

CABINET

18 JANUARY 2011

REVENUE BUDGET MONITORING 2010/2011

Portfolio Holder: Councillor Alan Jarrett (Finance Portfolio)

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Summary

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

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 which resulted in a package of measures that were agreed by Council on 29 July.
- 2.2. 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 and associated appendices.
- 2.3. As in previous years, monitoring reports are submitted to Cabinet bi-monthly, reporting by exception and focussing on action plans to contain expenditure within budgeted levels. This is the fourth monitoring report for 2010/2011 and is based on expenditure to November 2010. Directorate management teams have considered the monitoring reports and the results are summarised in Table 1 below with additional detail shown at Appendix 1 and additional commentary in Section 4 onwards.

3. Summary Revenue Budget Position 2010/2011

- 3.1 It can be seen from Table 1 and Appendix 1 that, after management action, where appropriate, the outturn forecast for 2010/2011 currently stands at a £383,000 overspend against the budget which has been adjusted for funding reductions referred to above. DSG funded services are forecasting a very minor overspend, therefore, the majority of the overspend relates to General Fund services. This is an overall reduction of £853,000 against the previous forecast with Children and Adult Services showing the greatest improvement of £887,000.

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	172,963	10
- General fund services	118,464	(1,661)	116,803	116,649	(154)
Regeneration, Community and Culture	53,617	(312)	53,305	53,008	(297)
Business Support	17,910	(755)	17,155	17,992	837
Public Health	503	(100)	403	367	(36)
Interest & Financing	15,358	0	15,358	15,358	0
Levies	900	0	900	923	23
Service Requirements	379, 705	(2,828)	376,877	377,260	383

- 3.2 The forecast overspend of £383,000 will be substantially 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 £324,000 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 £324,000 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 £324,000 variation can be significantly reduced for the reasons stated above and this will be a call on the Council's reserves. This figure may increase as the redundancy and early retirement costs resulting from the savings proposals are clarified and paid.

Table 2 Achievement Against Savings targets

Directorate/Service	Target Saving	Forecast as at November	Forecast Variation
	£000s	£000s	£000s
Children and Adults			
Various	1,661	1,661	0
Regeneration Community & Culture			
Road Safety Grant	117	117	0
Prevent	57	57	0
Community Cohesion	33	16	17
Other Savings	105	93	12
Business Support			
Financial Management	170	93	77
HR/ICT	197	121	76
Communications Performance & Partnership	268	126	142
Democracy and Customer First	120	120	0
Public Health			
Teenage Pregnancy	100	100	0
Total Savings Target	2,828	2,504	324

4. Children and Adult Services

4.1 As indicated in paragraph 3.1, DSG funded services are continuing to almost break even. There has been an improvement of almost £900,000 on non-DSG services of which are now forecasting an underspend of £154,000. With the exception of Commissioning, all divisions within the Directorate are showing an improved position with Adult Social Care predicting the greatest variation. Significant variations in forecast for the directorate are discussed as follows:

- Adult Social Care – underspend of £1,239,000. There has been an improvement in the forecast since September of £502,000. Residential Care and Learning Disability has contributed the bulk of the improvement;
- Children’s Care – underspend of £19,000. Fostering is predicting an underspend of £299,000 largely offset by a predicted overspend in the Strood and Hoo Integrated Team of £258,000;
- Learning and Achievement – non-DSG overspend has reduced from £349,000 to £128,000. This is mainly due to the use of external grants to absorb some expenditure commitments in the school improvement team and lower than expected numbers of mainstream pupils accessing home to school transport;
- Inclusion - £184,000 overspend reduced from £317,000 mainly as a result of fewer out of Medway placements;

- Schools Retained Funding and Grants – overspend increased by £56,000 to £694,000 although non-DSG services are showing an improvement of £161,000 mainly as a result of a reduced forecast for pension and redundancy costs arising from school reorganisations. A contribution from the DSG reserve will offset some of the overspend in this area.

5. Regeneration, Community and Culture

5.1 The directorate is now forecasting a net underspend of £297,000 compared to a previously reported underspend of £441,000 with the Leisure and Culture Division responsible for £126,000 of this adverse movement. The major causes of the underspend are as follows:

- Front Line Services – slightly reduced underspend of £731,000 resulting from the delay in implementing the new waste contract and a continued reduction in tonnages;
- Development Economy and Transport - forecast underspend of £12,000 however, this is principally caused by non-achievement of the vacancy saving target and pressures within DET management totalling £106,000 offset by forecast savings of £133,000 on concessionary fares and subsidised buses;
- Medway Renaissance – forecast overspend 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;
- Leisure and Culture – forecast overspend of £209,000 mainly due to overspends on theatres (£32,000), the Corn Exchange (£56,000) and pressures resulting from the second tranche of income for land raising at Deangate (£100,000) not being available until 2011/2012.

6. Business Support

6.1 The department is forecasting an overspend of £837,000, an improvement of £79,000 since the previous forecast. However some £294,000 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 £720,000 forecast overspend, due to the continuing overspend arising from unsubsidised exempt accommodation claims;
- Corporate Provisions – forecast overspend of £198,000 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 £220,000 reduces the forecast overspend to £750,000;
- Housing and Corporate Services – a net underspend of £196,000 primarily as a result of underspends of £385,000 on accommodation and central services offset by non-achievement of vacancy savings target of £205,000. Other underspends within the division contribute to reduced Land Charges income of £89,000.

