

CABINET

14 FEBRUARY 2012

REVENUE BUDGET MONITORING 2011/2012

Portfolio Holder: Councillor Alan Jarrett (Finance Portfolio)
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Summary

This report details the revenue budget forecasts as at the end of Quarter 3 (October – December 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.
- 1.2. The Cabinet is asked to accept this report as urgent to enable Cabinet to receive and consider the third quarter budget monitoring information at the earliest opportunity.

2. Background

- 2.1. At its meeting on 24 February 2011, the Council set a General Fund net budget requirement of £184.959 million for 2011/2012 (Medway Council £184.619 million, Parish Councils £0.341 million). Council tax was frozen at 2010/11 levels.
- 2.2. This is the third quarterly report, summarising reports that have previously been submitted to directorate management teams, based on returns from individual budget managers. In preparing their returns budget managers have been asked to take account of last year's outturn, actual income and expenditure for the year to date and, most importantly, their knowledge of commitments and income trends anticipated for the remainder of the financial year.
- 2.3. Table 1 below contains the summary data with additional detail shown at Appendix 1.

3. Summary Revenue Budget Position 2011/2012

- 3.1 The report to Cabinet on 1 November 2011 forecast a potential overspend of some £5.1m and a moratorium on all non essential expenditure was imposed in addition to management action already in place. It can be seen from Table 1 below that, after management action, the outturn forecast for 2011/2012 has reduced significantly and now stands at an underspend of £195,000.

Table 1: Directorate Summary

Directorate	Budget 2011/2012 £000s	Q3 Forecast variance £000s	Q2 Forecast variance £000s
Children and Adult Services:			
- DSG funded services	197,734	0	0
- General fund services	124,870	439	2,966
Regeneration, Community and Culture	54,597	241	1,810
Business Support	12,286	(844)	62
Public Health	227	(31)	0
Interest & Financing	15,293	0	250
Levies	974	0	0
Dedicated Schools Grant	(197,789)	0	0
Tax Freeze Grant	(2,463)	0	0
Specific Grants	(19,335)	0	0
Planned Use of General Reserves	(587)	0	0
New Homes Bonus	(1,188)	0	0
Budget Requirement	184,619	(195)	5,088
Council Tax	(98,523)		
Formula Grant (Revenue Support Grant & share of Non-Domestic Rate Pool)	(86,096)		

4. Children and Adult Services

- 4.1. The directorate's forecast outturn has reduced by over £2.5 million since the quarter 2 monitoring, the principal reasons for which are:
- £900,000 reduction against Adult Social Care, a combination of further savings against salary budgets, fewer than anticipated older people in residential placements, efficiencies being driven out through direct payments and more cost effective use of PCT funding;
 - Significant underspending (circa £400,000) against rolled forward standards fund and budgets formerly met from standards fund, principally in relation to schools improvement activity and the central co-ordination aspect of standards funding;

- Management action in relation to SEN transport, which has resulted in fewer individual journeys, lower unit costs and a £500,000 reduction in projected expenditure.
- £500,000 reduction in Early Years expenditure, of which around half relates to Children's Centres and other non-DSG expenditure.

5. Regeneration, Community and Culture

5.1 The previous report, in respect of quarter 2, forecast an overspend for the directorate of £1.810m after management action. The returns from budget managers for quarter 3 indicate a potential overspend of £241,000. The major factors within this are:

- Waste Services £753,000 overspend: including continued use of clear sacks £304,000, reduced income from paper recycling £168,000, collection & disposal of kitchen waste £178,000, maintenance and cleansing of public conveniences £76,000.
- Car Parking; £272,000 overspend: principally agency staff £115,000, pay & display machines and hand held enforcement printers £45,000, other utility and maintenance costs £94,000.
- Development Management £112,000 overspend: income budget assumed changes in government fee regulations now on hold.
- Integrated Transport £688,000 underspend: less than budgeted costs for concessionary fare schemes in accordance with latest (quarterly) update from scheme administrator.
- Highways £376,000 underspend: delaying of schemes to the next financial year or, where appropriate, diversion of costs to capital programme.
- Greenspaces & Country Parks £163,000 underspend: principally due to staff vacancies.

