

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 nine months of this financial year. The paper focuses on those areas of the budget where more significant variances could occur.
3. The period 8 report indicated a forecast net underspend of around £5.2m (1.8%). The latest exercise indicates that the net underspend (before carry forwards) could increase to around £6.4m (2.2%). The results of the exercise are summarised on Appendix A.

Children and Young People

Schools

4. The final Dedicated Schools Grant allocation for 2007-08 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 £960,000 on the Schools budget, compared with a forecast underspend of £1,130,000 in the previous exercise. The main changes relate to a reduced underspend on contingencies and an overspend on special staff costs. 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	320	12.7%	Supply cover costs and additional transport for pupils attending the PRU.
Education for Looked After Children	-140	-67.4%	Restructuring of the service has resulted in delays in recruitment and projects.

School Food Support Service	170	84.1%	Current contract costs for items such as increased nutritional standards exceed the funding delegated to schools.
Schools Budget Contingencies	-90	-15.1%	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	-200	n/a	Termination of Joint Arrangement with City requiring fewer staff and carry forward from previous year.
Special Staff Costs	100	10.9%	Increase in number of school based staff on maternity leave.

Children and Young People – Local Authority Budget

6. The Department is forecasting a net underspend of around £570,000 (1.2%). The main changes from the previous forecast of an underspend of £120,000 relate to increased underspends on the Identification, Referral and Tracking Bridges and the Fostering budgets. A list of potential carry forward requests follows and other requests are likely which may absorb the remainder of the underspend:
- School Place Funding - £90,000, which will be placed in the Melton / Vale of Belvoir reorganisation reserve
 - Commenius (foreign language education co-ordination for the region) - £30,000 to reflect funding on an academic year basis
 - Identification, Referral and Tracking Bridges - £190,000 to reflect recruitment delays and delays in the programme
 - Local Safeguarding Children's Board - £20,000, which is regional funds
 - Management Information System – increased trading has created a surplus and a carry forward request of £40,000 will be requested.

The main variances are set out below:

	£000	% of Budget	
School Improvement & Performance – Service Unit	-270	-15.6%	Saving on capitalised redundancy costs met centrally in 2006/07 through change in accounting policy, 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	69.4%	Increased costs of maintaining unoccupied properties.
Identification, Referral and Tracking Bridges	-190	n/a	Recruitment delays and delays in the programme.

Children's Management	80	3.4%	Increased legal costs.
Children's Residential	780	10.7%	High proportion of children with complex needs requiring higher cost placements but offset partially by underspend on fostering budget.
Children's Support Services Fostering	-490	12.8%	Decrease in number of foster placements.
Children & Family Social Work	-110	22.3%	Staff vacancies and savings in running costs.
Direct Payments	90	73.4%	Demand is greater than anticipated.

LAA Sure Start Grant

7. The General Sure Start Grant is pooled within the LAA, which has a 5% carry forward limit. An underspend of around £1.4m is currently anticipated on this grant, which is significantly above the 5% carry forward limit. In order to reduce the need for a carry forward the scope to fund other aspects of the CYP budget from the grant is being investigated. This will have the impact of increasing the underspend elsewhere within in the CYP budget. These resources will be set aside in the LAA (General Sure Start) earmarked reserve.

Adult Social Services

8. At this stage the Department is forecasting a net underspend of £300,000 (0.3%). The main change from the previous forecast of an underspend of £100,000 relates to an additional contribution from the PCT towards the overspending on the Learning Disabilities pooled budget. 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.
Meals Service	-370	-35.0%	Continuing reduction in demand.
Independent Sector Residential Care	-340	-0.9%	Reduced requirements and alternative service provision for Adults with Physical Disabilities, partly offset by overspend on Older People.
Direct Payments	920	26.5%	Greater demand than anticipated to meet key national targets.
Client Transport	330	n/a	Increased demand, continuing previous years trends.
Supported Living	200	4.5%	Increased take-up of placements in excess of budgets.
Indirect Employee Expenses	190	18.7%	Overspends on severance and retirement costs, recruitment advertising and Occupational Health referrals.
Home Care Income	-270	7.2%	Reflects current service levels

			and successful implementation of increased charges.
In-house Residential Income	-300	8.8%	Reflects increasing relative wealth of new residents and increases in state benefits in excess of budget assumptions.

Highways and Transportation

9. At present an underspend of around £120,000 (0.4%) is forecast. A potential carry forward request of around £40,000 has been identified regarding slippage in the PFI Street Lighting project. The main variances are set out below.

	£000	% of Budget	
Management & Staffing Costs	-30	-0.5%	Reduced pay award and staff turnover offset by recruitment costs for senior posts, employment of consultants and agency staff.
Environmental Maintenance	50	2.8%	Additional planting and grass cutting due to a wet summer.
Safety & Street Lighting Maintenance	-90	-1.9%	Energy contract savings.

Passenger Transport

10. At present an underspend of around £180,000 (0.8%) is forecast, mainly relating to savings arising from revised contracts with operators, partly offset by overspends on rural buses and community transport. A potential carry forward request of £155,000 has been identified regarding expenditure on Mainstream Transport for CCTV, vouchers and inspectors.

Waste Management

11. The Department are forecasting a net underspend of around £1,760,000 (8.1%) on Waste Management. The main changes from the previous forecast underspend of £1,540,000 relate to Fridges/Electrical Equipment and Waste Minimisation. Potential carry forward requests have been identified regarding Fridges/Electrical Equipment (£100,000) and Waste Minimisation (£125,000). The main variances are:

	£000	% of Budget	
Staffing Costs	-270	-21.6%	Slippage in implementation of Waste restructure.
Disposal Contracts	-430	-3.0%	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	-700	-93.5%	Implementation of Waste Electrical and Electronic Equipment (WEEE) regulations, resulting in reduced costs.

Material Recovery Facility	-130	-87.3%	Net increased revenue contributions.
Waste Minimisation	-125	-43.0%	Slippage in delivery of initiatives.

12. Practice in recent years has been to transfer any underspend on the Waste Management budget to the earmarked Waste Strategy Reserve.
13. The Waste Performance and Efficiency Grant (WPEG) is pooled within the LAA, which has a 5% carry forward limit. The latest LAA monitoring indicates that a significant underspend may occur on WPEG projects. In order to reduce the need for a carry forward the scope to fund other aspects of the Waste Management budget from the grant is being investigated. This will have the impact of increasing the underspend elsewhere within the Waste Management budget. These resources will be set aside in a LAA earmarked reserve.

Community Services

14. The Department is forecasting a net underspend of around £220,000 (0.5%). A number of potential carry forwards requests amount to £110,000 (including £40,000 on marketing and £30,000 on the bookfund) and the remaining net underspend of £110,000 mainly related to the saving arising from the Local Government Services pay award.

Chief Executives

15. 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

16. The Department is forecasting a net underspend of around £25,000 (0.1%). A reduction in capital programme fees following a delay in the CYPs Melton schemes is expected to be largely offset by savings in other budgets.

Central Items

17. 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.
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Summary

18. At this stage in the year an underspend of approximately £6.4m (2.2%) is anticipated. After potential carry forwards this reduces to around £5.3m (1.8%). This excludes :
- (1) £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;
 - (2) the potential impact of the proposed 2007-08 PCT financial arrangement and additional LAA funding reported to Cabinet on 15 January;
 - (3) potential additional underspendings as a result of applying LAA pooled General Sure Start grant and WPEG to fund other aspects of the CYPS and Waste Management budgets, with these resources being set aside in LAA earmarked reserves.

Officer to Contact

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