

## **CABINET**

**28 SEPTEMBER 2010**

### **REVENUE BUDGET MONITORING 2010/2011**

Portfolio Holder: Councillor Alan Jarrett, Finance Portfolio

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 July 2010, incorporating the effects of the recent public spending reductions.

#### **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%. This budget had to be re-visited following the public expenditure reductions announced by the Chancellor at the end of May.
- 2.2. The effect of this announcement for Medway was a package of measures that were agreed by Council on 29 July. Revenue savings amounting to some £3.057 million were identified following the reduction in PSA funding, ABG reductions and cessation of Training Development Agency (TDA) grant. The affected budgets have now been adjusted accordingly.
- 2.3. The effect of these reductions on directorates is summarised at Table 1 and incorporated within Appendix 1. Progress against individual savings targets is summarised at Table 2 and discussed in more detail within directorate commentaries.
- 2.4. As in previous years, monitoring reports are being submitted to Cabinet bi-monthly, reporting by exception and focussing on action plans to contain expenditure within budgeted levels. This is the second monitoring report for 2010/2011 and is based on expenditure to July 2010. Directorate management

teams have considered the monitoring reports and the results are summarised in Table 1 below.

### 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 £0.650 million overspend against the budget which has been adjusted for funding reductions of £2.828 million. After excluding the forecast underspend on DSG funded services, the General Fund services are predicting an overspend of £1.164 million. However this would be offset by the £0.534 million approved transfer from reserves referred to in paragraph 3.2 below. The resultant overspend at some £0.630 million is a significant improvement against the last reported forecast as at May of £1.650 million.

**Table 1: Overall Summary**

Directorate	Budget 2010/2011 £000s	Funding Reductions £000s	Revised Budget 2010/2011 £000s	Forecast Outturn 2010/2011 £000s	Forecast variance £000s
Children and Adult Services:					
- DSG funded services	172,953	0	172,953	172,439	(514)
- General fund services	118,510	(1,661)	116,849	117,198	349
Regeneration, Community and Culture	53,632	(312)	53,320	52,822	(498)
Business Support (Note 1)	17,877	(755)	17,122	18,421	1,299
Public Health	424	(100)	324	264	(60)
Interest & Financing	15,358	0	15,358	15,358	0
Levies	900	0	900	974	74
<b>Service Requirements</b>	<b>379, 654</b>	<b>(2,828)</b>	<b>376,826</b>	<b>377,476</b>	<b>650</b>
Area Based Grant	(18,092)	1,961			
Planned Use of Reserves / PSA	(5,913)	867			
<b>Total</b>	<b>355,649</b>	<b>0</b>			

Note 1 – Loss of TDA grant (£229,800) not reflected as grant loss matched by expenditure reduction and when added to the £2,828 million reduction produces the £3.057 million agreed at Council.

3.2 The forecast of an overspending of £0.650 million will be offset by any reserve contribution to meet the once off costs associated with the budget reductions, including any shortfall arising from part year effect. At present this is forecast at £0.534 million as shown in Table 2 below. The table should be treated with some caution since clearly some of the savings proposals are still subject to consultation outcomes and this reflects in an absence of forecast outcomes. In addition there will inevitably be redundancy/retirement costs that result from action that is likely to be taken but as yet we do not know the outcome and consequent action since we are still consulting on proposals.

- 3.3 The following table summarises achievement against the funding reductions and indicates the likely call on reserves should the savings not be achieved. This table will be updated for Members in future monitoring reports. The analysis of savings between directorates has been adjusted since Council approval to reflect actual responsibility for services and these changes are reconciled in Appendices 2, 3 and 4.

**Table 2 Achievement Against Savings targets**

Directorate/Service	Target Saving	Forecast as at July	Forecast Variation
	£000s	£000s	£000s
<b>Children and Adults</b>			
Various	1,661	1,610	51
<b>Regeneration Community &amp; Culture</b>			
Road Safety Grant	117	117	0
Prevent	57	57	0
Community Cohesion	33	0	33
Other Savings	105	92	13
<b>Business Support</b>			
Financial Management	170	34	136
HR/ICT	197	132	65
Communications Performance & Partnership	268	32	236
Democracy and Customer First	120	120	0
<b>Public Health</b>			
Teenage Pregnancy	100	100	0
<b>Total Savings Target</b>	<b>2,828</b>	<b>2,294</b>	<b>534</b>

