

# **BUSINESS SUPPORT OVERVIEW AND SCRUTINY COMMITTEE**

**2 DECEMBER 2010**

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

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 September 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. It is for the Overview and Scrutiny Committee to hold cabinet accountable for those actions taken.

#### **2. Background**

- 2.1. Cabinet Members will be considering this report on 30 November and their recommendations will be reported to this meeting.
- 2.2. 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 which resulted in a package of measures that were agreed by Council on 29 July.
- 2.3. These measures resulted in a net budget reduction for the Council of £2.828 million and individual budgets were adjusted accordingly. 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 submitted to Cabinet Briefing and Cabinet bi-monthly, reporting by exception and focussing on action plans to contain expenditure within budgeted levels. This is the third monitoring report for 2010/2011 and is based on expenditure to September 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 £1.236 million overspend against the budget which has been adjusted for funding reductions referred to above. DSG funded services are forecast to break even and, therefore, the overspend all relates to General Fund services. This is an overall increase of £0.072 million against the previous forecast although the overspend for Children and Adults has deteriorated by £0.393 million predominantly as a result of school reorganisations.

**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	172,953	0
- General fund services	118,414	(1,661)	116,753	117,495	742
Regeneration, Community and Culture	53,617	(312)	53,305	52,864	(441)
Business Support	17,910	(755)	17,155	18,071	916
Public Health	503	(100)	403	348	(55)
Interest & Financing	15,358	0	15,358	15,358	0
Levies	900	0	900	974	74
<b>Service Requirements</b>	<b>379, 655</b>	<b>(2,828)</b>	<b>376,827</b>	<b>378,063</b>	<b>1,236</b>

3.2 The forecast overspend of £1.236 million will be partly offset by any reserve contribution to meet the once off costs associated with the in year budget reductions, including any shortfall arising from part year effect. At present this is forecast at £0.339 million as shown in Table 2 overleaf.

3.3 Appendices 2, 3 and 4 show details of the individual savings targets and it can be seen that the majority have been successfully achieved. The forecast variation of £0.339 million represents the part year effect of the savings proposals predominantly as a result of the consultation process required to achieve the required reductions in staffing levels. Where vacant posts have been deleted a full year saving has been achieved. It can be seen from Table 2 and Appendix 2 that Children and Adults have achieved their savings target. Any shortfall in savings requirement due to the part year effect of staff reductions has been met from government grants.

3.4 It is unlikely that this £0.339 million variation can be significantly reduced for the reasons stated above and this will be a call on the Council's reserves. In addition the redundancy and early retirement costs resulting from the savings are currently being assessed and will also be a call on reserves.

**Table 2 Achievement Against Savings targets**

<b>Directorate/Service</b>	<b>Target Saving</b>	<b>Forecast as at September</b>	<b>Forecast Variation</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Children and Adults</b>			
Various	1,661	1,661	0
<b>Regeneration Community &amp; Culture</b>			
Road Safety Grant	117	117	0
Prevent	57	57	0
Community Cohesion	33	14	17
Other Savings	105	93	13
<b>Business Support</b>			
Financial Management	170	77	93
HR/ICT	197	127	70
Communications Performance & Partnership	268	123	145
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>2,489</b>	<b>339</b>

#### **4. Children and Adult Services**

4.1 As indicated in paragraph 3.1, DSG funded services are now forecast to break even. There has been a deterioration of almost £0.400 million on non-DSG services of which are now forecasting an overspend of £0.742 million. The forecast overspend is mainly a result of the school reorganisation programme and the ruling by HM Revenue and Customs that the Council is liable for national insurance contributions (backdated) for adoption Panel members and School Improvement Partners. Significant variations in forecast for the directorate are discussed as follows:

