for the year to date and, most importantly, their knowledge of commitments and service requirements anticipated for the remainder of the financial year.

- 2.3. Table 1 below contains a summary of the Council's forecast position, with further detail, at divisional level and before management action, included at Appendix 1.
- 2.4. The individual amounts shown against services differ from the totals agreed by the Council at budget setting in February. There are three main reasons for this. The first is a change in the level of DSG arising from the January pupil count albeit this is a nil effect being net against the DSG funded services in the table. The second is the move of Housing Services from Business Support (BSD) to Regeneration, Community and Culture (RCC). The third and most complex relates to the various changes arising from a combination of responsibility transfers and allocation of savings from the 'Better for Less' project (BfL). All of these changes are set out in Appendix 6 but it should be noted that there remains a sum still to be identified for 'Better for Less' savings within the BSD total.

3. Summary Revenue Budget Position 2012/2013

- 3.1 It can be seen from Table 1 that, after management action, the outturn forecast for 2012/2013 currently stands at just under a £1 million overspend which is a much better position than at this time last year when the equivalent forecast was for a £4.0 million overspend.

Table 1: Quarter 1 Summary

Directorate	Budget 2012/2013 £000s	Forecast variance £000s	Proposed action £000s	Adjusted variance £000s
Children and Adult Services:				
- DSG funded services	127,347	0	0	0
- General fund services	124,992	679	(350)	329
Regeneration, Community and Culture	57,449	1,045	(300)	745
Business Support	8,697	359	(107)	252
Public Health	283	(5)	0	(5)
Directorate subtotal (Appendix 1)	318,768	2,078	(757)	1,321
Interest & Financing	15,442	(276)	0	(276)
Levies	974	(79)	0	(79)
Dedicated Schools Grant	(128,693)	0	0	0
Council Tax Freeze Grant	(2,477)	0	0	0
Specific Grants	(23,017)	0	0	0
Budget Requirement	180,998	1,723	(757)	966
Council Tax	(99,080)			
Formula Grant	(80,743)			
Use of Reserves	(1,175)			

4. Children and Adult Services

- 4.1 The directorate is currently forecasting a £679,000 overspend, prior to management action, the principal reasons for which are:
- An overspend of £439,000 on Adult Social Care, comprising significant variances against older peoples home care (£421,000), disability services (£660,000) and predicted shortfalls in relation to client contributions (£273,000) and the outsourcing of linked service centres (£329,000). These pressures are offset by underspends against mental health (£217,000) and the application of additional Section 256 income from the PCT (£800,000);
 - £676,000 pressure in Children's Care, driven by an increase in the number of looked after children having to be placed in through expensive independent fostering agencies, as in-house capacity has been reached – 64 looked after children placed in IFA's against a budget for 41;
 - A significant underspend against the budget for school early retirements and redundancies (£414,000). This is due to the local authority having fewer schools following academy conversions and the change in policy to make schools responsible for costs arising from their own restructuring proposals.
- 4.2 The directorate management team have proposed a number of measures to manage cost pressures within the Children's Care division, which it is hoped will reduce anticipated spend by £350,000 by the end of the financial year.

5. Regeneration, Community and Culture

- 5.1 The directorate is forecasting an overspend, prior to management action of £1.045 million, the principle reasons being:
- Major Projects: It is forecast that income will fall short of budget expectations by £163,000 due to a downturn in the number of approved capital schemes. By not recruiting into current staff vacancies and restricting the use of consultants and temporary staff the reported pressure is reduced to £63,000.
 - Traffic Management: The employment of external agency staff to cover staff vacancies and the additional workload relating to the Olympics is expected to create a pressure of £110,000 once staff vacancy savings are taken into account. Additional income from recharging to schemes and street works is expected to reduce the overall overspend to £52,000.
 - Development Management: A combination of the continuing poor economic climate and legislation not being passed to enable planning fees to be set locally has resulted in a pressure of £220,000.
 - Integrated Transport: The take up of the enhanced young persons' scheme has been slow. A promotion of the scheme is underway but savings of £194,000 against the budget allocated are still expected. The older and disabled concessionary fare scheme is forecast to overspend by £87,000.
 - Housing Services is expected to overspend by £177,000 this is principally due to higher than budgeted costs for bed and breakfast accommodation.
 - Events, Arts and Theatres is forecasting a overspend of £261,000. This includes a pressure of £169,000 at the theatres due to reduced income forecasts.