#### 4. Children and Adult Services

- 4.1 Despite the need to respond to a £1.7 million reduction in budget the directorate is now reporting a forecast underspend of £0.165 million. DSG funded services account for £0.514 million of this figure with a consequent overspending on non-DSG services of £0.349 million. This is a significant improvement on the £0.931 million overspend last reported and occurs despite continuing demographic pressures in adults and children's social care. The forecast overspend overall has reduced as a consequence of the following significant areas:

- Adult Social Care – underspend of £593,000. There has been an improvement in the forecast since May of £506,000. Older People, Learning Disability and Linked Service Centres have contributed the bulk of the improvement. However, this has been partly negated by a deterioration of £326,000 in the forecast for Physical Disability Services;

- Learning and Achievement - £507,000 underspend compared to the May break-even position. This is largely as a consequence of fewer nursery placements in the PVI sector which is a saving to the DSG;
- Inclusion - £607,000 overspend mainly as a result of SEN Transport;
- Schools Retained Funding and Grants - additional pension and redundancy costs arising from school reorganisations is the main contributor to the £314,000 overspend of which £290,000 is for non-DSG services.

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

5.1 The previously reported break-even position has improved considerably despite the funding reductions and the directorate is now forecasting a net underspend of £498,000. The major causes of the underspend are as follows:

- Front Line Services – £757,000 underspend resulting from the delay in implementing the new waste contract and a continued reduction in tonnages; reduced by
- An overall shortfall of £250,000 against the vacancy saving target. Savings accrued to date amount to £171,000 in the first four months so there is cause for some optimism that the position will improve further.

## **6. Business Support**

6.1 The department is forecasting an overspend of £1.3 million. However some £437,000 of this overspend is attributable to the effect of budget reductions and should be negated by a contribution from reserves. Additionally the vacancy target for the directorate is currently showing an overspend of £197,000 after the first four months. There is some optimism that this will be recovered over the balance of the year. However there would still remain an overspend of some £665,000 largely due to:

- Chief Finance Officer - benefit payments £678,000 forecast overspend, due to the continuing overspend arising from unsubsidised exempt accommodation claims; and
- Corporate Provisions – forecast overspend of £193,000 predominantly from the review of essential user car allowances which will not be fully achieved this financial year and the limited pay award for which there was no budget.

In respect to the exempt accommodation officers are urgently exploring options to enable mitigation of this cost albeit this may have implications for housing options and supporting people.

## **7. Public Health**

7.1. The target saving of £100,000 resulting from the reduction in funding for teenage pregnancy prevention will be achieved and further savings made.

## **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 0.89% 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 and which may generate further savings. In light of these two actions we are forecasting a break-even position for the year although this masks a significant potential financial pressure.

## **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. Housing Revenue Account**

- 10.1. The Housing Revenue Account is forecasting a surplus of £926,100, a decrease of £316,600 against its budgeted surplus of £1,242,700. The major cause being the reduced rental income following the Council decision to reduce rent levels.

## **11. Risk Management**

- 11.1 The more significant financial risks faced by the Council in providing services were considered in detail by Members in July during the first monitoring cycle. Directorate management teams continually review revenue expenditure and take corrective action where appropriate.
- 11.2 The recent public spending reductions create a significant challenge as the Council must deliver the target savings with just half of the current financial year remaining. Any delay may result in a further call on the Council's limited reserves that may also be further depleted by the one off costs of achieving the savings.

## **12. Conclusions**

- 13.1 The second round of returns from budget managers forecast an overspend of £0.650 million. After excluding the underspend on DSG services and allowing for the approved reserve contribution towards achieving the spending reductions, the forecast for general fund services would be for an overspend of £0.630 million which is a significant improvement upon the £1.650 million last reported. To the extent that this improvement continues there may be a welcome reduction in the call upon the Council's reserves.

## **13. Financial and legal implications**

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

## **14. Recommendations**

- 14.1. Cabinet notes the result of the second round of revenue monitoring for 2010/2011 and the proposed management action to achieve the target savings.

