

## **CABINET**

**29 MARCH 2011**

### **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 January 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%. 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 fifth monitoring report for 2010/2011 and is based on expenditure to January 2011. 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 that, after management action, where appropriate, the outturn forecast for 2010/2011 currently stands at a £1,584,000 underspend against the budget which has been adjusted for funding reductions referred to above. The underspend all relates to General Fund services as DSG funded services are forecasting a break even position. This is an overall reduction of £1,967,000 against the previous forecast with Children and Adult Services showing the greatest improvement of £1,570,000. However, the overall underspending now forecast represents 0.17% of the Council's total turnover of some £911 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	172,953	0
- General fund services	118,465	(1,661)	116,804	115,090	(1,714)
Regeneration, Community and Culture	53,617	(312)	53,305	53,099	(206)
Business Support	17,926	(755)	17,171	17,530	359
Public Health	503	(100)	403	364	(39)
Interest & Financing	15,358	0	15,358	15,358	0
Levies	900	0	900	916	16
<b>Service Requirements</b>	<b>379, 722</b>	<b>(2,828)</b>	<b>376,894</b>	<b>375,310</b>	<b>(1,584)</b>

3.2 In view of the forecast underspend, a reserve contribution to meet the once off costs associated with the in year budget reductions, including any shortfall arising from part year effect is no longer required. The cost, which is contained within the above forecasts, has reduced slightly to £317,000 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 £317,000 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 fully 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 There will be redundancy and early retirement costs associated with the above budget reductions and these will be met by a contribution from general reserves. However, it can be seen from Table 1 that the forecast underspend for 2010/2011, should it materialise, will make a significant contribution back to our rapidly diminishing reserves.

**Table 2 Achievement Against Savings targets**

Directorate/Service	Target Saving	Forecast as at January	Forecast Variation
	£000s	£000s	£000s
<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	16	17
Other Savings	105	93	12
<b>Business Support</b>			
Financial Management	170	94	76
HR/ICT	197	128	69
Communications Performance & Partnership	268	125	143
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>2,511</b>	<b>317</b>

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

4.1 As indicated in paragraph 3.1, DSG funded services are predicting to break even. There has been a dramatic improvement of £1,570,000 in respect of non-DSG services which are now forecasting an underspend of £1,714,000. With the exception of Schools Retained Funding and Grants and Commissioning, all divisions within the Directorate are showing significantly improved positions with Adult Social Care predicting the greatest variation. Significant variations in forecast for the directorate are discussed as follows:

- Adult Social Care – underspend of £1,995,000. There has been an improvement in the forecast since November of £756,000. Learning Disability has contributed the bulk of the improvement and the forecast underspend for this service now stands at £1,104,000;
- Children’s Care – underspend of £636,000, an improvement of £617,000. Looked after children is predicting the greatest underspend at £821,000 partly offset by a predicted overspend in the Chatham and Gillingham Integrated Teams of £236,000;
- Learning and Achievement – the previously forecast overspend of £81,000 is now a potential underspend of £190,000, £102,000 of which relates to non-DSG services;
- Inclusion - £210,000 underspend reduced from on overspend of £184,000 mainly as a result of fewer out of Medway placements;

- Schools Retained Funding and Grants – overspend increased by £341,000 to £1,035,000. Although a contribution from the DSG reserve will offset some of the £689,000 overspend in this area, a non DSG overspend of £346,000, mainly as a result of redundancy and early retirement costs, remains;
- Commissioning – the forecast overspend has increased from £155,000 to £282,000. Non-achievement of the Directorate vacancy saving target and sickness cover for an assistant director are the key contributors to the overspend.

