

## **CABINET**

**30 MARCH 2010**

### **REVENUE BUDGET MONITORING 2009/2010**

Portfolio Holder: Councillor Alan Jarrett, Finance

Report from: Mick Hayward, Chief Finance Officer

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#### **Summary**

This report summarises the revenue monitoring position for the current year based on actual income and expenditure to January 2010.

#### **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. 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 26 January 2010, noted a forecast net underspend of £280,000 based on the November monitoring. With an assumption that the predicted overspend of £384,000 on Dedicated Schools Grant (DSG) services would be contained within DSG for 2010/2011, the underspend on General Fund services was forecast to be £664,000. Subsequent to that report the Department for Children, Schools and Families (DCSF) has confirmed the ability to roll forward up to £327,106 in relation to 2009/2010.
- 2.3. 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 January 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, where appropriate, the outturn forecast for 2009/2010 currently stands at an underspend of £842,000. After eliminating the DSG overspend of £200,000 in accordance with the decision by the DCSF, this produces an overall underspend on general fund services of £1,042,000. In the budget proposals agreed by Council on the 25 February 2010, there was an assumption that the 2009/2010 position would produce an underspend of £1 million.
- 3.2 Previous monitoring reports have repeatedly advised Members of a likely overspend on Interest and Financing. Table 1 now incorporates a net forecast overspend of £250,000. This is described in more detail in Section 8. As a comparison the overall forecast underspend this time last year was £2.38 million and the final outturn was an underspend of £3.5 million. A simple pro rata would suggest an underspend of approximately £1.5 million this year.

**Table 1: Overall Summary**

<b>Directorate/Funding</b>	<b>Budget 2009/2010 £000s</b>	<b>Forecast variance £000s</b>	<b>Previous variance £000s</b>
Children and Adult Services:			
- DSG funded services	167,712	200	384
- General fund services	108,269	(565)	(320)
Regeneration, Community and Culture	51,430	(17)	192
Business Support	18,482	(675)	(523)
Public Health	487	(35)	(13)
Interest & Financing	13,450	250	0
Levies	882	0	0
Area Based Grant	(11,849)	0	0
Planned Use of Reserves / PSA	(4,878)	0	0
Dedicated Schools Grant	(167,712)	0	0
<b>Total</b>	<b>176,273</b>	<b>(842)</b>	<b>(280)</b>

### 4. Children and Adult Services

- 4.1 The directorate is now forecasting an underspend of £365,000 compared to an overspend of £64,000 based on November Monitoring. This movement represents improvements of £184,000 and £245,000 for DSG funded services and General Fund services respectively.
- 4.2 Adult social care is showing an improvement of £340,000 predominantly from Learning Disability and Linked Service Centres but partly offset by a reduction in the forecast underspend for Older People's Care. The Learning Disability Service is now achieving £939,000 of the total Adult Social Care saving of £1,417,000.

- 4.3 The number of children accessing their free entitlement to nursery education in private, voluntary and independent sector is lower than previously estimated. The budget for Learning and Achievement is now predicting an underspend of £252,000 although only £49,000 of this relates to General Fund Services with the remainder being DSG funded.
- 4.4 The forecast overspend on Schools Retained Funding has increased by £304,000 to £1,041,000 as a result of early retirement and redundancy costs, maternity cover and deficits of closed and reorganised schools. Although the latter is funded by DSG the General Fund is forecasting an overspend of £508,000.

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

- 5.1 The directorate is forecasting an underspend of £17,000 after management action, an improvement of £209,000 against the previous overspend position. The significant variations from each division of the directorate are as follows:
- Front Line Services – The effect of severe weather has turned the previously reported underspend on Highways of £124,000 into an overspend of £343,000. Reduced tonnages for waste collected and associated disposal costs together with the extension of the current waste contract has increased the saving for Waste Services by a further £259,000 to over £1.8 million. The net underspend for Front Line Services is forecast at £1.253 million;
  - There is an overall improvement within Integrated Transport of £190,000 since November, the major changes being savings on the concessionary fare scheme although previously reported overspends have resulted in a net overspend of £524,000 for the division;
  - Savings within Greenspaces have improved by £155,000 as a result of additional vacancies and maintenance not being carried out due to severe weather. However, this improvement has been partly offset by a further forecast reduction of £80,000 in leisure income. The net overspend is now forecast to be £702,000.

## **6. Business Support**

- 6.1 Overall the department is forecasting an underspend of £675,000 which is an improvement of £152,000 against the November figures with the major changes summarised below:
- Deterioration of £110,000 from the previously reported underspend forecast of £103,000 within Housing Solutions which mainly relates to the cost of providing temporary accommodation; provision for bad debt and staffing costs. This is partially offset by savings within the prevention area of the service relating to supplies and services and prevention projects;
  - £74,000 fall in rental income in respect of Commercial Property;
  - £128,000 improvement within Central Services and Procurement;
  - £143,000 additional accommodation saving and
  - £59,000 additional vacancy savings within Financial Services.

## **7. Public Health**

- 7.1 The service has now increased its underspend forecast from £13,000 to £35,000.

## **8. Interest & Financing**

- 8.1 Members have previously been advised of a potential shortfall against budget as a result of very low investment returns. This has been mitigated by using own funds as temporary borrowing rather than pay the market interest rates for borrowing. In addition the minimum revenue provision (MRP) has been reviewed by external experts and it is believed that further savings can be achieved to offset poor investment returns. The net position is now reported at £250,000 deficit to budget, recognising that this will be the last monitoring report to Members before the financial year end, although this remains a volatile heading.

