

CABINET

20 JULY 2010

REVENUE BUDGET MONITORING 2010/2011

Portfolio Holder: Councillor Alan Jarrett (Finance Portfolio)

Report from: Mick Hayward, Chief Finance Officer

Author: Peter Bown, Accounting Manager

Summary

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

This report also highlights the major financial risks facing the council during 2010/2011.

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 25 February 2010, the Council set gross revenue spending at £625 million and a General Fund net budget requirement of £182.713m for 2010/2011. Council tax increased by 2.455%.
- 2.2. As in previous years, monitoring reports will be submitted to Cabinet bi-monthly, reporting by exception and focussing on action plans to contain expenditure within budgeted levels. This is the first monitoring report for 2010/2011 and is based on expenditure to May 2010. Directorate management teams have considered the monitoring reports and the results are summarised in Table 1 below with further analysis shown at Appendix 1.
- 2.3. Section 12 of this report shows extracts from the financial risk statements prepared by each directorate at the beginning of the financial year. The detailed risks considered by directorate management teams are set out in detail at Appendix 2.

3. Summary Revenue Budget Position 2010/2011

- 3.1 It can be seen from Table 1 that, after management action, where appropriate, the outturn forecast for 2010/2011 currently stands at a £1.597 million overspend. After excluding the small forecast underspend on DSG funded services, the General Fund services are predicting an overspend of £1.652 million. There is a pattern that the forecast at this time of year tends to be pessimistic and indeed last year the report at the same time forecast an overspending of over £1 million.

Table 1: Overall Summary

Directorate	Budget 2010/2011 £000s	Forecast variance £000s	Proposed action £000s	Adjusted variance £000s
Children and Adult Services:				
- DSG funded services	175,785	(55)	0	(55)
- General fund services	115,700	931	0	931
Regeneration, Community and Culture	53,678	278	(278)	0
Business Support	17,805	1,143	(458)	685
Public Health	424	(38)	0	(38)
Interest & Financing	15,358	0	0	0
Levies	900	74	0	74
Area Based Grant	(18,092)	0	0	0
Planned Use of Reserves / PSA	(5,908)	0	0	0
Total	355,649	2,333	(736)	1,597

4. Children and Adult Services

- 4.1 The initial forecast overspend of £1.366 million for the directorate has been critically reviewed by the Directorate Management Team resulting in a reduced forecast of £876,000 before further management action. The more significant variations are as follows:
- Children's Care - additional temporary staff covering vacancies at Strood and Hoo Integrated Area teams £115,000 overspend;
 - Inclusion – overspend of £498,000 mainly due to further pressures on SEN home to school transport, SEN placements and DAAT funding;
 - Schools Retained Funding and Grants - estimated additional pension and redundancy costs arising from school reorganisations resulting in an overspend of £400,000.

5. Regeneration, Community and Culture

- 5.1 Management action, principally from vacancy savings will address the potential overspend of £278,000 caused, mainly by the following:
- Front Line Services – Traffic management and consultancy costs £65,000;
 - Development Economy & Transport – Current non-achievement of vacancy target £83,000;
 - Leisure & Culture – Income shortfall £108,000;
- 5.2 Members will recall that, when considering the revenue budget proposals in February of this year, a sum of £12,000 was included for Maidstone Road Sports Ground toilet conversion with a further £7,000 for recurring running costs. However, following consultations with local residents and councillors, the former toilets were demolished but there is local support for the provision of 5-a-side facilities at the site. As the original budget proposal was for a specific scheme agreed by Council, Cabinet is requested to recommend a formal virement.

6. Business Support

- 6.1 The department is forecasting an overspend of £685,000, after management action, largely due to:
- Chief Finance Officer - £532,000 overspend largely as a result of unsubsidised housing benefit in respect of vulnerable persons accommodation (£705,000) this latter issue being the subject of a review to determine options available to contain/curtail these costs;
 - Housing & Corporate Services – Reduced income from land charges and rents together with additional costs in Legal Services resulting in a forecast overspend of £131,000 for the division;
- 6.2 Management action assumes that the vacancy savings targets for the assistant directors will be achieved during the financial year and this is reflected in the reduced forecast for the department. The balance of vacancy management savings to find is £458,000.