- Adult Social Care – underspend of £737,000. There has been an improvement in the forecast since July of £144,000. Learning Disability has contributed the bulk of the improvement. However, this has been partly offset by a deterioration in the forecast for Residential and Home Care Services;
- Learning and Achievement – non-DSG overspend of £349,000. There is now a potential national insurance liability for School Improvement partners of £261,000 and an adverse movement of £124,000 relating to school reorganisation costs which are non-DSG funded;
- Inclusion - £316,000 overspend, an improvement of £291,000 since the previous forecast mainly as a result of fewer out of Medway placements and associated transport costs;

- Schools Retained Funding and Grants – overspend increased by £324,000 to £638,000 mainly as a result of additional pension and redundancy costs arising from school reorganisations. The increase is based on estimates of the additional redundancies due to take effect in March 2011 but the actual costs are not known as yet. Although there will be a DSG contribution, the General; fund overspend will amount to £447,000 an increase of £157,000 since the previous forecast.

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

- 5.1 The directorate is now forecasting a net underspend of £441,000 compared to a previously reported underspend of £498,000. The major causes of the underspend are as follows:
- Front Line Services – almost unchanged underspend of £753,000 resulting from the delay in implementing the new waste contract and a continued reduction in tonnages;
  - Development Economy and Transport - a forecast underspend of £3,000 which is a £110,000 improvement on the previous forecast principally due to reduced forecasts for the Yellow Bus Service and Innovation Centre however there may be additional NNDR costs in respect of the latter;
  - Medway Renaissance – unbudgeted costs of £222,000 as a result of potential redundancy costs of £200,000 reported to Cabinet on 19 October and the appointment of a Quality Assurance Project Officer. These costs cannot be met from CLG grant and are to be funded from the overall underspend for the directorate.

## **6. Business Support**

- 6.1 The department is forecasting an overspend of £916,000, an improvement of some £0.380 million since the previous forecast. However some £308,000 of this overspend is attributable to the effect of budget reductions and should be negated by a contribution from reserves. The major causes of the projected overspend are largely due to:
- Chief Finance Officer - benefit payments £684,000 forecast overspend, due to the continuing overspend arising from unsubsidised exempt accommodation claims;
  - Corporate Provisions – forecast overspend of £197,000 predominantly from the review of essential user car allowances which will not be fully achieved this financial year and the effect of removing the estimated pay award from the budget;
  - Excess of vacancy savings within the Chief Finance Officer's division of £138,000 reduces the forecast overspend to £736,000;
  - Housing and Corporate Services – a net underspend of £163,000 as a result of underspends of £540,000 (including accommodation and supplies and services savings of £373,000) offset by non-achievement of vacancy savings target of £167,000, reduced Land Charges income, £104,000 and various smaller overspends;
  - Communications, Performance and Partnerships – forecast overspend has reduced by £54,000 since the July monitoring to £260,000. The part year effect of the in year savings requirement, uncertainty over alternative funding proposals for the Corporate Bidding Unit and non-achievement of vacancy savings account for the bulk of the overspend and
  - Organisational Services – overspend of £115,000 primarily due to non-achievement of vacancy savings target.

## **7. Public Health**

- 7.1. The service will achieve the target saving of £100,000, resulting from the reduction in funding for teenage pregnancy prevention, and generate a further small underspend.

## **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 £972,800, a decrease of £269,900 against its budgeted surplus of £1,242,700. The major cause being the reduced rental income following the Council decision to reduce rent levels. However, this is an improvement of £46,700 since the previous forecast.

## **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 public spending reductions announced in the summer 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**

- 12.1 The third round of returns from budget managers forecast an overspend of £1.236 million. DSG services are predicting a break-even position. After allowing for the approved reserve contribution towards achieving the spending reductions, the forecast for general fund services would be for an overspend of £0.897 million which is a deterioration upon the £0.630 million last reported.

### **13. Financial and Legal implications**

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

### **14. Recommendations**

14.1. Members are requested to comment on the forecast outturn position for 2010/2011 and any proposed management action to reduce the potential deficit.