5.2 The vast majority of services have achieved savings against previous forecasts. However the major reductions are in respect of:

- Concessionary fares: reduction in requirement £522,000 following usage update.
- Highways: £356,000 reduction as discussed above.
- Sport & Leisure: £193,000 reduction due to improvement in income forecasts.

6. Business Support

6.1 The division is forecasting an underspend of £844,000 compared to a small overspend (£62,000) forecast at quarter 2.

6.2 Across the division the total target for vacancy savings is £348,000. However, latest forecasts estimate the actual vacancy savings at £822,000 for 2011-12, a net saving of some £474,000. In addition to this there is a saving of £352,000 forecast on the corporate provisions cost centre, principally from unbudgeted grant receipts. These two factors also account for the majority of the improvement from the previous cycle.

7. Public Health

7.1. Public Health is now forecasting an underspend of £31,000, principally in relation to Council funded vacancies.

8. Interest & Financing

8.1 Interest rates continue to be at an all-time low and despite some optimism that rates would begin to rise this year, the current forecast are that this will not occur before June 2012. Current projections now indicate a marginally favourable position but given the volatility on this heading a breakeven position is assumed. This produces a favourable movement of £250,000 against last quarter.

9. Levies

9.1 These levies are not directly 'controllable' by the Council, the amounts notified for 2011/12 which are in accord with the budget are:

- Coroners Service (via KCC) £500,000
- Kent & East Fisheries £38,000
- Environment Agency £55,000
- Flood & Coast Protection £381,000

10. Dedicated Schools Grant

10.1 This grant is ring fenced to school services and any increase/decrease is matched by a compensating change in schools budgets/contingencies. Members will be aware that the DSG is impacted by schools converting to academies and have requested that future monitoring reports include an update on academy transfers:

Schools Converting to Academies	Conversion Date	DSG Deduction
Strood Academy	September 2009	£21,099
Bishop of Rochester Academy	September 2010	£20,499
Brompton Academy	September 2010	£17,276
Fort Pitt Grammar	November 2010	£11,280
Rochester Grammar School	November 2010	£15,553
Rainham School for Girls	February 2011	£24,641
Chatham Grammar for Boys	April 2011	£11,130
SJW Mathematical School	April 2011	£16,171
Rainham Mark Grammar	July 2011	£12,522
Cliffe Woods Primary	July 2011	£4,525
Thomas Aveling School	September 2011	£10,001
Hundred of Hoo Comprehensive	September 2011	£14,450
Chatham Grammar for Girls	September 2011	£6,722
Walderslade Girls School	November 2011	£6,301

The DSG deductions shown above relate to the impact on retained budgets in 2011/12. Schools also take their delegated budget shares with them when they convert to an academy so the actual deduction from the DSG is a much higher figure but this element has no impact on the Council's budget. In some cases there is a saving to the Council in the year of conversion which relates to the difference in the way business rates apply to academies and local authority schools.

11. Council Tax Freeze Grant

- 11.1 The Government funded the equivalent of a 2.5% increase in council tax as a result of the Council not increase the charge for 2011/12.

12. Specific Grants

- 12.1 These are the Early Intervention Grant (£10.236m) and the Learning Disability & Health Reform Grant (£9.098m),

13. Planned Use of Reserves

- 13.1 Council agreed to use £587,000 from the General Reserve to fund one-off initiatives as:
- £37,000 (royal wedding parties / Armed Forces Day); and recurring items
 - Free swimming £200,000;
 - Freedom Pass £250,000; and
 - Apprenticeship schemes £100,000.

14. New Homes Bonus

- 14.1 This comes from the Government being match funding of the additional Council Tax derived from new properties and properties bought back into use. Increased bonus accrues from the delivery of affordable homes.

15. Housing Revenue Account

- 15.1. The Housing Revenue Account is forecasting a surplus of £1.198m, a surplus of £351,600 against its budgeted surplus of £846,900. The main reason behind this surplus is a reduction of £144,000 in the cost of internal service level agreements.