7. Public Health

- 7.1. A small underspend is forecast as a result of funding being greater than anticipated.

8. Interest & Financing

- 8.1 This budget was predicated upon the assumption that interest rates would rise and that average interest earned for 2010/2011 would be 2%. Interest rates have failed to rise and have remained at historically low rates. Currently the in house team is earning around 0.87% on investments. Our strategy for 2010/2011 is to fund capital projects from internal resources rather than borrowing from the PWLB or the market. This strategy will reduce the pressure on budgets by the difference between debt and investments rates. Officers and our financial advisors are continuing the review of Minimum revenue Provision (MRP) which commenced last year which may generate further savings. In light of these two actions we are forecasting a breakeven position at this time although a significant financial pressure remains.

9. Levies

- 9.1 The Coroner's levy for 2010/2011 is £74,000 in excess of budget and this shortfall can only be met from savings elsewhere within the Council.

10. Area Based Grant and Planned Use of Reserves etc.

- 10.1 Members will be aware of the Government's recent decision to reduce or remove some of the external support given to local authorities by way of specific grant. As this monitoring report is based on the position at the end of May it does not take account of the impact of any grant cuts. Cabinet, on 29 June, considered an urgent report on Government spending limitations the implications of which will be included in future monitoring reports.

11. Housing Revenue Account

- 11.1. The Housing Revenue Account is forecasting a surplus of £1,050,800, a decrease of £196,900 against its budgeted surplus of £1,242,700. However the monitoring activity has revealed an error in the notification of rents to tenants that has exposed that tenants are paying a rent greater than agreed at Council by an average of £1.37 per week. This needs to be rectified and will place a pressure on the agreed budget of some £220,000. It is recommended that Cabinet request a report on the action required to correct the error to be presented to Council in accordance with the constitutional requirement for rent setting.

12. Risk Management

- 12.1 The more significant risks facing the Council are summarised in directorate order below. Appendix 2 shows the major risks considered by directorate management teams. Directorate management teams continually review revenue expenditure and take corrective action where appropriate.
- 12.2 Children and Adults
- Social Care Commissioning and Client Financial affairs – Increasing costs Of social care contracts and grant reduction;
 - Older People – increased costs and uncertainty of client demand for residential and nursing care;
 - Integrated Area Teams – significant increase in Public Law Outline cases;
 - Schools Retained Funding – increasing redundancy costs due to closures and mergers and uncertainty over deficits of closed schools;
 - School Organisation and Student Services – inability to charge some reorganisation costs to capital.
- 12.3 Regeneration Community and Culture
- Front Line Services - Car Parking Income. Challenging income targets are unlikely to be achieved.
 - Front Line Services – Civic Amenity Sites. The contract for the management of these sites is yet to be let and therefore a budget risk is identified.
 - Development, Economy & Transport - Fee and letting income. The ongoing economic conditions pose a significant risk to income for markets, development management, building control and the Innovation Centre.
 - Development, Economy & Transport - Development Management. There is no budget for defending complex appeals and it is important to identify and report such costs.

- Leisure & Culture - Despite some additional funding during the budget process to meet reduced income, achieving better returns poses a significant challenge.

12.4 Business Support

- Housing and Corporate Services – Significant pressure due to falling rental income and increased management costs for Commercial Property and Management of Shops.
- Housing and Corporate Services - reduction in fee income for Local Land Charges.
- Central Finance – Considerable pressure on Benefit payments. Exempt accommodation payments can only recover a maximum of 60% subsidy (if at all).
- Corporate savings targets estimated to arise from the essential user and back office support staff reviews may not be achieved.
- Democracy, Governance & Customer First – additional library maintenance costs.
- Democracy, Governance & Customer First - ICT and other resources to ensure adequate standards.
- Democracy, Governance & Customer First - Unbudgeted cost of telephonic system for Customer Services, to be funded through productivity gains. Risk of gains not meeting the costs.
- Organisational Services - ICT budgets include substantial income targets for SLA services provided outside of the support service agreements. Changes in customer requirements or loss of customers will reduce the income achieved.
- Organisational Services. The recruitment freeze may impact on the income generated by the internal temp agency.
- Communications, Performance & Partnerships - Increased demand for child protection conferences and LAC could lead to increased costs.
- Communications, Performance & Partnerships - withdrawal of partnership funding for the business support partnership would cause a budget pressure.