### **Lead officer contact**

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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  
Revenue Budget Monitoring 2010/2011 report to Cabinet 28 September 2010  
Revenue Budget Monitoring 2010/2011 report to Cabinet 30 November 2010

MEDWAY COUNCIL

GENERAL FUND REVENUE MONITORING - September 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	94,031	42,034	94,975	944	(22,388)	15,730	(24,069)	(1,681)	(737)	(593)
Children's Care	28,261	13,379	28,638	377	(1,181)	(1,382)	(1,406)	(225)	152	13
Learning and Achievement	35,016	11,725	36,267	1,251	(22,611)	(5,917)	(23,545)	(934)	317	(507)
Inclusion	29,849	16,935	31,809	1,960	(6,894)	(990)	(8,538)	(1,644)	316	607
Schools Retained Funding and Grants	2,663	11,095	13,157	10,494	(34,580)	(28,767)	(44,436)	(9,856)	638	314
Commissioning	5,995	2,581	5,891	(104)	(3,102)	(2,080)	(2,942)	160	56	1
Schools Delegated Funding	184,647	94,174	186,611	1,964	0	(1,964)	(1,964)	(1,964)	0	0
	<b>380,462</b>	<b>191,923</b>	<b>397,348</b>	<b>16,886</b>	<b>(90,756)</b>	<b>(25,370)</b>	<b>(106,900)</b>	<b>(16,144)</b>	<b>742</b>	<b>(165)</b>
<b>Regeneration, Community and Culture</b>										
Front Line Services	41,143	19,420	41,514	371	(11,367)	(4,262)	(12,491)	(1,124)	(753)	(757)
Development and Transport	15,441	8,591	16,869	1,428	(4,312)	(2,344)	(5,743)	(1,431)	(3)	107
Medway Renaissance	1,072	602	1,379	307	(1,072)	(85)	(1,157)	(85)	222	0
Leisure and Culture	19,140	11,375	19,346	206	(7,721)	(4,377)	(7,844)	(123)	83	148
Directors Office	1,010	372	1,019	9	(29)	(20)	(28)	1	10	4
	<b>77,806</b>	<b>40,360</b>	<b>80,127</b>	<b>2,321</b>	<b>(24,501)</b>	<b>(11,088)</b>	<b>(27,263)</b>	<b>(2,762)</b>	<b>(441)</b>	<b>(498)</b>
<b>Business Support Department</b>										
Financial Services	116,481	51,437	126,889	10,408	(108,597)	(52,093)	(118,271)	(9,674)	734	853
Housing and Corporate Services	14,590	7,723	14,110	(480)	(12,193)	(7,088)	(11,876)	317	(163)	(71)
Communications, Performance and Partnership	3,952	2,341	4,140	188	(3,378)	(2,821)	(3,306)	72	260	315
Democracy and Customer First	12,514	7,540	12,950	436	(5,789)	(4,381)	(6,256)	(467)	(31)	(36)
Organisational Services	15,078	8,531	15,275	197	(15,503)	(11,798)	(15,585)	(82)	115	237
	<b>162,615</b>	<b>77,572</b>	<b>173,364</b>	<b>10,749</b>	<b>(145,460)</b>	<b>(78,181)</b>	<b>(155,294)</b>	<b>(9,834)</b>	<b>916</b>	<b>1,299</b>
<b>Director of Public Health</b>	<b>1,305</b>	<b>601</b>	<b>2,248</b>	<b>943</b>	<b>(902)</b>	<b>(1,272)</b>	<b>(1,900)</b>	<b>(998)</b>	<b>(55)</b>	<b>(60)</b>
<b>Interest and Financing</b>	<b>20,274</b>	<b>2,526</b>	<b>19,866</b>	<b>(408)</b>	<b>(4,916)</b>	<b>43</b>	<b>(4,508)</b>	<b>408</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>Total</b>	<b>643,362</b>	<b>313,149</b>	<b>673,927</b>	<b>30,565</b>	<b>(266,535)</b>	<b>(115,868)</b>	<b>(295,865)</b>	<b>(29,330)</b>	<b>1,236</b>	<b>650</b>