## **15. Suggested Reason For Decision**

- 15.1 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 25 February 2010  
Monthly monitoring returns submitted by budget managers  
Revenue Budget Monitoring 2010/2011 report to Cabinet 20 July 2010  
Public Spending Reductions report to Council 29 July 2010

MEDWAY COUNCIL

GENERAL FUND REVENUE MONITORING - July 2010

Assistant Director	Expenditure				Income				Net Forecast Variance £000's	Previous Forecast Variance £000's
	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		
<b>Children and Adult Services</b>										
Adult Social Care	93,993	25,482	95,183	1,190	(22,343)	(13,281)	(24,126)	(1,783)	(593)	(87)
Children's Care	28,266	7,981	28,481	215	(1,214)	(1,289)	(1,416)	(202)	13	115
Learning and Achievement	36,589	7,215	36,953	364	(24,181)	(3,774)	(25,052)	(871)	(507)	0
Inclusion	29,840	12,193	30,396	556	(6,768)	(245)	(6,717)	51	607	498
Schools Retained Funding and Grants	11,450	9,773	12,552	1,102	(34,511)	(27,269)	(35,299)	(788)	314	400
Commissioning	6,021	505	5,854	(167)	(3,127)	(1,380)	(2,959)	168	1	(50)
Schools Delegated Funding	175,787	34,902	177,751	1,964	0	(1,964)	(1,964)	(1,964)	0	0
	<b>381,946</b>	<b>98,051</b>	<b>387,170</b>	<b>5,224</b>	<b>(92,144)</b>	<b>(49,202)</b>	<b>(97,533)</b>	<b>(5,389)</b>	<b>(165)</b>	<b>876</b>
<b>Regeneration, Community and Culture</b>										
Front Line Services	41,145	13,334	41,329	184	(11,367)	(2,737)	(12,308)	(941)	(757)	0
Development and Transport	15,440	5,785	16,402	962	(4,312)	(1,384)	(5,167)	(855)	107	0
Medway Renaissance	1,072	436	1,157	85	(1,072)	(85)	(1,157)	(85)	0	0
Leisure and Culture	19,143	8,370	19,690	547	(7,721)	(2,854)	(8,120)	(399)	148	0
Directors Office	1,023	265	1,027	4	(29)	(18)	(29)	0	4	0
	<b>77,823</b>	<b>28,190</b>	<b>79,605</b>	<b>1,782</b>	<b>(24,501)</b>	<b>(7,078)</b>	<b>(26,781)</b>	<b>(2,280)</b>	<b>(498)</b>	<b>0</b>
<b>Business Support Department</b>										
Financial Services	116,412	34,166	126,967	10,555	(108,595)	(40,999)	(118,297)	(9,702)	853	531
Housing and Corporate Services	14,594	4,696	14,172	(422)	(12,193)	(4,894)	(11,842)	351	(71)	131
Communications, Performance and Partnership	3,952	1,766	4,224	272	(3,378)	(1,933)	(3,335)	43	315	0
Democracy and Customer First	12,529	5,799	12,722	193	(5,789)	(2,880)	(6,018)	(229)	(36)	0
Organisational Services	15,094	6,353	15,318	224	(15,503)	(6,763)	(15,490)	13	237	22
	<b>162,581</b>	<b>52,780</b>	<b>173,403</b>	<b>10,822</b>	<b>(145,458)</b>	<b>(57,469)</b>	<b>(154,982)</b>	<b>(9,524)</b>	<b>1,299</b>	<b>685</b>
<b>Director of Public Health</b>	<b>1,226</b>	<b>327</b>	<b>1,896</b>	<b>670</b>	<b>(902)</b>	<b>(1,202)</b>	<b>(1,632)</b>	<b>(730)</b>	<b>(60)</b>	<b>(38)</b>
<b>Interest and Financing</b>	<b>20,274</b>	<b>1,561</b>	<b>19,918</b>	<b>(356)</b>	<b>(4,916)</b>	<b>70</b>	<b>(4,560)</b>	<b>356</b>	<b>0</b>	<b>0</b>
<b>Levies</b>	<b>900</b>	<b>167</b>	<b>974</b>	<b>74</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>74</b>	<b>74</b>
<b>Area Based Grant</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(16,131)</b>	<b>0</b>	<b>(16,131)</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>(5,041)</b>	<b>0</b>	<b>(5,041)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>644,750</b>	<b>181,076</b>	<b>662,966</b>	<b>18,216</b>	<b>(289,093)</b>	<b>(114,881)</b>	<b>(306,660)</b>	<b>(17,567)</b>	<b>650</b>	<b>1,597</b>