12.5 Interest & Financing

As indicated in section 8, the forecast increase in interest rates has not yet materialised and investment income targets are extremely unlikely to be achieved. However, Officers and external consultants are investigating ways of minimising any potential overspend.

12.6 Area Based Grant and Planned Use of Reserves etc.

No risks were identified during the budget setting process. The impact of recent Government withdrawal of some grant payments has been the subject of a separate report to Cabinet.

12.7 Corporate Risk Issues

No provision has been included in the 2010/2011 revenue budget for a pay award for non-schools staff. The Government has indicated that there should be no increase for local government employees this year but, should a national agreement be forthcoming, each 1% will cost the Council approximately £800,000.

13. Conclusions

- 13.1 The first round of returns from budget managers forecast an overspend of £2.333 million. However, directorate management teams have identified actions to reduce these forecasts to a potential overspend of £1.597 million.
- 13.2 In addition considerable risks have been identified in Section 12 and, should they not be managed, will put further pressures on the Council's budget.
- 13.3 However, there has been a track record of pessimism in the forecasts presented at this point in the year and clearly against the backdrop of a significant underspend last year it would ordinarily be the case to believe that these forecasts are manageable. However, service pressures identified in the risk analysis and the recent restrictions in Government funding will place a considerable strain on the Council's budgets in 2010/2011.

14. Financial and legal implications

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

15. Recommendations

- 15.1. Cabinet notes the result of the first round of revenue monitoring for 2010/2011 and the proposed management action to reduce the potential deficit.
- 15.2. Cabinet be requested to recommend Council approve a virement of £19,000 from the conversion of toilet facilities to the provision of 5-a-side facilities at Maidstone Sports Ground.
- 15.3. Cabinet requests that a report be submitted to Council to correct the error in rent setting and remedy the overpayment that has occurred.

16. Suggested Reasons for Decision

- 16.1 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. The proposed virement to the specific scheme agreed by Council and the rent setting correction are matters that need to be referred to Council.

Lead officer contact

Peter Bown, Accounting Manager, Gun Wharf, Tel (01634) 332311,
e-mail peter.bown@medway.gov.uk

Background papers

Revenue budget approved by Council 25 February 2010
Monthly monitoring returns submitted by budget managers

MEDWAY COUNCIL

GENERAL FUND REVENUE MONITORING - May 2010

Assistant Director	Expenditure				Income				Net
	2010/2011 Budget £000's	Actual to date £000's	2010/2011 Forecast £000's	Forecast Variance £000's	2010/2011 Budget £000's	Actual to date £000's	2010/2011 Forecast £000's	Forecast Variance £000's	Forecast Variance £000's
Children and Adult Services									
Adult Social Care	94,125	8,473	95,027	902	(22,343)	(1,566)	(23,332)	(989)	(87)
Children's Care	28,266	3,406	28,445	179	(1,214)	(495)	(1,278)	(64)	115
Learning and Achievement	35,180	3,768	37,517	2,337	(21,848)	(1,643)	(24,185)	(2,337)	0
Inclusion	30,352	7,118	30,628	276	(6,679)	(290)	(6,457)	222	498
Schools Retained Funding and Grants	11,432	5,859	39,488	28,056	(34,487)	(14,425)	(62,145)	(27,656)	400
Commissioning	5,582	304	5,230	(352)	(2,665)	(1,005)	(2,363)	302	(50)
Schools Delegated Funding	175,785	34,902	177,795	2,010	0	0	(2,010)	(2,010)	0
	380,722	63,830	414,130	33,408	(89,236)	(19,424)	(121,770)	(32,532)	876
Regeneration, Community and Culture									
Front Line Services	41,023	2,267	41,746	723	(11,013)	(794)	(11,671)	(658)	65
Development and Transport	15,543	1,725	16,422	879	(4,312)	(590)	(5,108)	(796)	83
Medway Renaissance	1,072	270	1,157	85	(1,072)	(85)	(1,157)	(85)	0
Leisure and Culture	19,179	2,801	19,549	370	(7,732)	(1,562)	(7,994)	(262)	108
Directors Office	1,020	105	1,039	19	(29)	(17)	(26)	3	22
	77,837	7,168	79,913	2,076	(24,158)	(3,048)	(25,956)	(1,798)	278
Business Support Department									
Financial Services	116,477	10,657	126,619	10,142	(108,595)	(15,242)	(118,113)	(9,518)	624
Housing and Corporate Services	14,594	1,954	14,639	45	(12,193)	(674)	(11,967)	226	271
Communications, Performance and Partnershi	4,219	742	4,222	3	(3,378)	(108)	(3,339)	39	42
Democracy and Customer First	12,560	3,133	12,755	195	(5,666)	(1,399)	(5,797)	(131)	64
Organisational Services	15,290	2,930	15,450	160	(15,503)	(1,261)	(15,522)	(19)	141
	163,140	19,416	173,685	10,545	(145,335)	(18,684)	(154,738)	(9,403)	1,143
Director of Public Health	1,326	170	1,708	382	(902)	(1,009)	(1,322)	(420)	(38)
Interest and Financing	20,274	(1,753)	19,670	(604)	(4,916)	176	(4,312)	604	0
Levies	900	167	974	74	0	0	0	0	74
Area Based Grant	0	0	0	0	(18,092)	0	(18,092)	0	0
Planned Use of Reserves	0	0	0	0	(5,908)	0	(5,908)	0	0
Total	644,199	88,998	690,080	45,881	(288,547)	(41,989)	(332,098)	(43,549)	2,333

