

## **CABINET**

**12 FEBRUARY 2013**

### **REVENUE BUDGET MONITORING 2012/2013**

Portfolio Holder: Councillor Alan Jarrett, Finance  
Report from: Mick Hayward, Chief Finance Officer  
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#### **Summary**

This report details the revenue budget forecasts as at the end of Quarter 3 (April to December 2012).

#### **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 third 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, 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 has reduced significantly and currently stands at a £224,000 underspend.

**Table 1: Quarter 3 Summary**

Directorate	Budget 2012/2013 £000s	Forecast variance £000s	Proposed action £000s	Q3 variance £000s	Q2 variance £000s
Children and Adult Services:					
- DSG funded services	127,347	0	0	0	0
- General fund services	124,856	337	0	337	726
Regeneration, Community and Culture	57,385	623	0	623	500
Business Support	8,898	(105)	0	(105)	365
Public Health	283	0	0	0	(1)
Interest & Financing	15,442	(1,000)	0	(1,000)	(550)
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>(224)</b>	<b>0</b>	<b>(224)</b>	<b>961</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 £337,000 overspend, an improvement of almost £400,000 compared with the quarter 2 monitoring, principally within the Commissioning division, where a review of voluntary sector contracts has identified savings and there has been some delay in recruiting to the new structures. The major variances reported in quarter 2 remain in the quarter 3 forecasts:

- £1,145,000 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. 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 continue to be offset by the availability of additional PCT income to fund expenditure on enablement, including homecare and adaptations.

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

- 5.1 The directorate is forecasting an overspend of £623,000, the principle reasons being:
- A further pressure of £280,000 is now reflected under RCC Directorate Support, relating to the savings target required to fund borrowing costs for completed HCA capital schemes. The directorate has not earmarked specific measures to meet this target on the basis that it will be achieved by year end through aggregate savings across the directorate.
  - Arts, Theatres and Events – forecast overspend £124,000. The principle forecast overspends are on Central Theatre (£58,000) and Under Siege (£29,000) where the recharge of Castle Concert infrastructure costs is more accurately reflected.
  - Recent weather conditions have resulted in an unfunded pressure of £270,000 on the winter maintenance budget.
- 5.2 Prior year experience would suggest that the current forecast overspend will be managed by year-end and a balance to budget achieved. However, the directorate management team agreed that all services should endeavour to reduce gross expenditure forecasts by 1% that, if achieved, would generate further savings of c£800,000.

## **6. Business Support**

- 6.1 The department is currently forecasting an underspend of £105,000 compared to an overspend of £385,000 at quarter 2. This is a result of significant improvements on the following:-
- Building & Design - forecast overspend reduced by £100,000 due to additional HRA and school capital related income.
  - Asset & Property – increase in underspend of £113,000 through savings on property costs.
  - Human Resources – savings of £221,000 identified from staff vacancies, staff training, additional health and safety income and savings on central administration costs. These now offset the pressure caused by reduced activity in the temporary staff agency.

## **7. Public Health**

- 7.1 The Public Health directorate is forecasting a breakeven, although this reflects the anticipated roll forward of PCT funding into reserves at year end.

## **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. Indications are that Interest and Finance will return a surplus of £1m 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:
- Youth Concessionary Travel - £11,000 contribution
  - 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 expected to achieve an income surplus of £1,899,000 which is a favourable variance of £431,000 when compared to the budgeted income surplus due to £117,000 staff savings; £50,000 saving on utilities costs, £48,000 savings on void premises costs; £23,000 saving on general office expenses; £170,000 additional rental and service charge income and an additional £23,000 received for interest earned on HRA reserves.
- 14.2 This is a favourable improvement of £58,000 when compared to the previous quarters forecast due to £89,000 additional rental and service charge income; £20,000 saving on void repairs and various other small savings totalling £24,000 offset by reduced staff savings of £75,000.
- 14.3 Due to higher than anticipated surplus reserves the HRA are requesting approval to bring forward its debt repayment schedule. If an unbudgeted minimum revenue provision (MRP) payment is made in 2012/13 of £823,000 the HRA will achieve an income surplus of £1,076,000, an adverse variance of £392,000 when compared to the budget.

## **15. Conclusions**

- 15.1 The reduction in the forecast overspend is to be welcomed and confirms monitoring trends in recent years as the Quarter 3 and outturn figures progressively improve the position. The efforts of portfolio holders, managers and staff across the organisation must also be recognised in delivering spend to budget whilst maintaining service standards.