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

5.1 The directorate is now forecasting a net underspend of £206,000 compared to a previously reported underspend of £297,000. Significant adverse movements within Front Line Services are largely compensated by favourable movements within Development and Transport. However, there has been a further deterioration within the Leisure and Culture Division mainly as a result of falling income levels. The major causes of the Directorate underspend are as follows:

- Front Line Services – considerably reduced underspend now £348,000. The £709,000 saving on the waste contract and other savings have been reduced by overspends on highways, £182,000, following the harsh winter, and car parking, £411,000, as a result of review and consolidation of Traffic Regulation Orders, falling income and additional maintenance costs;
- Development Economy and Transport - forecast underspend of £361,000, an improvement of almost £350,000. This is principally due to savings on bus subsidies £148,000 and concessionary fares £194,000;
- Medway Renaissance – forecast overspend of £233,000 as a result of potential redundancy costs of £200,000 reported to Cabinet on 19 October and consultancy costs. 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 £268,000 mainly due to overspends on Arts, Theatres and Events (£115,000) and non-achievement of income targets.

## **6. Business Support**

6.1 The department is forecasting an overspend of £359,000, an improvement of £478,000 since the previous forecast. However some £287,000 of this overspend is attributable to the effect of budget reductions which cannot produce a full year saving. The major causes of the projected overspend are largely due to:

- Chief Finance Officer - benefit payments £717,000 forecast overspend, due to the continuing overspend arising from unsubsidised exempt accommodation claims;
- Revenue and Benefits Administration - £284,000 forecast underspend principally due to increased recovery of court costs;
- Corporate Provisions – forecast overspend of £188,000 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 £265,000;

- Housing and Corporate Services – a net underspend of £348,000, previously £196,000, primarily as a result of underspends of £476,000 on accommodation and central services and £100,000 savings within the Housing Performance Team, offset by non-achievement of vacancy savings target of £167,000;
- Democracy and Customer First – underspend of £187,000 mainly, but not exclusively, due to various staffing savings throughout the Division;
- Communications, Performance and Partnerships – forecast overspend has improved marginally since the November monitoring to £248,000. The part year effect of the in year savings requirement, staffing within the Independent Review Team and non-achievement of vacancy savings account for the bulk of the overspend and
- Organisational Services – overspend of £148,000 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 and is reflected within the budget for this cost centre. 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 likely that this account will be used to assist in the reduction of the pressures in this budget. 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 A refund from KCC in respect of the Coroner's levy for 2009/2010 and a revision of the 2010/2011 levy has reduced the net overspend to £16,000. This 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 £1,116,700, a decrease of £126,000 against its budgeted surplus of £1,242,700 although an improvement of almost £97,000 since the November 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 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 This latest round of returns from budget managers forecasts an underspend of £1,584,000 which is a considerable improvement on the £383,000 overspend previously reported. DSG services are predicting a break even position. This underspend represents 0.17% of the Council's annual turnover. There is now no requirement for the approved reserve contribution towards achieving the spending reductions, currently predicted to be £317,000 and, indeed, the underspend will make a much welcome contribution to the Council's reserves.
- 12.2 These forecasts take full account of the two periods poor weather conditions experienced in the last few months and, hopefully, there will be no further recurrences which could have cost implications in terms of road maintenance and income streams, particularly within leisure services and car parks.

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

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

## **14. Recommendation**

- 14.1. Cabinet notes the result of the fifth 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  
Revenue Budget Monitoring 2010/2011 report to Cabinet 18 January 2011