## Children and Adult Services - Spending Reduction 2010-11

Spending Reduction	Assistant Director	Full Year Saving	Anticipated Saving in 2010-11	July 2010 Monitoring	Comments
		£	£	£	
Study Support	Inclusion	50,800	17,000	0	Cease provision of Medway Children's University, deleting one FTE, effective from December 2010.
School Advisory Team	Learning and Achievement	58,900	58,900	58,900	Scale down the Broadband Connectivity capital project that delivers improved ICT services for schools.
Advanced Skills Teachers	Learning and Achievement	41,500	41,500	41,500	Withdraw provision for the recruitment of further Advanced Skills Teachers in schools.
Extended Schools Grants	Inclusion	450,000	450,000	450,000	The timing of staffing reductions (11 FTEs) is subject to agreement with the Chief Executive, but part year pressure can be met from 2009-10 Standards Fund.
Primary National Strategy - Central Support	Learning and Achievement	378,000	378,000	378,000	The timing of staffing reductions (11 FTEs) is subject to consultation with staff and unions, but it is assumed a four month saving should be achieved this year. The balance of the savings will be achieved through other one-off savings this year.
Secondary National Strategy - Central Support	Learning and Achievement	382,000	382,000	382,000	
Secondary National Strategy - Behaviour and Attendance	Learning and Achievement	68,300	68,300	68,300	
Medway Youth Trust	Inclusion	100,000	100,000	100,000	MYT have agreed to a 12 month extension to the contract with a £100,000 pa reduction from April 2010.
Supporting People	Adult Social Care	131,805	131,805	131,805	All Supporting People contracts will be reduced by 7% from December 2010. This will deliver the required reductions in a full year, but during the current year the Social Care Commissioning team will deliver the savings through vacancies and increased income.
<b>C &amp; A Directorate Reductions</b>		<b>1,661,305</b>	<b>1,627,505</b>	<b>1,610,505</b>	
Safeguarding Review	BSD	5,000			
Public Health	Public Health	100,000			
Road safety staffing	RCC	32,000			
<b>Total approved by Council</b>		<b>1,798,305</b>			



## RC&C Spending Reductions 2010-11

Spending Reduction	Assistant Director	Full year saving	Saving reflected in July monitoring	Comments
		£	£	
Design & conservation team staffing	Development, Economy & Transport	15,000	15,000	
Town Centre Management staffing	Development, Economy & Transport	30,000	17,500	
Community Cohesion	Development, Economy & Transport	32,941	0	
Highways Response Service staffing	Frontline Services	60,000	60,000	Posts vacant
Prevent Project	Frontline Services	56,637	56,637	Drawn from savings across the division
Road safety grant	Frontline Services	85,000	85,000	grant removed
Road safety staffing	Frontline Services	32,000	32,000	Post vacant
<b>RCC Directorate Reductions</b>		<b>311,578</b>	<b>266,137</b>	
Road safety staffing	Ex C & A	(32,000)		
<b>Total approved by Council</b>		<b>279,578</b>		



## BSD Spending Reduction 2010-11

Spending Reduction	Assistant Director	Full year saving	Saving reflected in July monitoring	Comments
		£	£	
Verification team staffing	Finance	62,000	0	
Fraud investigation team staffing	Finance	57,160	14,290	part year vacancy saving
Cashier team staffing	Finance	50,990	19,986	part year vacancy saving
Equalities support post	Organisational Services	32,680	13,623	part year vacancy saving
Work force development staffing	Organisational Services	37,590	21,925	part year vacancy saving
Health and Safety team staffing	Organisational Services	49,260	18,859	part year vacancy saving
Resourcing team staffing	Organisational Services	27,520	27,520	vacancy saving
IT efficiency savings	Organisational Services	50,000	50,000	Efficiency identified
LSP support	Communications, Performance and Partnerships	69,760	22,700	part year vacancy saving
Bidding unit team	Communications, Performance and Partnerships	121,600	0	Options currently being discussed
Sustainability savings	Communications, Performance and Partnerships	15,000	0	Options currently being discussed
Equality savings	Communications, Performance and Partnerships	10,000	0	Options currently being discussed
Marketing savings	Communications, Performance and Partnerships	37,000	0	Options currently being discussed
Data quality staffing	Communications, Performance and Partnerships	9,060	9,060	Vacant post
Safeguarding Review Processes	Communications, Performance and Partnerships	5,000	0	
Library books additional allocation	Democracy and Customer First	120,000	120,000	Saving achieved
<b>BSD Directorate Reductions</b>		<b>754,620</b>	<b>317,963</b>	
Safeguarding Review Processes	ex C & A	(5,000)		
TDA Grant	Net NIL to expenditure	229,800		
<b>Total approved by Council</b>		<b>979,420</b>		