

**BUSINESS SUPPORT  
OVERVIEW AND SCRUTINY COMMITTEE  
6 DECEMBER 2012  
REVENUE BUDGET MONITORING 2012/2013  
QUARTER 2**

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**Summary**

This report details the revenue budget forecasts as at the end of Quarter 2 (April to September 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.

**2. Background**

2.1. Cabinet Members, in considering this report on 30 October, were requested to note the forecast position from the second quarter's revenue monitoring for 2012/2013 and any proposed management action.

2.2. 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.

2.3. This is the second 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.

2.4. 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.

### 3. Summary Revenue Budget Position 2012/2013

3.1 It can be seen from Table 1 that the outturn forecast for 2012/2013 currently stands at a £961,000 overspend, an improvement of £5,000 on the previous quarter although there are no proposals for further management action.

**Table 1: Quarter 2 Summary**

<b>Directorate</b>	<b>Budget 2012/2013 £000s</b>	<b>Forecast variance £000s</b>	<b>Proposed action £000s</b>	<b>Q2 variance £000s</b>	<b>Q1 variance £000s</b>
Children and Adult Services:					
- DSG funded services	127,347	0	0	0	0
- General fund services	124,856	726	0	726	329
Regeneration, Community and Culture	57,385	500	0	500	745
Business Support	8,898	365	0	365	252
Public Health	283	(1)	0	(1)	(5)
Interest & Financing	15,442	(550)	0	(550)	(276)
Levies	974	(79)	0	(79)	(79)
Dedicated Schools Grant	(128,693)	0	0	0	0
Council Tax Freeze Grant	(2,477)	0	0	0	0
Specific Grants	(23,017)	0	0	0	0
<b>Budget Requirement</b>	<b>180,998</b>	<b>961</b>	<b>0</b>	<b>961</b>	<b>966</b>
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 £726,000 overspend, the principal reasons for which are:
- £1,085,000 pressure in Children's Care, driven by an increase in the number of looked after children having to be placed through expensive independent fostering agencies, as in-house capacity has been exhausted;
  - A significant underspend against the budget for school early retirements and redundancies (£329,000). 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 Demographic pressures within disability services have been offset by the availability of additional Primary Care Trust (PCT) income to fund expenditure on enablement, including homecare and adaptations.
- 4.3 The directorate management team had previously proposed a number of measures to manage cost pressures within the Children's Care division, but owing to insufficient senior management capacity due to absences, implementation of this action has been delayed and it has been deemed imprudent to provide an estimate of the financial impact at this stage.

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

- 5.1 The directorate is forecasting an overspend of £500,000, the principle reasons being:
- Waste Services – forecast overspend £157,000 resulting from higher than anticipated levels of garden waste, the re-profiling of the disposal of waste between incineration and landfill and a slight upturn in disposal tonnages.
  - Arts, Theatres and Events – forecast overspend £144,000. Theatres are currently showing an overspend of £58,000, a significant improvement from Quarter 1 where the forecast was £169,000. This improvement is mainly attributable to a forecast increase in income due to more popular shows recently being programmed into the events calendar. Management action has reduced the Quarter 1 £50,000 shortfall in income from the Corn Exchange and the Events team down to £25,000 in Quarter 2.
  - Development Management – forecast overspend £131,000 due to less than budgeted income resulting from a combination of the continuing poor economic climate and legislation not being passed to enable planning fees to be set locally.
  - Directorate Support - pressure of £104,000 mainly due to unfunded Project Management Consultant.
  - Smaller overspends on other services are mitigated by a forecast underspend of £150,000 on the Integrated Transport budget as a result of slower than anticipated uptake of the younger persons scheme, for which a promotion campaign is underway.

- 5.2 Areas not previously mentioned, that have contributed to the improvement since Quarter 1, are:
- Housing Solutions, the forecast overspend on homelessness has been mitigated with £180,000 savings achieved on homeless prevention schemes and agreements.
  - Car Parking, the service is showing an underspend against budget with an improvement of £145,000 since the previous quarter, mainly due to exceeding income targets.

## **6. Business Support**

- 6.1 The division is currently forecasting an overspend of £365,000, contained in which are the following major variations:
- Building & Design - forecast overspend £383,000 driven mainly by falling levels of fee income emanating from a reduced education capital programme.
  - Temporary Staff Agency – forecast overspend £232,000 with reduced surpluses reflecting continued reduction in activity levels.
  - Legal Services – forecast overspend £153,000 due to reduced income from capital schemes, agency costs to cover staff vacancies and increased cost of court case printing.
  - Children Review Services – forecast overspend £88,000 as a result of increased activity.
  - These and other, smaller overspends, are mitigated by significant savings from vacancy management in Financial Services (£284,000) and property related costs within Asset & Property Management (£411,000).

## **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 £1,000.

## **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, the latest forecasts show that this position will be improved in 2012/13. This is for a variety of reasons, including prudent investments and the reducing charge for the residual KCC debt. Latest indications are that Interest and Finance will return a surplus of £550,000 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 Dedicated Schools Grant/Standards Fund reserve.