MEDWAY COUNCIL

GENERAL FUND REVENUE MONITORING - January 2011

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	94,030	73,075	93,057	(973)	(22,388)	(20,704)	(23,410)	(1,022)	(1,995)	(1,239)
Children's Care	27,320	21,390	26,867	(453)	(688)	(739)	(871)	(183)	(636)	(19)
Learning and Achievement	34,005	19,022	37,299	3,294	(21,599)	(8,160)	(25,083)	(3,484)	(190)	81
Inclusion	32,620	25,058	32,245	(375)	(9,217)	(4,784)	(9,052)	165	(210)	184
Schools Retained Funding and Grants	2,671	11,912	13,171	10,500	(34,580)	(45,112)	(44,045)	(9,465)	1,035	694
Commissioning	6,046	4,055	6,177	131	(3,102)	(2,556)	(2,951)	151	282	155
Schools Delegated Funding	184,638	147,077	184,312	(326)	0	326	326	326	0	0
	<b>381,330</b>	<b>301,589</b>	<b>393,128</b>	<b>11,798</b>	<b>(91,574)</b>	<b>(81,729)</b>	<b>(105,086)</b>	<b>(13,512)</b>	<b>(1,714)</b>	<b>(144)</b>
<b>Regeneration, Community and Culture</b>										
Front Line Services	41,142	34,017	41,931	789	(11,367)	(7,978)	(12,504)	(1,137)	(348)	(731)
Development and Transport	15,441	12,661	16,431	990	(4,312)	(3,796)	(5,663)	(1,351)	(361)	(12)
Medway Renaissance	1,072	1,016	1,432	360	(1,072)	(85)	(1,199)	(127)	233	222
Leisure and Culture	19,291	16,548	19,415	124	(7,871)	(6,703)	(7,727)	144	268	209
Directors Office	1,010	607	1,017	7	(29)	(33)	(34)	(5)	2	15
	<b>77,956</b>	<b>64,849</b>	<b>80,226</b>	<b>2,270</b>	<b>(24,651)</b>	<b>(18,595)</b>	<b>(27,127)</b>	<b>(2,476)</b>	<b>(206)</b>	<b>(297)</b>
<b>Business Support Department</b>										
Financial Services	116,490	83,207	126,767	10,277	(108,595)	(98,757)	(118,374)	(9,779)	498	750
Housing and Corporate Services	14,589	11,607	14,239	(350)	(12,192)	(9,155)	(12,190)	2	(348)	(196)
Democracy and Customer First	12,520	10,387	12,868	348	(5,789)	(5,447)	(6,325)	(536)	(188)	(67)
Communications, Performance and Partnership	3,952	3,435	4,153	201	(3,378)	(3,064)	(3,331)	47	248	252
Organisational Services	15,011	12,882	15,241	230	(15,437)	(14,474)	(15,519)	(82)	148	97
	<b>162,562</b>	<b>121,518</b>	<b>173,268</b>	<b>10,706</b>	<b>(145,391)</b>	<b>(130,897)</b>	<b>(155,739)</b>	<b>(10,348)</b>	<b>359</b>	<b>837</b>
<b>Director of Public Health</b>	<b>1,304</b>	<b>927</b>	<b>2,380</b>	<b>1,076</b>	<b>(902)</b>	<b>(1,392)</b>	<b>(2,017)</b>	<b>(1,115)</b>	<b>(39)</b>	<b>(36)</b>
<b>Interest and Financing</b>	<b>20,274</b>	<b>8,705</b>	<b>19,863</b>	<b>(411)</b>	<b>(4,916)</b>	<b>(2,088)</b>	<b>(4,505)</b>	<b>411</b>	<b>0</b>	<b>0</b>
<b>Levies</b>	<b>900</b>	<b>750</b>	<b>916</b>	<b>16</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16</b>	<b>23</b>
<b>Total</b>	<b>644,326</b>	<b>498,338</b>	<b>669,781</b>	<b>25,455</b>	<b>(267,434)</b>	<b>(234,701)</b>	<b>(294,474)</b>	<b>(27,040)</b>	<b>(1,584)</b>	<b>383</b>





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

Spending Reduction	Assistant Director	Full Year Saving	Saving reflected in January 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 January 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	16,000	16,941	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>282,137</b>	<b>29,441</b>	



## Business Support Department - Spending Reduction 2010-11

Spending Reduction	Assistant Director	Full year saving	Saving reflected in January monitoring	Balance of saving	Comments
		£	£	£	
Verification team staffing	Finance	62,000	26,340	35,660	Part year saving achieved from staffing reduction
Fraud investigation team staffing	Finance	57,160	22,842	34,318	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	21,403	16,187	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	23,536	46,224	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
		<b>754,620</b>	<b>467,171</b>	<b>287,449</b>	