- Communications, Performance and Partnerships – forecast overspend has reduced by £9,000 since the September monitoring to £252,000. 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 £97,000 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 1.23% on investments and an average of 1% for the year. Our strategy for 2010/2011 is to fund capital projects from internal resources rather than borrowing from the PWLB or the market. This strategy has reduced 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 2008/2009 surplus interest earned was set aside within a Rate Equalisation Account. It is probable that this account will be exhausted in funding the anticipated deficit. 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 Recent notification from KCC indicates that the Coroner's levy for 2010/2011 will be less than anticipated. In addition, the Council will receive a refund of £35,000 in respect of 2009/2010. The £23,000 overspend currently forecast 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 £1,019,900, a decrease of £222,800 against its budgeted surplus of £1,242,700 although an improvement of £47,000 since the September forecast. 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 public spending reductions announced in the summer create a significant challenge as the Council was required to deliver the target savings with just half of the 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 This latest round of returns from budget managers forecasts an overspend of £383,000. DSG services are predicting a minor overspend of £10,000. After allowing for the approved reserve contribution towards achieving the spending reductions, currently predicted to be £324,000, the forecast for general fund services would be for an overspend of £59,000 which is a significant improvement on the £897,000 last reported.
- 12.2 However, these forecasts do not take full account of the poor weather conditions currently being experienced. Not only will these have cost implications in terms of winter road maintenance but would also effect income streams, particularly within leisure services. These pressures will be reported in the January cycle but will inevitably impact on the current forecast underspend.
- 12.3 In addition, Members will be aware of the increase in VAT to 20% with effect from 4 January. This will have an effect on the Council's income particularly for leisure and car parking and will also be reported in future monitoring cycles.

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 fourth 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.

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 - November 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		
Children and Adult Services										
Adult Social Care	94,030	56,892	94,252	222	(22,388)	(18,232)	(23,849)	(1,461)	(1,239)	(737)
Children's Care	28,261	18,073	28,423	162	(1,181)	(1,187)	(1,362)	(181)	(19)	152
Learning and Achievement	34,291	15,551	37,344	3,053	(21,885)	(6,131)	(24,857)	(2,972)	81	317
Inclusion	31,679	21,237	31,665	(14)	(8,724)	(2,327)	(8,526)	198	184	316
Schools Retained Funding and Grants	2,561	11,474	12,893	10,332	(34,580)	(36,484)	(44,218)	(9,638)	694	638
Commissioning	6,047	3,217	6,051	4	(3,102)	(2,304)	(2,951)	151	155	56
Schools Delegated Funding	184,747	94,174	185,475	728	0	(728)	(728)	(728)	0	0
	381,616	220,618	396,103	14,487	(91,860)	(67,393)	(106,491)	(14,631)	(144)	742
Regeneration, Community and Culture										
Front Line Services	41,142	27,277	41,483	341	(11,367)	(6,267)	(12,439)	(1,072)	(731)	(753)
Development and Transport	15,441	11,203	16,844	1,403	(4,312)	(2,765)	(5,727)	(1,415)	(12)	(3)
Medway Renaissance	1,072	821	1,379	307	(1,072)	(86)	(1,157)	(85)	222	222
Leisure and Culture	19,141	14,201	19,577	436	(7,721)	(5,627)	(7,948)	(227)	209	83
Directors Office	1,010	500	1,030	20	(29)	(33)	(34)	(5)	15	10
	77,806	54,002	80,313	2,507	(24,501)	(14,778)	(27,305)	(2,804)	(297)	(441)
Business Support Department										
Financial Services	116,480	67,301	126,568	10,088	(108,595)	(70,618)	(117,933)	(9,338)	750	(163)
Housing and Corporate Services	14,590	9,811	14,384	(206)	(12,192)	(8,080)	(12,182)	10	(196)	734
Democracy and Customer First	12,514	9,129	12,973	459	(5,789)	(5,045)	(6,315)	(526)	(67)	260
Communications, Performance and Partnership	3,952	2,916	4,139	187	(3,378)	(2,971)	(3,313)	65	252	(31)
Organisational Services	15,078	10,518	15,141	63	(15,503)	(12,986)	(15,469)	34	97	115
	162,614	99,675	173,205	10,591	(145,457)	(99,700)	(155,212)	(9,755)	837	916
Director of Public Health	1,304	767	2,383	1,079	(902)	(1,374)	(2,017)	(1,115)	(36)	(55)
Interest and Financing	20,274	2,526	19,866	(408)	(4,916)	43	(4,508)	408	0	0
Levies	900	435	923	23	0	0	0	0	23	74
Total	644,514	378,023	672,793	28,279	(267,636)	(183,202)	(295,533)	(27,897)	383	1,236

Children and Adult Services - Spending Reduction 2010-11

Spending Reduction	Assistant Director	Full Year Saving	Saving reflected in November 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.
C & A Directorate Reductions		1,661,305	1,661,305	0	

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
R C & C Directorate Reductions		311,578	281,137	30,441	

Business Support Department - Spending Reduction 2010-11

Spending Reduction	Assistant Director	Full year saving	Saving reflected in November monitoring	Balance of saving	Comments
		£	£	£	
Verification team staffing	Finance	62,000	25,103	36,897	Part year saving achieved from staffing reduction
Fraud investigation team staffing	Finance	57,160	23,216	33,944	Part year saving achieved from staffing reduction
Cashier team staffing	Finance	50,990	45,023	5,967	Part year saving achieved from staffing reduction
Equalities support post	Organisational Services	32,680	14,850	17,830	Part year saving achieved from staffing reduction
Work force development staffing	Organisational Services	37,590	14,200	23,390	Part year saving achieved from staffing reduction
Health and Safety team staffing	Organisational Services	49,260	22,536	26,724	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	24,742	45,018	Part year saving achieved from staffing reduction
Bidding unit team	Communications, Performance and Partnerships	121,600	25,304	96,296	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
		754,620	460,311	294,309	