

SCRUTINY COMMISSION - 31ST JANUARY 2007

REPORT OF THE DIRECTOR OF RESOURCES

2006/07 REVENUE BUDGET MONITORING

Purpose

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

Policy Framework and Previous Decisions

2. The report is based on the budget approved by the County Council in February and amended by subsequent Cabinet decisions.

Background

3. The information contained within this report is based on the pattern of income and expenditure for the first eight months of this financial year. 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 a forecast underspend of £5.7m (2%). Since the last report to Scrutiny Commission in October the underspend has increased from a forecast £2m mainly as a result of higher interest on revenue balances, a larger underspend on waste management and increased underspends within Children's and Young People and the Passenger Transport Unit.

Children and Young People

Schools

4. The Department for Education and Skills (DfES) has announced final Dedicated Schools Grant (DSG) 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.
5. Revaluation appeals have resulted in the reduction of rateable values at a number of schools, creating savings of around £300,000. As school rates are within schools budgets and financed from DSG the appeals saving accrues to the schools budget and cannot be used for other services.
6. An assessment of the position on the Statementing budget shows a forecast underspend of around £650,000 (52%). This is due to higher than estimated income due to more city pupils in county schools, closer scrutiny of requested enhanced packages and tightening of criteria.

7. Underspends totalling £530,000 are forecast on LEA Nurseries for Three Year Olds, Early Excellence Centre and Early Years Training and Development. This is partly due to delays in phase 2 of the new children's centres and also due to expenditure now being funded by General Sure Start Grant, in order to maximise spending against this grant.
8. An overspend of around £160,000 (18%) is now forecast on the Special Staff Costs budget, due to late claims by schools for maternity cover.
9. The overall net underspend of around £890,000 on the schools budget will not impact on the County Fund as it must be carried forward to next year under DSG conditions.

Non Schools

10. A net underspend of around £230,000 (0.5%) is now being projected.
11. The LEA Block is currently forecast to have a net underspend of around £450,000 (1.9%); major variations include:

	£000	% of budget	
Directorate – Professional Development	-180	-70%	Due to pressures within the Dept likely that further commitments will be restricted
School Improvement & Performance	-210	-16%	Savings following restructure
Mentor Teachers	-230	-100%	All expenditure to be charged to General Sure Start Grant, to maximise spending on this grant
Educational Psychology	110	7%	At present service unable to meet reduction made to core funding
Premature Retirement Costs/Teachers Pension Scheme	210	18%	Significant number of PRC/ redundancies made mainly in schools at end of 05/06 academic year

12. Children's Social Care budgets are projected to overspend by around £220,000 (0.9%), 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. Measures are being adopted to reduce the overspending.

Adult Social Services

13. The latest exercise shows a forecast net underspend of around £260,000 (0.3%). A net underspend of £1.4m is forecast on independent residential care, mainly relating to Older People. Additional income of £0.5m is forecast on in-house Residential Care and Home Care. An underspend of £0.2m on Independent Home Care mainly relates to savings from re-tendering of contracts. An overspend of £0.9m on Employees and Agency Staff is anticipated, mainly due to difficulties in achieving in-house Home Care efficiency savings. Direct Payments are forecast to be overspent by £0.3m due to increased take-up. Client's transport is forecast to overspend by £0.4m and there are other forecast overspends of around £0.2m on supplies and services, indirect employee expenses and clients' home adaptations.

14. Health Service financial recovery plans and the operation of the Learning Disabilities pooled budget have potential service and financial implications and present on-going risks. These could be exacerbated by winter pressures affecting demand for services.

Highways and Transportation

15. The latest exercise shows a breakeven position.

Passenger Transport Unit

16. This budget reflects initial provisional transfers, mainly from the C &YP budget to the new integrated PTU. At this stage an underspend of £580,000 (3.4 %) is forecast. The latest forecast underspend consists of £90,000 savings due to management of vacancies, forecast savings of £225,000 on Mainstream Transport and £130,000 on SEN Transport, and additional savings of around £120,000 on public bus services.

Waste Management

17. The budget has been reduced by £750,000 regarding growth no longer required for the new contract for Recycling and Household Waste Sites. The latest exercise shows a forecast underspend of £1,500,000 (7.7%). Reduced tonnages going to landfill are now estimated to result in an underspend of around £1,000,000. This is partly offset by additional recycling credit payments of £150,000. An underspend of £160,000 is expected on the disposal of fridges and other electrical equipment. Expenditure met from the Waste Performance and Efficiency Grant will be underspent by £540,000. This underspend will be transferred to a reserve to fund new recycling schemes in 2007/08.
18. It may be prudent to transfer the underspend on Waste in 2006/07 into a reserve to meet the costs of purchasing LATS allowances in future years.

Community Services

19. The latest forecast is for outturn to be in line with the budget. There is a projected underachievement of income budgets on the Library Service of around £100,000 and there is a forecast overspend on Environment and Heritage budgets of around £100,000 but these may be offset by savings on Regulatory Services staffing and income budgets of £200,000. Potential overspends on Registrars and Country Parks budgets should be offset by increased income on both services. Actions are being considered to address the Library income shortfall.

Resources

20. The latest forecast is for the outturn to be in line with the budget. Overspends on the Maintenance of Building budget, including large price increases in energy costs, are offset by an underspend on Property Services, due to increased fee income from capital works.

Bank & Other Interest

21. Interest on revenue balances is currently forecast to be around £2.5m (53%) 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

22. Financing of Capital is currently forecast to be around £310,000 (1.1%) lower than the updated 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

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

Summary

24. At this stage in the year a net underspend of approximately £5.7m (2.0%) is forecast.

Equal Opportunities Implications

None.

Background Papers

None.

Circulated Under Sensitive Issues Procedure

None.

Officer to Contact

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PS/CG/Com Reports/Revenue Budget Monitoring scrutiny 2006.07