Financial Risk Analysis 2010-2011

Directorate Children & Adult Services

Director Rose Collinson

SERVICE HEADING	ELEMENT OF SERVICE SUBJECT TO RISK	EXPLANATION OF RISK	Maximum Risk £000s		CONTROL / CONTINGENCY MEASURES
			<200	>200	
ADULT SOCIAL CARE					
Social Care Commissioning and Client Financial Affairs	Social Care Contracts	High profile organisations may request grant funding to replace 'Big Lottery' funding.	✓		The voluntary sector strategy signals the need for organisations to work collaboratively or merge in order to release efficiencies.
Social Care Commissioning and Client Financial Affairs	Social Care Contracts	Increase in national insurance costs for providers may lead to them coming back to renegotiate costs. Assuming £57million spent on private and voluntary sector placements and based upon a 0.5% uplift, this could amount to £285,000.		✓	
Social Care Commissioning and Client Financial Affairs	Supporting People	The 2010-11 budget has been cash limited to the Supporting People component of Area Based Grant (5.8million), however there is a risk that the review of current contracts will not yield the £300,000 reductions required to contain expenditure within this budget.		✓	Commissioning Group established and chaired by AD for Adult Social Care to make and review commissioning decisions.
Social Care Commissioning and Client Financial Affairs	Social Care Reform Grant	Risk associated with permanent posts currently funded from the Social Care Reform Grant, which officially ceases in 2011-12, but may be at risk in the current year.		✓	This needs to be addressed through the workforce development workstream within the ASC transformation programme.
Older People	Residential / Nursing Care	Uncertainty over the volume of residential and nursing care placements, particularly due to the increased pressure on delayed transfers of care from both Medway Foundation Trust and St. Bartholomew's.		✓	Service Manager now chairs the weekly panel and works closely with the accountant to monitor and forecast spend. Weekly senior management meetings to be held for the foreseeable future to improve monitoring. Decision to be made by AD regarding the future of the
Older People	Residential / Nursing Care	Increased numbers of improvers and depleters presented to panel. Often these are in high cost placements with nobody who can be identified to pay the third party top-up.		✓	This is carefully monitored each week at panel. Service Manager ensures consistency of approach and that third party top-ups are only absorbed when all other possibilities have been exhausted.
Older People	Client Contributions	Loss of income due to the economic downturn and the decision not to charge for the first six weeks of domiciliary care which was not reflected in the budget build.	✓		Unable to mitigate this risk but the effect will be carefully monitored.
Older People	Medway Enablement and Prevention Service (MEAPS)	The divisional management team has concluded that the business case for the use of Platter Farm for rehabilitation was not viable. Prevention and enablement is now being provided through the Initial Intake Team but the financial impact of this decision is not known at present.	✓		Enablement is being provided as effectively as possible and should yield the anticipated savings, but this will need to be carefully monitored.
Older People	Dementia Care Services	The proportion of service users with dementia is increasing and the cost of services for this client group is high.	✓		Unable to mitigate this risk but the effect will be carefully monitored. Further work is being undertaken in relation to the Dementia Outreach Service.