- 5.2 Initial management action has identified savings of £300,000 against the reported overspend. A stringent review of all pressures will be undertaken during quarter 2 along with the identification of further mitigating savings where possible.

6. Business Support Department

- 6.1 The division is currently forecasting an overspend of £252,000, contained in which are the following major variations:
- Corporate Services forecast overspend £234,000 driven mainly by reduced levels of income in respect of building and design fees emanating from a reduced Education capital programme (£385,000), offset by a saving of £181,000 against the amounts provided for 2011/12 and 2012/13 in respect of the Carbon Reduction Commitment (CRC) scheme. This is as a consequence of lower than predicted levels of carbon emissions covered by the scheme.
 - Finance Services, combined forecast underspend of £246,000 mainly as a result of staff vacancies;
 - Organisational Services forecast overspend of £288,000 mainly as a result of reduced income for the temporary staff agency with action to manage staff vacancies reducing this by £107,000;
 - Communications, Performance and Partnerships are forecasting an overspend of £124,000 largely as a result of increased activity for the Children's Review Services and reduced advertising income from Medway matters.

7. Public Health

- 7.1. The Public Health budget is for the most part funded by the PCT and is not demand led. Therefore the Director expects to spend the funds she has available to deliver the joint local authority and PCT health agenda and is predicting a modest underspend of £5,000.

8. Interest & Financing

- 8.1 Interest rates continue to be at an all-time low and the euro crisis and financial market nervousness continues. Against this backdrop in 2011/12 Interest and Finance returned a surplus against budget of some £276,000. With the caveat that these can be very volatile budgets, early indications suggest that we should be able to match last years surplus again this year, with cautious optimism that we may improve further on that position. At this stage the forecast is therefore for a surplus of £276,000 for 2012/13.

9. Levies

- 9.1 These levies are not directly 'controllable' by the Council and have been budgeted at 2011/12 levels, however the forecast amounts for 2012/13 are:
- Coroners Service (via KCC) £499,544 (breakeven)
 - Kent & East Fisheries £34,200 (£3,536 underspend)
 - Environment Agency £55,916 (£750 overspend)
 - Flood and Coastal Defence £304,479 (£76,586 underspend)

10. Dedicated Schools Grant

- 10.1 This grant is ring fenced to school services and any increase/decrease is matched by a compensating change in schools budgets/contingencies.

11. Council Tax Freeze Grant

- 11.1 In 2012/13 the Government again funded the equivalent of a 2.5% increase in council tax by way of a council tax freeze grant with the 2011/12 freeze grant being incorporated within the Formula Grant total. As a result the Council did not increase the council tax in 2012/13. However, this was clearly stated as being a one-off grant that will therefore create a budget pressure for 2013/14.

12. Specific Grants

- 12.1 These are the Early Intervention Grant (£11.191 million), the Learning Disability and Health Reform Grant (£9.319 million), the New Homes Bonus (£2.389 million) and the Community Safety Grant (£118,000).

13. Planned Use of Reserves

- 13.1 Council agreed to use £1,175,000 from the General Reserve to fund one-off initiatives as follows:
- Freedom Pass - £11,000 contribution towards the total cost of £250,000 , the majority to be funded from additional income from parking charges;
 - Free Swimming - £200,000;
 - Apprenticeships - £100,000 to be funded from reserves and the other £100,000 to be funded from the new Government Youth Contract scheme and EU funds;
 - Graffiti Team - £70,000;
 - Free parking at Christmas - £50,000;
 - Employment Matters Committee recommendation for lower paid staff - £300,000;
 - 2012 celebrations - £200,000;
 - Opposition to Airport proposals – £50,000 to be released by the Chief Finance Officer, in consultation with the Leader;
 - Investment in Medway - £50,000 to be released by the Chief Finance Officer, in consultation with the Leader;
 - Key Stage 2/Governor Training - £143,000 to be funded from the DSG/Standards Fund reserve.

