

APPENDIX 4

BRIEFING PAPER BY THE DIRECTOR OF CORPORATE RESOURCES

2007/08 REVENUE BUDGET MONITORING

Purpose

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

Background

2. The information contained within this paper is based on the pattern of income and expenditure for the first five 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 paper focuses on those areas of the budget where more significant variances could occur.
3. The previous report indicated a forecast net underspend of £2.3m (0.8%) based on information after the first four months of the financial year. The latest exercise indicates that this could increase to around £3.1m (1.0%). The results of the exercise are summarised on Appendix A.

Children and Young People – Schools Budget

4. The Department for Education and Skills (DfES) has announced final Dedicated Schools Grant allocations for 2007-08. The figure for Leicestershire is £461,000 less than anticipated, as the pupil numbers in the DfES calculations are lower than estimated. The Schools Funding Forum has agreed to apply part of the DSG Reserve of £1.589m created from the 2006-07 underspend, of which £0.75m was built into the original 2007-08 Schools budget.
5. At this stage the Department is forecasting a net underspend of around £450,000 on the Schools budget. The main variances are listed below:

	£000	% of Budget	
Out County Placements / Recoupment	-250	-3.3%	Decreased demand and prudent decision making on placements.
Behaviour & Attendance	440	17.3%	Supply cover costs and additional transport for pupils attending the PRU.
School Food Support Service	180	85.9%	Current contract costs for items such as increased nutritional standards exceed the funding delegated to schools.
LMS Contingencies	-280	-46.4%	At this stage no claims have been made on the contingency and in addition a transfer of the closing surplus of Rosebery Primary of £230k has increased the surplus.

Children and Young People – Local Authority Budget

6. The Department is forecasting a net overspend of around £210,000 (0.4%). The main variances are set out below which the Department is closely monitoring and taken action where appropriate:

	£000	% of Budget	
School Improvement & Performance – Service Unit	-220	-12.7%	One-off saving on capitalised redundancy costs met centrally in 2007/08 through change in accounting policy.
Criminal Records Bureau	50	16.2%	Increased demand due to new regulations.
Unattached Properties	80	81.6%	Increased costs of maintaining properties.
Children’s Management	80	10.7%	Increased legal costs.
Children’s Residential	690	9.4%	High proportion of children with complex needs requiring higher cost placements but offset partially by underspend on fostering budget.
Children’s Support Services Fostering	-420	-10.9%	Decrease in number of foster placements.
Direct Payments	90	76.3%	Demand is greater than anticipated.

Adult Social Services

9. At this stage the Department is forecasting outturn to be on budget. There are a number of forecast variances as listed below, but the Department expect to be able to manage within the overall total budget.

	£000	% of Budget	
Short-term projects	-500	n/a	Part of a carry forward from 2006-7 of £1.8m which will not be required, however will be used to offset overspend on Transport.
Direct Payments	750	21.6%	Greater demand than anticipated to meet key national targets.
Client Transport	330	n/a	Increased demand, continuing previous years trends.
Indirect Employee Expenses	200	20.1%	Overspends on severance and retirement costs, recruitment advertising and Occupational Health referrals.
Meals Service	-400	-36.8%	Continuing reduction in demand.
Home Care Income	-200	-5.3%	Reflects current service levels and successful implementation of increased charges.

Highways and Transportation

8. At present an overspend of around £190,000 (0.7%) is forecast. The main variances are set out below.

	£000	% of Budget	
Management & Staffing Costs	260	2.9%	Additional recruitment costs for senior posts; employment of consultants, on-going redundancy costs and agency staff.
Street Lighting	-100	-3.4%	Improved energy prices relating to new contracts.
Environmental Maintenance	50	2.8%	Additional planting and grass cutting due to a wet summer.

9. Delays in implementing the Highways Service Efficiency Review will result in a shortfall in efficiencies for 2007/08, which is being managed within the service.

Passenger Transport

10. At present a net underspend of £190,000 (0.9%) is forecast, mainly relating to savings on public bus operator contracts.

Waste Management

11. The Department are forecasting an underspend of around £770,000 (3.5%) on Waste Management. The main variances are:

	£000	% of Budget	
Staffing Costs	-140	-11.4%	Slippage in implementation of Waste restructure.
Fridges / Electrical Equipment	-500	-66.8%	Implementation of WEEE regulations, resulting in reduced costs.

12. The Department has suggested that any underspend on the Waste Management budget is transferred to the earmarked Waste Strategy Reserve.

Community Services

13. The Department is forecasting outturn to be on budget. Additional estimated revenue costs of £25,000 due to the delay in completion of the new Bosworth Battlefield Visitors Centre are anticipated to be contained within the overall departmental budget.

Central Items

14. Central Items budgets are forecast to underspend by around £2,450,000. Major variances include:

	£000	% of budget	
Bank & Other Interest	-1,700	28.3%	Interest rates and balances higher than originally estimated and some refinancing carried out earlier than anticipated.
Financing of Capital	-670	-2.3%	Mainly relates to early repayments of loans made in May anticipated to be replaced by new loans during the course of this year.
NDR Revaluation Savings	-80	n/a	Refunds of rates paid in 2006-07 arising from revaluation appeals.

Pay Award

15. The 2007-08 budget was prepared on the assumption of a 3% pay increase, based on inflation figures in autumn 2006. The Employers Side of the National Joint Council for Local Government Services made a pay offer on 24th August equating to a 2.5% pay increase. Unison is undertaking a ballot of its members. If this offer is implemented, underspends of around £700,000 should occur across Departments in the current year.

Summary

16. At this relatively early stage in the year an underspend of approximately £3.1m (1.0%) is anticipated. This excludes the £3m additional income from the PCT financial arrangement which it is proposed to allocate to the Change Management Programme.

Officer to Contact

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