Financial Risk Analysis 2010-2011

Directorate Children & Adult Services

Director Rose Collinson

SERVICE HEADING	ELEMENT OF SERVICE SUBJECT TO RISK	EXPLANATION OF RISK	Maximum Risk £000s		CONTROL / CONTINGENCY MEASURES
			<200	>200	
Older People	Domiciliary Care	The cost of outsourcing the in-house domiciliary service to Avenues was built into the budget but the impact of the cost of using this service for enablement care packages was not built in. The hourly rate is considerably higher than expected, especially for 'specialist' services'.	✓		The effect is already being monitored by the Initial Intake Team and contract monitoring meetings have been set up with the provider. People who need double-handed care will not be referred to this agency, as the impact of enablement is likely to be low and the cost high.
Physical Disability	Community Equipment	Increasing demand for community equipment, as a direct result of the policy objective of helping people to remain independent in their own	✓		Undertaking 'options analysis' work with NHS Medway to look at possible efficiencies.
Mental Health	Residential / Nursing Care	Uncertainty over the demand for residential and nursing care placements.	✓		Panel operates to look at new placements and review all existing placements to ensure service users needs are met by residential care.
Mental Health	Other Services	Contracts with a value in excess of £100,000 have been agreed with the Winfield Trust and Signpost for the provision of services to Mental Health clients. It is the Assistant Director's intention to top-slice this from the Section 75 funding, however until negotiations with the PCT and K&MPT have been concluded this remains a risk.	✓		The terms of the Section 75 agreement need to be reviewed to release funding to meet the Council's statutory responsibility in relation to mental health services.
CHILDREN'S CARE					
Integrated Area Teams	Staffing	Significant vacancies or high sickness levels would have implications on the budget, as the cost of agency cover is high.	✓		Implementation of the review of pay and grading should improve the recruitment and retention of social work staff.
Integrated Area Teams	Legal and Assessments	No's of Public Law Outline cases increased from 44 to 67 and care proceedings increased from 55 to 79 during the year to March 2010.		✓	The cases are closely monitored and no child can commence the PLO or care proceeding without a meeting with the service manager and senior local authority lawyer.
Integrated Area Teams	Transport	Increased transport costs for client contact.	✓		Monitor and report trends and additional transport requests. If required limit activities.
Specialist Services	Looked After Children	Numbers of Looked After Children could increase as a result of the Mumby and Southwark judgements.		✓	Maintain gate keep system and improved liaison with Housing regarding Southwark judgement cases.

Financial Risk Analysis 2010-2011

Directorate Children & Adult Services

Director Rose Collinson

SERVICE HEADING	ELEMENT OF SERVICE SUBJECT TO RISK	EXPLANATION OF RISK	Maximum Risk £000s		CONTROL / CONTINGENCY MEASURES
			<200	>200	
INCLUSION					
Psychology and Inclusion	SEN Independent and Non-Maintained Sector Placements	Parental requests for out-county placements has risen so sharply, that the savings generated from investment in defending tribunals may be offset by the costs of meeting increased demand and not deliver the budgeted savings target. There are 47 tribunals being managed as at May 2010.		✓	The SEN Strategy will address the shortfall in specialist provision in Medway schools in the coming years and some additional places were available from September 2009, however this may not be sufficient to prevent further external placements
COMMISSIONING					
Commissioning	PCT Contribution	A number of commissioning posts, as well as the preventative fund, are in part funded from PCT contributions. Given the financial constraints facing NHS Medway this year, these contributions may be at risk.	✓		The AD is attempting to put the agreements on a more formal footing, in order to protect the Council.
SCHOOLS RETAINED BUDGET					
Schools Retained (HR)	Redundancy Costs	With the closure of Ridgemeanow, amalgamation of the Lordswood Infant and Junior Schools and the continued Academy Programme, there are significant risks associated with redundancy costs.		✓	Largely outside of our control, but will be monitored closely and could be mitigated by how successfully redeployment is managed.
Schools Retained (Finance)	School Contingency Fund	Uncertainty over the deficits on school closures.		✓	Removed delegation, regular monitoring.
LEARNING AND ACHIEVEMENT					
School Organisation and Student Services	School Reorganisation Fund	Risk that some of the costs of school reorganisation cannot legitimately be charged against the capital programme, with a consequent pressure on the revenue budget.		✓	May be able to justify capitalising a large proportion of the costs, but would need to attribute costs to specific capital schemes and code them accordingly.