## **14. Housing Revenue Account**

- 14.1. The Housing Revenue Account is expected to achieve a surplus of £1,841,000 which is a favourable variance of £373,000 when compared to the budgeted surplus. This is due to £190,000 staff savings; £47,000 saving on planned maintenance and premises costs; £30,000 saving on general office expenses; £91,000 additional rental and service charge income and an additional £15,000 received for interest earned on Housing Revenue Account (HRA) reserves.

- 14.2. Due to higher than anticipated surplus reserves the HRA will bring forward its debt repayment schedule. It anticipates making an unbudgeted minimum revenue provision (MRP) payment in 2012/13 which equates to £823,000. The MRP is set at 2% of the outstanding debt per annum for the HRA.
- 14.3. As a result of making the MRP contribution the HRA is expected to achieve an income surplus of £1,018,000 which is an adverse variance of £450,000 when compared to the budget.

## **15. Conclusions**

- 15.1 The forecast overspend has remained constant between quarters 1 and 2 at approximately £1 million. However, although this is a significant sum, it should be remembered that this represents a very small percentage on the General Fund gross expenditure of some £530 million. It should also be noted that a forecast overspend of some £5 million at the same point in 2011/12 was successfully managed. Directorate management teams will continue to identify measures to contain expenditure with an expectation that adherence to budget will be achieved.

## **16. Financial and legal implications**

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

## **17. Recommendations**

- 17.1. Members are invited to comment on the forecast outturn position for 2012/2013 and any proposed management action to reduce the potential deficit.

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## **Background Papers**

Revenue budget approved by Council 23 February 2012  
<http://democracy.medway.gov.uk/ieListDocuments.aspx?CId=122&MId=2416&Ver=4>

Revenue Budget Monitoring 2012/2013 to Cabinet 7 August 2012  
<http://democracy.medway.gov.uk/ieListDocuments.aspx?CId=115&MId=2527&Ver=4>

## GENERAL FUND REVENUE MONITORING - 2012/2013 Quarter 2

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
<b>Children and Adult Services</b>									
Adult Social Care	87,929	38,810	89,473	1,544	(17,117)	(9,473)	(18,663)	(1,546)	(2)
Children's Care	28,934	11,781	30,632	1,699	(117)	(246)	(732)	(614)	1,085
Commissioning and Traded Services	8,312	3,916	8,765	453	(2,219)	(870)	(2,558)	(339)	114
Inclusion and School Improvement	45,857	13,548	45,228	(629)	(6,599)	(1,494)	(6,778)	(179)	(808)
Schools Retained Funding and Grants	6,393	696	5,974	(419)	(7,346)	(2,557)	(7,393)	(47)	(466)
Schools Delegated Funding	108,177	50,049	108,888	711	0	(711)	(711)	(711)	0
Transfer to DSG Reserve	0	0	804	804	0	0	0	0	804
	<b>285,600</b>	<b>118,800</b>	<b>289,764</b>	<b>4,163</b>	<b>(33,397)</b>	<b>(15,352)</b>	<b>(36,835)</b>	<b>(3,437)</b>	<b>726</b>
<b>Regeneration, Community and Culture</b>									
Front Line Services	40,790	26,321	41,299	509	(12,180)	(3,877)	(12,592)	(411)	98
Housing, Development and Transport	17,077	8,020	18,777	1,700	(4,189)	(1,790)	(5,798)	(1,609)	91
Leisure and Culture	23,482	11,651	23,063	(419)	(8,293)	(3,629)	(7,666)	627	207
Directors Office	732	439	836	103	(29)	(16)	(29)	1	104
	<b>82,081</b>	<b>46,430</b>	<b>83,974</b>	<b>1,893</b>	<b>(24,692)</b>	<b>(9,312)</b>	<b>(26,085)</b>	<b>(1,393)</b>	<b>500</b>
<b>Business Support Department</b>									
Financial Services	125,380	41,107	136,915	11,534	(117,180)	(53,630)	(129,055)	(11,875)	(340)
Corporate Services	8,114	3,990	8,101	(13)	(9,369)	(2,019)	(9,112)	257	243
Democracy and Customer First	10,067	3,762	10,728	661	(8,015)	(3,943)	(8,636)	(621)	40
Communications, Performance and Partnerships	5,103	5,363	8,670	3,567	(4,676)	(3,130)	(8,106)	(3,430)	137
Organisational Services	12,570	4,968	12,324	(246)	(13,097)	(6,773)	(12,566)	530	285
	<b>161,235</b>	<b>59,189</b>	<b>176,739</b>	<b>15,504</b>	<b>(152,337)</b>	<b>(69,495)</b>	<b>(167,476)</b>	<b>(15,139)</b>	<b>365</b>
<b>Director of Public Health</b>	<b>1,576</b>	<b>381</b>	<b>2,457</b>	<b>881</b>	<b>(1,293)</b>	<b>(12)</b>	<b>(2,174)</b>	<b>(881)</b>	<b>(1)</b>
<b>Directorate Total</b>	<b>530,493</b>	<b>224,800</b>	<b>552,934</b>	<b>22,441</b>	<b>(211,720)</b>	<b>(94,171)</b>	<b>(232,570)</b>	<b>(20,850)</b>	<b>1,590</b>