## **16. Financial and Legal Implications**

- 16.1 These are contained in the body of the report.

## **17. Recommendations**

- 17.1 Cabinet notes the result of the third round of revenue monitoring for 2012/2013.
- 17.2 Cabinet approve the HRA repayment of debt based on a minimum revenue payment of 2% on outstanding debt (Para. 14.3 refers).

## **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

<http://democracy.medway.gov.uk/ieListDocuments.aspx?CId=122&MId=2416&Ver=4>

Revenue Budget Monitoring Q1 2012/2013 to Cabinet 7 August 2012

<http://democracy.medway.gov.uk/ieListDocuments.aspx?CId=115&MId=2527&Ver=4>

Revenue Budget Monitoring Q2 2012/2013 to Cabinet 30 October 2012

<http://democracy.medway.gov.uk/ieListDocuments.aspx?CId=115&MId=2530&Ver=4>

## MEDWAY COUNCIL

## GENERAL FUND REVENUE MONITORING - 2012/2013 Quarter 3

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	58,690	89,578	1,650	(17,117)	(13,286)	(18,768)	(1,651)	(1)
Children's Care	28,934	19,167	30,685	1,751	(117)	(262)	(723)	(606)	1,145
Commissioning and Traded Services	8,231	5,879	8,349	118	(2,219)	(1,454)	(2,620)	(402)	(284)
Inclusion and School Improvement	43,371	27,353	43,091	(280)	(4,046)	(2,438)	(4,468)	(422)	(702)
Schools Retained Funding and Grants	6,177	1,419	5,704	(473)	(7,650)	(5,034)	(7,632)	17	(456)
Schools Delegated Funding	108,712	50,049	109,912	1,200	0	(1,200)	(1,200)	(1,200)	0
Transfer to DSG Reserve	0	0	635	635	0	0	0	0	635
	<b>283,353</b>	<b>162,557</b>	<b>287,954</b>	<b>4,600</b>	<b>(31,149)</b>	<b>(23,673)</b>	<b>(35,412)</b>	<b>(4,263)</b>	<b>337</b>
<b>Regeneration, Community and Culture</b>									
Front Line Services	40,790	34,022	41,642	852	(12,180)	(5,559)	(12,727)	(547)	305
Housing, Development and Transport	17,077	10,484	18,924	1,847	(4,189)	(2,852)	(6,216)	(2,026)	(179)
Leisure and Culture	23,479	15,521	23,391	(88)	(8,290)	(5,288)	(8,090)	200	111
Directors Office	732	550	1,115	383	(29)	(21)	(27)	2	385
	<b>82,079</b>	<b>60,577</b>	<b>85,072</b>	<b>2,993</b>	<b>(24,689)</b>	<b>(13,720)</b>	<b>(27,060)</b>	<b>(2,371)</b>	<b>623</b>
<b>Business Support Department</b>									
Financial Services	125,380	64,454	136,879	11,498	(117,180)	(66,132)	(128,875)	(11,695)	(197)
Corporate Services	8,079	5,127	7,946	(134)	(9,334)	(4,530)	(9,222)	112	(21)
Democracy and Customer First	10,067	6,466	10,506	439	(8,015)	(6,841)	(8,499)	(484)	(45)
Communications, Performance and Partnerships	5,103	7,151	8,199	3,096	(4,676)	(3,971)	(7,664)	(2,987)	108
Organisational Services	12,570	7,637	12,460	(110)	(13,097)	(9,976)	(12,937)	159	49
	<b>161,200</b>	<b>90,835</b>	<b>175,989</b>	<b>14,789</b>	<b>(152,302)</b>	<b>(91,450)</b>	<b>(167,196)</b>	<b>(14,894)</b>	<b>(105)</b>
<b>Director of Public Health</b>	<b>3,912</b>	<b>2,034</b>	<b>5,089</b>	<b>1,177</b>	<b>(3,629)</b>	<b>(2,799)</b>	<b>(4,806)</b>	<b>(1,177)</b>	<b>0</b>
<b>Directorate Total</b>	<b>530,544</b>	<b>316,003</b>	<b>554,104</b>	<b>23,560</b>	<b>(211,770)</b>	<b>(131,642)</b>	<b>(234,475)</b>	<b>(22,705)</b>	<b>855</b>