Financial Risk Analysis 2010-2011

Directorate Regeneration Community and Culture

Director Robin Cooper

SERVICE HEADING	ELEMENT OF SERVICE SUBJECT TO RISK	EXPLANATION OF RISK	Maximum Risk £000s		CONTROL / CONTINGENCY MEASURES
			<200	>200	
FRONT LINE SERVICES					
Highways	Highways income	£115k income from responsive maintenance is high, given the economic climate we are operating in and that the income is mainly around development of properties (crossovers, street name and numbering).	✓		Monthly monitoring will highlight pressure early on.
Highways	Responsive repairs - safety defects	Prudential borrowing loan for resurfacing is being repaid from revenue budgets for responsive work. This is a direct pressure on an already under funded element of Highways work.		✓	Only responsive works where there was a safety issue were undertaken last year, now the budget has been reduced further this will result in further pressures with no scope for improvements.
Highways	Overall highway condition of assets	Under funding in Highways was highlighted by an independent report commissioned by Council in 2007. Long term failure likely to occur in future years.		✓	Impact on this years budget minimal.
Highways	Highway Structures	Collapsing retaining walls		✓	Over 2010-13 retaining walls are being recorded and condition surveys undertaken. Risk associated with unknown walls collapsing
Highways	Winter service	Prolonged adverse weather will result in a pressure on winter service budget and additional costs in highway repairs.		✓	Appropriate planned investment in highway repairs would reduce the risk of the highway from deterioration caused by prolonged freezing weather conditions.
Medway Tunnel	Long term revenue allocation for tunnel	Once the RBT settlement is exhausted, revenue funding for the operation and maintenance of the tunnel is unfunded.		✓	Over coming years, to investigate long term funding for Tunnel, possibly via political pressure on revenue allocation from Government taking into account the specific nature of owning a tunnel, which is almost unique in the UK for a small unitary authority.
Parking Services	Winter Inclement Weather Conditions	Prolonged adverse weather will result in PCN's being unable to be issued.	✓		Will be monitored during adverse weather conditions.
Parking Services	Car parks	Structural works associated with the multi storey car park at Chatham.		✓	Structural survey currently being investigated and designing a suitable scheme to extend the life of the car park.
Parking Services	New car parks	New car parks income estimates may not be achieved to cover initial capital costs and income targets.	✓		Monthly monitoring will show an early indicator if failing to meet income.
Parking Services	Croneen's car park	Loss of income from this car park if sold.	✓		Alternative site may be needed, along with capital costs to make improvements to enable Medway to use the site as a car park.
Waste Services	CA sites	New procurement		✓	Procurement should produce a competitive tender.
Waste Services	Public Conveniences	Due to new contract being more expensive than previous	✓		Will try to manage this elsewhere in this cost centre.

