

SCRUTINY COMMISSION - 5th FEBRUARY 2008

REPORT OF 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 eight months of this financial year. 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 £3.1m (1.0%) based on information after the first five months of the financial year. The latest exercise indicates that the net underspend could increase to around £5.2m (1.8%), mainly as a result of the lower than anticipated pay award, an increased underspend on Waste Management and a decrease in the costs of capital financing. 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 £1,130,000 on the Schools budget. Under the terms and conditions of Dedicated Schools Grant any underspend must be allocated to the following year's Schools Budget. The main variances are listed below:

	£000	% of Budget	
Out County Placements / Recoupment	-330	-4.4%	Decreased demand and prudent decision making on placements.
Behaviour & Attendance	350	13.8%	Supply cover costs and additional transport for pupils attending the PRU.

Education for Looked After Children	-130	-64.8%	Restructuring of the service has resulted in delays in recruitment and projects.
School Food Support Service	170	82.2%	Current contract costs for items such as increased nutritional standards exceed the funding delegated to schools.
Schools Budget Contingencies	-240	-33.1%	At this stage of the financial year few claims have been made on the contingency.
Children's Centre Teachers	-230	-64.3%	Delays in the development of Phase 2 Children's Centres.
Common Admissions Policy	-110	14.3%	Phase 2 of introduction of the common admissions policy less than projected
Travellers Education Service	-190	n/a	Termination of Joint Arrangement with City requiring fewer staff and carry forward from previous year.

Children and Young People – Local Authority Budget

6. The Department is forecasting a net underspend of around £120,000 (0.2%). Potential carry forward requests of £180,000 have been identified at this stage which, if approved, would produce an overall net overspend of around £60,000 (0.1%). These relate to School Place Funding (£94,000, which will be placed in the Melton / Vale of Belvoir reorganisation reserve), Commenius (foreign language education co-ordination for the region - £33,000, to reflect funding on an academic year basis) and Identification, Referral and Tracking Bridges (£53,000 to reflect recruitment delays and delays in the programme) .The main variances are set out below:

	£000	% of Budget	
School Improvement & Performance – Service Unit	-270	-15.6%	Saving on repayment of capitalised redundancy costs met centrally in 2006/07 and increased efficiency savings.
Education Quality Enhancement	-180	87.7%	No new activity is to be commissioned.
School Support Staff – back pay	190	n/a	Arises as a result of Job Evaluation.
Unattached Properties	70	76.7%	Increased costs of maintaining unoccupied properties.
Children's Management	80	3.4%	Increased legal costs.
Children's Residential	820	11.2%	High proportion of children with complex needs requiring higher cost placements but offset partially by underspend on fostering budget.
Children's Support Services Fostering	-390	-10.1%	Decrease in number of foster placements.

Children & Family Social Work	-100	-21.9%	Staff vacancies and savings in running costs.
Direct Payments	90	77.1%	Demand is greater than anticipated.

Adult Social Services

7. At this stage the Department is forecasting a net underspend of £100,000 (0.1%). The main variances are listed below:

	£000	% of Budget	
Short-term projects	-650	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	890	25.6%	Greater demand than anticipated to meet key national targets.
Client Transport	330	n/a	Increased demand, continuing previous years trends.
Indirect Employee Expenses	210	20.6%	Overspends on severance and retirement costs, recruitment advertising and Occupational Health referrals.
Meals Service	-380	-36.0%	Continuing reduction in demand.
Home Care Income	-250	6.7%	Reflects current service levels and successful implementation of increased charges.
In-house Residential Income	-250	7.4%	Reflects increasing relative wealth of new residents and increases in state benefits in excess of budget assumptions.

Highways and Transportation

8. At present this Service is forecast to be on budget. Additional costs on Environmental Maintenance and management and staffing issues are offset by the reduced pay award and staff turnover.

Passenger Transport

9. At present an underspend of around £150,000 (0.7%) is forecast, mainly relating to savings arising from revised contracts with operators, partly offset by overspends on rural buses and community transport.

Waste Management

10. The Department are forecasting a net underspend of around £1,540,000 (7.1%) on Waste Management. The main variances are:

	£000	% of Budget	
Staffing Costs	-260	-21.1%	Slippage in implementation of Waste restructure.
Disposal Contracts	-460	-3.2%	Net of overspend on RHWS. Savings arising from greater diversion to inert and recycling.
Trade Waste Income	-50	-9.5%	Increase in trade waste income.
Fridges / Electrical Equipment	-600	-80.1%	Implementation of Waste Electrical and Electronic Equipment (WEEE) regulations, resulting in reduced costs.
Material Recovery Facility	-130	-87.3%	Net increased revenue contributions.

11. Practice in recent years has been to transfer any underspend on the Waste Management budget to the earmarked Waste Strategy Reserve.

Community Services

12. The Department is forecasting a net underspend of around £110,000 (0.5%), mainly related to the saving arising from the Local Government Services pay award.

Chief Executives

13. The Department is forecasting a net underspend of around £100,000 (0.9%), mainly relating to delays in the implementation of growth items.

Corporate Resources

14. The Department is forecasting to be on budget. A reduction in capital programme fees following a delay in the CYPS Melton schemes is expected to be offset by savings in other budgets.

Central Items

15. Central Items budgets are forecast to underspend by around £3,100,000. 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. To be used to part-fund the implementation of Oracle E-Business Suite.

Financing of Capital	-1,310	-2.3%	Early repayments of loans made in May anticipated to be replaced by new loans during the course of this year, and a technical change in accounting treatment regarding certain loans.
NDR Revaluation Savings	-80	n/a	Refunds of rates paid in 2006-07 arising from revaluation appeals.

Summary

16. At this stage in the year an underspend of approximately £5.2m (1.8%) is anticipated. This excludes :
- (a) £3m additional income from the 2006-07 PCT financial arrangement, which is to be used to part-fund the implementation of Oracle E-Business Suite;
 - (b) the potential impact of the proposed 2007-08 PCT financial arrangement and additional LAA funding reported to Cabinet on 15 January.

Equal Opportunities Implications

None.

Background Papers

None.

Members Circulated Under Sensitive Issues Procedure

None.

Officer to Contact

Mr P R Sartoris  0116 305 7642.