16. Conclusions

- 16.1 The quarter 2 returns from budget managers forecast a potential overspend of £5.1million for non-DSG services. However, management action to control expenditure, less than anticipated demand on some services and additional income receipts, have combined to achieve a significant reduction in forecasts. At this stage it is anticipated that at least break-even will be achieved against the General Fund revenue budget.

17. Financial, legal and risk implications

- 17.1. These are set out in the body of the report.
- 17.2. The more significant risks facing the Council are summarised in the body of the report. Directorate management teams continually review revenue expenditure and take corrective action where appropriate.

18. Recommendation

- 18.1. Cabinet notes the significant improvement in the revenue monitoring position for 2011-12 and instructs directors to maintain the moratorium on non - essential expenditure in order to ensure that the improved position is achieved.

19. Suggested reasons for decision

- 19.1 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 24 February 2011

Revenue budget monitoring reports to Cabinet 25 July 2011 and 1 November 2011

Monthly monitoring returns submitted by budget managers

GENERAL FUND REVENUE MONITORING - Quarter 3 2011/12

Assistant Director	Expenditure				Income				Net
	2011/2012 Budget £000's	Actual to date £000's	2010/2012 Forecast £000's	Forecast Variance £000's	2011/2012 Budget £000's	Actual to date £000's	2011/2012 Forecast £000's	Forecast Variance £000's	Forecast Variance £000's
Children and Adult Services									
Adult Social Care	92,173	59,044	92,307	134	(17,594)	(8,445)	(17,629)	(35)	100
Children's Care	27,151	19,180	29,184	2,033	(314)	(1,005)	(1,288)	(973)	1,060
Commissioning	7,978	6,405	8,873	894	(2,337)	(2,774)	(3,358)	(1,021)	(127)
Inclusion	44,444	28,508	44,155	(289)	(5,998)	(2,957)	(5,954)	44	(245)
Schools Retained Funding and Grants	4,862	2,713	5,842	981	(12,323)	(8,615)	(14,013)	(1,690)	(710)
Schools Delegated Funding	184,561	93,993	184,630	69	0	(69)	(69)	(69)	0
Transfer to DSG Reserve	0	0	361	361	0	0	0	0	361
	361,169	209,843	365,352	4,183	(38,565)	(23,865)	(42,310)	(3,744)	439
Regeneration, Community and Culture									
Front Line Services	39,344	31,019	40,354	1,010	(11,349)	(6,140)	(11,671)	(322)	688
Development and Transport	14,715	10,120	15,281	567	(3,746)	(3,463)	(4,712)	(966)	(397)
Medway Renaissance	0	162	193	193	0	0	(193)	(193)	0
Leisure and Culture	22,768	16,287	22,611	(157)	(8,078)	(5,703)	(7,956)	122	(35)
Directors Office	975	573	991	16	(29)	(56)	(60)	(31)	(15)
	77,802	58,160	79,431	1,629	(23,203)	(15,363)	(24,592)	(1,390)	241
Business Support Department									
Financial Services	125,816	69,005	131,539	5,723	(117,322)	(73,223)	(123,825)	(6,503)	(780)
Housing and Corporate Services	12,314	8,493	12,402	88	(10,790)	(6,883)	(10,970)	(179)	(92)
Democracy and Customer First	7,430	5,747	7,879	449	(5,416)	(4,806)	(6,013)	(596)	(147)
Communications, Performance and Partnerships	3,698	3,016	4,776	1,079	(2,777)	(2,302)	(3,781)	(1,004)	74
Organisational Services	12,549	9,393	12,358	(191)	(13,214)	(10,165)	(12,922)	292	101
	161,807	95,654	168,954	7,147	(149,520)	(97,380)	(157,511)	(7,991)	(844)
Director of Public Health	1,215	429	2,233	1,017	(986)	(2,070)	(2,035)	(1,049)	(31)
Directorate Total	601,993	364,086	615,971	13,976	(212,274)	(138,677)	(226,448)	(14,174)	(195)