Financial Risk Analysis 2010-2011

Directorate Regeneration Community and Culture

Director Robin Cooper

SERVICE HEADING	ELEMENT OF SERVICE SUBJECT TO RISK	EXPLANATION OF RISK	Maximum Risk £000s		CONTROL / CONTINGENCY MEASURES
			<200	>200	
Traffic management	Traffic management	Unachievable income charges	✓		Income is derived from recharge to LTP schemes and streetworks fines/inspections all of which may be subject to change.
Major Projects	Major Projects	Reduction in number of LTP projects reduces recharge income or slow recovery from recession reduces housing starts and so S38 income	✓		Impact will be slow and observable, redeploy staff to projects.
DEVELOPMENT ECONOMY AND TRANSPORT					
Public Transport	Concessionary Fares	With both the pensioners' concession and the school concession, the costs incurred depend on the decision of others - how much the users choose to travel and the level of fares charged by the bus companies and the need to provide additional capacity. The costs can also be affected by the outcome of operators' appeals to the Secretary of State.		✓	There is little mitigation which can be taken. Once a decision has been taken to offer a concession (or there is a statutory obligation) we are obliged to meet the costs arising from the use of the permits.
Planning Policy	Local Development Framework	New Government requirements, either by way of legislation or 'best advice' in relation to LDFs	✓		Defer work, seek contributions from other services etc.
Building Control	STG BC Partnership	Continued economic downturn causing reduced fee income.	✓		Cost reductions of about £250k are agreed and being delivered.
Economic Development	Gillingham Markets	As above	✓		Efforts will be made to increase promotion of markets.
Economic Development	Innovation Centre Medway	Loss of letting income due to worsening economic conditions	✓		Increased efforts will be made to promote ICM.
Development Management	Development Management	Less income due to current economic conditions and impact on building industry	✓		Pro- active work with major developers and additional income through pre application charging.
Development Management	Development Management	Unkown expenditure on appeals/legal costs/ ombudsman	✓		Checking of reports, including committee, and training for officers and members to ensure quality and defendability of decisions. Apply for costs ourselves and ensure those costs are paid up.
Development Management	Development Management	Costs of defending appeals at Inquiry including use of consultants and Counsel	✓		
Leisure & Culture	Leisure management account	An additional income target has been allocated to the service in 2010/11 but is held here rather than be added to detailed 'location' forecasts	✓		this budget heading is primarily used for maintainance of the leisure facilities, due to their age and condition it is difficult to forecast issues that may arise, therefore close control will be exercised to contain the budget.

Financial Risk Analysis 2010-2011

Directorate Business Support

Assistant Director Neil Davies

SERVICE HEADING	ELEMENT OF SERVICE SUBJECT TO RISK	EXPLANATION OF RISK	Maximum Risk £000s		CONTROL / CONTINGENCY MEASURES
			<200	>200	
HOUSING & CORPORATE SERVICES					
Property Management	Asset and Property	Less income due to possible reduction in work required on capital schemes	✓		Monthly monitoring
Property Management	Commercial Property	Gillingham business park rent reduction. Reduced rental income due to end/breaks in leases, tenant default and bad debt. Reduced rental income due to breaks in leases.		✓	None - head tenant manages. Try to generate income from elsewhere.
Property Management	Commercial Property	Extra management costs as a result of above + fly tipping, empty rates and unbudgeted costs.	✓		Monthly monitoring + savings from elsewhere.
Operational Buildings	Gun Wharf	Essential unforeseen security/repairs/renewals.	✓		Impact potentially low on this budget if any works are funded by the BRMF.
Housing Property Management	Management of Shops	Reduced rental income due to end/breaks in leases, tenant default and bad debt. Rents in budget are higher than reality.	✓		Monthly monitoring + savings from elsewhere.
Homelessness and Housing Options	Housing Solutions	New TA rent build - TA now under LHA. Additional expenditure on Temporary Accommodation due to an increase in homelessness representation due to ongoing economic pressures or potential new risks unidentified at this stage of the year. Additional expenditure due to void periods.	✓		Housing Association Leasing Scheme with Avenues - undertake a variation in contract, Medway Council will no longer be responsible for Avenue TA properties (82) including financial responsibilities. The only potential expenditure would be around £10,000 for shared cost void periods, delays in nominations and unaffordable rents for working clients.
Local Land Charges	Local Land Charges	Local Land Charges Income - Competitive market with PSC having the major share.	✓		Minor risk of legal action that could if it happened have a major impact on budget.