## **9. Housing Revenue Account**

- 9.1 The Housing Revenue Account is forecasting a surplus of £696,000 against its budgeted surplus of £205,900 largely as a consequence of a reduction in capital financing costs. This surplus will be returned to the HRA balance and applied to the HRA planned capital maintenance programme.

## **10. Conclusions**

- 10.1 The ninth round of returns from budget managers forecasts an underspend of £842,000 compared to the £280,000 previously reported. However after adjustment for DSG funded services the General Fund underspend is now forecast at just over £1 million and is expected to increase by year end.

## **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. Cabinet notes the result of the ninth round of revenue monitoring for 2009/2010.

## **14. Suggested Reasons for Decision**

- 14.1 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 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  
Revenue Budget Monitoring Report to Cabinet 26 January 2010.

MEDWAY COUNCIL

GENERAL FUND REVENUE MONITORING - January 2010

Assistant Director	Expenditure				Income				Net Forecast Variance £000's	Previous Forecast Variance £000's
	2009/2010 Budget £000's	Actual to date £000's	2009/2010 Forecast £000's	Forecast Variance £000's	2009/2010 Budget £000's	Actual to date £000's	2009/2010 Forecast £000's	Forecast Variance £000's		
<b>Children and Adult Services</b>										
Adult Social Care	92,614	62,423	92,495	(119)	(26,835)	(23,934)	(28,133)	(1,298)	(1,417)	(1,077)
Children's Care	25,035	20,364	25,341	306	(1,103)	(1,226)	(1,365)	(262)	44	335
Learning and Achievement	34,761	20,526	36,997	2,236	(21,976)	(9,232)	(24,464)	(2,488)	(252)	(14)
Inclusion	30,892	20,995	30,687	(205)	(8,383)	(4,062)	(8,087)	296	91	(26)
Schools Retained Funding and Grants	10,203	1,877	11,238	1,035	(31,165)	(38,559)	(31,159)	6	1,041	736
Commissioning	4,558	3,506	5,549	991	(1,956)	(2,191)	(2,819)	(863)	128	110
Schools Delegated Funding	169,337	154,142	165,163	(4,174)	0	0	4,174	4,174	0	0
	<b>367,400</b>	<b>283,833</b>	<b>367,470</b>	<b>70</b>	<b>(91,418)</b>	<b>(79,204)</b>	<b>(91,853)</b>	<b>(435)</b>	<b>(365)</b>	<b>64</b>
<b>Regeneration, Community and Culture</b>										
Front Line Services	40,681	28,283	40,615	(66)	(10,935)	(7,285)	(12,122)	(1,187)	(1,253)	(1,344)
Development and Transport	13,601	11,658	15,944	2,343	(3,280)	(2,540)	(5,099)	(1,819)	524	714
Medway Renaissance	1,215	1,117	1,321	106	(1,215)	(106)	(1,321)	(106)	0	0
Leisure and Culture	18,669	15,247	18,586	(83)	(8,088)	(6,228)	(7,303)	785	702	741
Directors Office	809	448	823	14	(26)	(31)	(31)	(5)	10	81
	<b>74,975</b>	<b>56,753</b>	<b>77,289</b>	<b>2,314</b>	<b>(23,545)</b>	<b>(16,190)</b>	<b>(25,876)</b>	<b>(2,331)</b>	<b>(17)</b>	<b>192</b>
<b>Business Support Department</b>										
Financial Services	102,178	76,616	118,665	16,487	(93,577)	(88,902)	(110,588)	(17,011)	(524)	(445)
Housing and Corporate Services	15,180	11,641	14,795	(385)	(13,036)	(9,485)	(12,777)	259	(126)	(43)
Communications, Performance and Partnership	4,045	3,475	4,295	250	(3,455)	(3,156)	(3,507)	(52)	198	147
Democracy and Customer First	12,623	10,283	12,743	120	(5,118)	(4,643)	(5,329)	(211)	(91)	(91)
Organisational Services	11,982	10,481	12,797	815	(12,342)	(11,794)	(13,290)	(948)	(133)	(92)
	<b>146,008</b>	<b>112,496</b>	<b>163,295</b>	<b>17,287</b>	<b>(127,528)</b>	<b>(117,980)</b>	<b>(145,491)</b>	<b>(17,963)</b>	<b>(675)</b>	<b>(523)</b>
<b>Director of Public Health</b>	<b>1,068</b>	<b>1,138</b>	<b>2,198</b>	<b>1,130</b>	<b>(581)</b>	<b>(1,456)</b>	<b>(1,746)</b>	<b>(1,165)</b>	<b>(35)</b>	<b>(13)</b>
<b>Interest and Financing</b>	<b>20,825</b>	<b>8,687</b>	<b>19,547</b>	<b>(1,278)</b>	<b>(7,375)</b>	<b>(3,707)</b>	<b>(5,847)</b>	<b>1,528</b>	<b>250</b>	<b>0</b>
<b>Levies</b>	<b>882</b>	<b>665</b>	<b>882</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Area Based Grant</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(11,849)</b>	<b>0</b>	<b>(11,849)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Planned Use of Reserves</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,878)</b>	<b>0</b>	<b>(4,878)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>611,158</b>	<b>463,572</b>	<b>630,681</b>	<b>19,523</b>	<b>(267,174)</b>	<b>(218,537)</b>	<b>(287,540)</b>	<b>(20,366)</b>	<b>(842)</b>	<b>(280)</b>