

SCUTINY COMMISSION 11th OCTOBER 2006
REPORT OF THE DIRECTOR OF RESOURCES
2006/07 REVENUE BUDGET MONITORING

Purpose

1. To report the results of the latest budget monitoring exercise.

Policy Framework and Previous Decision

2. The 2006/7 budget is developed alongside the Medium Term Corporate Strategy.

Background

3. The information contained within this report is based on the pattern of income and expenditure for the first four months of this financial year. It is still relatively early in the financial year and therefore the forecasts should be treated with a degree of caution. The report focuses on those areas of the budget where more significant variances seem likely to occur. The results are summarised in Appendix A and show as forecast underspend of £2m (0.7%).
4. Regular monitoring of efficiency savings is also being undertaken. At this relatively early stage, savings are projected to be on target with the exception of Social Care which is explained below.

Children and Young People (CYP)

5. An overspend of around £380,000 (0.8%) is being projected. At this relatively early stage it is difficult to forecast with confidence especially given the number of demand led budgets where there can be significant differences between academic years.
6. The Department for Education and Skills (DfES) has announced final Dedicated Schools Grant allocations for 2006-07. The figure for Leicestershire is £380,000 less than anticipated, as the pupil numbers in the DfES calculations are lower than estimated.
7. Revaluation appeals have resulted in the reduction of rateable values at a number of schools, creating savings of around £345,000 which will accrue to the schools contingency.

8. Children's Social Care budgets are projected to overspend by around £340,000 (1.4%), mainly due to increased transport costs, additional demand on Fostering and Adoption, increased leaving care payments, increased expenditure on direct payments to service users and legal costs for care proceedings.

Adult Social Services

9. At this stage the Department continues to forecast outturn to be on budget. The forecast saving on Employees budgets has decreased by £0.5m to £0.3m (0.8%), chiefly as a result of difficulties in achieving efficiency savings on the Home Care service. An underspend of £0.5m (0.5%) is now forecast on Commissioned Services, largely as a result of fewer admissions to Residential Care. This also will lead to an under-achievement of around £0.2m (1.1%) on client income from Residents' charges. Conversely, occupancy rates in the Service's own Older Persons Homes remains high and income from assessed charges is forecast to around £0.7m (20%) over budget. Running cost budgets are forecast to be overspent by around £1.3m (10%), mainly due to the need to employ agency staff and pressures on Transport budgets.
10. There are potential risks around partnership working and funding from Primary Care Trusts, the full achievement of efficiency savings and the full generation of assumed additional income from increased client charges. It is too early to quantify these risks but these areas will be closely monitored.

Highways and Transportation

11. An overspend of around £100,000 (0.4%) is forecast, due to a higher than expected increase in costs when the street lighting energy contract was renewed. It is anticipated that this could be partly offset by managed vacancy savings.
12. Planned savings of £200,000 on aggregates may not be achieved but this will be offset by anticipated savings on salt following a review of winter maintenance.

Passenger Transport Unit (PTU)

13. This budget reflects initial provisional transfers, mainly from the C &YP budget to the new integrated PTU. At this stage an underspend of £200,000 (1.2%) is forecast, consisting of £70,000 savings due to staff turnover and a forecast saving of £130,000 on Mainstream Transport, subject to the outcome of tenders etc.

Waste Management

14. An underspend (£380,000 (1.9%)) is forecast. This is after the Recycling and Household Waste site budget has been reduced by £750,000 to reflect growth allocated for the new recycling and household waste site contract, as part of the 2006/7 budget, but not required. Reduced tonnages going to landfill are estimated to result in an underspend of around £500,000. This is partly offset by additional recycling credit payments.

Community Services

15. The outturn is forecast to be in line with the budget. There are concerns over potential underachievement of income budgets on the Library Service but these may be offset by savings on Regulatory Services staffing and income budgets. Actions are being considered to address the Library income shortfall.
16. In order to improve the library book stocks per 1,000 people it will be necessary to incur one-off additional spending of up to £150,000 on book stocks. This is a CPA indicator. Cabinet was asked to approve this addition to the budget for 2006/7 only on 3rd October.

Bank & Other Interest

17. Interest on revenue balances is currently forecast to be around £1.3m (27.7%) higher than the original estimate. Interest rates and balances are forecast to be higher than originally estimated. Changes to the cash flow of government grants following the introduction of DSG are also more favourable than anticipated.

Financing of Capital

18. Financing of Capital is currently forecast to be around £360,000 (1.3%) lower than the original budget. This mainly relates to a change in financing arrangements regarding 2006/07 capital expenditure on Intergrid Schools from supported borrowing to government capital grant.

Non-Domestic Rates Revaluation Savings

19. Refunds of rates paid in 2005-06 arising from revaluation appeals are forecast to be around £250,000.

Summary

20. At this relatively early stage in the year an underspend of approximately £2.0m (0.7%) is forecast assuming the Cabinet approve the addition to the budget of £150,000 in 2006-07 on Library book stocks.

Equal opportunities implications

None

Background papers

None

Circulation under Sensitive Issue Procedure

None

Officer to Contact

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