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

Spending Reduction	Assistant Director	Full Year Saving	Saving reflected in September monitoring	Balance of saving	Comments
		£	£	£	
Study Support	Inclusion	50,800	50,800		0 Cease provision of Medway Children's University, deleting one FTE.
School Advisory Team	Learning and Achievement	58,900	58,900		0 Scale down the Broadband Connectivity capital project that delivers improved ICT services for schools.
Advanced Skills Teachers	Learning and Achievement	41,500	41,500		0 Withdraw provision for the recruitment of further Advanced Skills Teachers in schools.
Extended Schools Grants	Inclusion	450,000	450,000		0 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		0 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		0
Secondary National Strategy - Behaviour and Attendance	Learning and Achievement	68,300	68,300		0
Medway Youth Trust	Inclusion	100,000	100,000		0 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		0 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>1,661,305</b>	<b>0</b>	



## Regeneration Community and Culture Directorate - Spending Reduction 2010-11

Spending Reduction	Assistant Director	Full year saving	Saving reflected in September monitoring	Balance of saving	Comments
				£	
Design & conservation team staffing	Development, Economy & Transport	15,000	15,000	0	Saving achieved
Town Centre Management staffing	Development, Economy & Transport	30,000	17,500	12,500	Part year saving achieved from staffing reduction
Community Cohesion	Development, Economy & Transport	32,941	15,000	17,941	Part year saving achieved
Highways Response Service staffing	Frontline Services	60,000	60,000	0	Saving achieved from vacant posts
Prevent Project	Frontline Services	56,637	56,637	0	Proposed virement from highways
Road safety grant	Frontline Services	85,000	85,000	0	Grant removed
Road safety staffing	Frontline Services	32,000	32,000	0	Saving achieved from vacant post
<b>R C &amp; C Directorate Reductions</b>		<b>311,578</b>	<b>281,137</b>	<b>30,441</b>	



## Business Support Department - Spending Reduction 2010-11

Spending Reduction	Assistant Director	Full year saving	Saving reflected in September monitoring	Balance of saving	Comments
		£	£	£	
Verification team staffing	Finance	62,000	26,643	35,357	Part year saving achieved from staffing reduction
Fraud investigation team staffing	Finance	57,160	6,476	50,684	Part year saving achieved from staffing reduction
Cashier team staffing	Finance	50,990	43,405	7,585	Part year saving achieved from staffing reduction
Equalities support post	Organisational Services	32,680	13,621	19,059	Part year saving achieved from staffing reduction
Work force development staffing	Organisational Services	37,590	21,516	16,074	Part year saving achieved from staffing reduction
Health and Safety team staffing	Organisational Services	49,260	22,387	26,873	Part year saving achieved from staffing reduction
Resourcing team staffing	Organisational Services	27,520	19,277	8,243	Part year saving achieved from staffing reduction
IT efficiency savings	Organisational Services	50,000	50,000	0	Efficiency identified
LSP support	Communications, Performance and Partnerships	69,760	22,263	47,497	Part year saving achieved from staffing reduction
Bidding unit team	Communications, Performance and Partnerships	121,600	24,432	97,168	Options currently being discussed
Sustainability savings	Communications, Performance and Partnerships	15,000	15,000	0	Efficiency identified
Equality savings	Communications, Performance and Partnerships	10,000	10,000	0	Efficiency identified
Marketing savings	Communications, Performance and Partnerships	37,000	37,000	0	Efficiency identified
Data quality staffing	Communications, Performance and Partnerships	9,060	9,060	0	Saving achieved from vacant post
Childrens Review	Communications, Performance and Partnerships	5,000	5,000	0	Efficiency identified
Library Books	Democracy & Customer First	120,000	120,000	0	Reduced programme
		<b>754,620</b>	<b>446,080</b>	<b>308,540</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>			