14. Housing Revenue Account

- 14.1. The Housing Revenue Account is forecasting a surplus of £1.688 million, a surplus of £219,000 against its budgeted surplus of £1.469 million. The main reasons for this surplus are a reduction in staff costs (£115,000) and an increase in income (£104,000).

15. Conclusions

- 15.1 The first quarter returns from budget managers forecast a potential overspend of £1.7 million for non-DSG services. However, directorate management teams have identified actions to reduce these forecasts to a potential overspend of less than £1.0 million. The first quarter is generally the most pessimistic forecast of the year and in that context the forecast position represents an encouraging picture. Directorate management teams will continue to identify measures to contain expenditure within the overall budget.

16. Financial and legal implications

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

17. Recommendation

- 17.1. Cabinet notes the result of the first round of revenue monitoring for 2012/2013 and instructs Directors to come forward with further proposals for management action to reduce the potential deficit.

18. Suggested reasons for decision

- 18.1 Cabinet has the responsibility to ensure effective budgetary control to contain expenditure within the approved limits set by Council. Where a budget overspend is forecast, Cabinet supported by the corporate management team must identify measures to remove any excess expenditure.

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Background papers

Revenue budget approved by Council 23 February 2012

Monthly monitoring returns submitted by budget managers

GENERAL FUND REVENUE MONITORING - 2012/2013 Quarter 1

Assistant Director	Expenditure				Income				Net
	2012/2013 Budget £000's	Actual to date £000's	2012/2013 Forecast £000's	Forecast Variance £000's	2012/2013 Budget £000's	Actual to date £000's	2012/2013 Forecast £000's	Forecast Variance £000's	Forecast Variance £000's
Children and Adult Services									
Adult Social Care	88,078	15,364	88,945	866	(17,032)	(1,243)	(17,459)	(427)	439
Children's Care	28,872	4,074	30,293	1,421	(117)	(50)	(862)	(745)	676
Commissioning and Traded Services	8,312	2,152	8,786	474	(2,219)	(93)	(2,693)	(475)	(0)
Inclusion and School Improvement	44,973	5,562	44,713	(260)	(5,803)	897	(5,859)	(56)	(317)
Schools Retained Funding and Grants	6,569	(1)	5,978	(591)	(6,934)	(629)	(6,873)	61	(530)
Schools Delegated Funding	107,638	20,242	108,349	711	0	(711)	(711)	(711)	0
Transfer to DSG Reserve	0	0	410	410	0	0	0	0	410
	284,444	47,393	287,475	3,031	(32,105)	(1,830)	(34,457)	(2,352)	679
Regeneration, Community and Culture									
Front Line Services	40,898	14,228	41,707	809	(12,180)	(998)	(12,697)	(517)	292
Development and Transport	18,080	3,815	19,680	1,601	(4,736)	(204)	(5,939)	(1,203)	398
Leisure and Culture	22,436	5,358	22,238	(198)	(7,746)	(1,363)	(7,275)	471	273
Directors Office	727	137	809	81	(29)	(12)	(29)	1	82
	82,141	23,538	84,434	2,292	(24,692)	(2,576)	(25,940)	(1,248)	1,045
Business Support Department									
Financial Services	125,380	13,643	134,743	9,363	(117,180)	(21,443)	(126,789)	(9,608)	(246)
Corporate Services	7,903	2,510	7,816	(87)	(9,369)	(737)	(9,048)	321	234
Democracy and Customer First	10,074	1,562	10,497	423	(8,015)	(926)	(8,477)	(462)	(39)
Communications, Performance and Partnerships	5,103	3,706	8,862	3,759	(4,676)	(785)	(8,310)	(3,634)	124
Organisational Services	12,574	1,946	12,417	(157)	(13,097)	(2,385)	(12,654)	443	286
	161,034	23,368	174,335	13,300	(152,337)	(26,276)	(165,279)	(12,941)	359
Director of Public Health	1,065	78	1,237	172	(782)	7	(958)	(177)	(5)
Directorate Total	528,684	94,377	547,480	18,796	(209,916)	(30,676)	(226,634)	(16,718)	2,078