Financial Risk Analysis 2010-2011

Directorate Business Support

Assistant Director Neil Davies

SERVICE HEADING	ELEMENT OF SERVICE SUBJECT TO RISK	EXPLANATION OF RISK	Maximum Risk £000s		CONTROL / CONTINGENCY MEASURES
			<200	>200	
FINANCIAL SERVICES					
Contingencies	Contingencies	Essential user review.		✓	Completion of review.
Contingencies	Contingencies	Back office review.	✓		Completion of review.
Revenues and Benefits	Benefit Payments	Small changes in the overall level of subsidy can have a significant effect. It is very difficult to accurately forecast subsidy outturn due to the complexity of the various cyclic payment runs, which are undertaken.	✓		Benefit legislation changes regularly, which can in turn affect subsidy – up to date knowledge will be needed. Bespoke Integra reports and Accountancy support may be needed.
Revenues and Benefits	Exempt Accommodation	Continued increase in provision of exempt accommodation		✓	This is difficult to control as Benefit legislation provides that if the authority is obliged to set an eligible rent higher than the rent service's figures (because the claimant is in any of the three protected groups i.e. vulnerable), subsidy at the rate of 60% is payable on any HB attributable to the excess (estimated 2010/11 loss of subsidy in this area is £815k) If the authority is obliged to set an eligible rent higher than the rent service's figures for any other reason (not because the claimant is in a protected group, but perhaps because there is no cheaper suitable alternative accommodation), no subsidy is payable on any HB attributable to the excess (estimated 2010/11 loss of subsidy in this area is £919k).
Interest and Financing	Interest Earned	Interest rates do not increase in line with budget build.		✓	Reducing debt by using cash balances.
Interest and Financing	MRP	Effects of new Housing finance.		✓	
Interest and Financing	Invest to Save	Failure to achieve savings.	✓		

Financial Risk Analysis 2010-2011

Directorate Business Support

Assistant Director Neil Davies

SERVICE HEADING	ELEMENT OF SERVICE SUBJECT TO RISK	EXPLANATION OF RISK	Maximum Risk £000s		CONTROL / CONTINGENCY MEASURES
			<200	>200	
DEMOCRACY AND CUSTOMER FIRST					
Customer Services	Customer First	Cost of Telephonetics (Automated Operator Services).	✓		The cost of this solution will be funded from productivity gains achieved through the assignment of fewer staff to operator services.
Customer Services	Customer First	Lack of ICT resource / technical knowledge.	✓		Scope of ICT development ambitions set within ICT delivery capacity / capability with appropriate contingency provision for unforeseen requirements / difficulties.
Customer Services	Library Service	Additional resources required to maintain service standards.	✓		The risk mgt strategy is to continue to improve productivity through the streamlining / automation of processes and continuous performance and quality review. Action to improve staff sickness levels will also contribute to the management of this risk.
Customer Services	Library Service	Lack of ICT resource / technical to realise maximise efficiency gain through the use of new technology.	✓		Active knowledge transfer and skills development being pursued to provide flexibility to respond to risk.
Customer Services	Library Service	Historical backlog of repairs moving desirable to essential status.	✓		Through the active definition and pritisation of repairs and mananenance activity, taking into account 'invest to save' considerations.
ORGANISATIONAL SERVICES					
Personnel Services	Temp Agency	Moratorium leading to recruitment freeze/loss of Temps and the use of apprentices, work experience and Future Jobs Fund coupled with increased income targets.	✓		Develop external income.
ICT	ICT	Some external services may choose not to renew their SLA with ICT, which would impact on identified income.	✓		Ensure SLAs are signed in advance of budget setting process / actively explore alternative service delivery options for external services.
ICT	ICT	Both internal and external services may choose to vary the services provided within their SLA, resulting in reduced income.	✓		Ensure service provided is value for money / actively explore alternative options.
Adult Education	MACLS	25% reduction in allocation for 2010/2011.	✓		MACLS is part of the successful Interreg project - £40k expected funding in 10/11. New business development manager with targets to raise at least £130k additional income. MACLS will continue to identify savings as outlined in service plan.
COMMUNICATIONS, PERFORMANCE AND PARTNERSHIPS					
Children's Review services	Children's Independent Reviewing Team	30% increase in demand for CP Conferences and LAC.	✓		These are statutory responsibilities so little room for controls. We continue to monitor.
Various	Vacancy savings	The division is not carrying a significant vacancy fte currently. So the assumptions of changes could be difficult to deliver	✓		

