

SCRUTINY COMMISSION – 23RD JULY 2008

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

2008/09 REVENUE BUDGET MONITORING

Purpose

1. To provide members with an early indication of any major issues on the revenue budget.

Background

2. The information contained within this report is based on experience in the latter part of 2007/08 after the 2008/09 budget was set and the pattern of income and expenditure for the first two months of this financial year. As a result the forecasts should be regarded as initial indications. The report focuses on those areas of the budget where more significant variances could occur.

Children and Young People

Schools

3. The Department for Children, Schools and Families (DCSF) has announced final Dedicated Schools Grant (DSG) allocations for 2008-09. The figure for Leicestershire is £370,000 higher than anticipated. This is not reflected in this report, as it will be used to support the 2009/10 Schools budget to allow its use to be strategically planned.
4. The centrally managed Schools budget is forecast to overspend by £1,685,000. This will not impact on the County Fund as any overspend on the Schools budget will be the first call on DSG for 2009/10. The main variances are :

| | £000 | % of Budget | |
|---------------------------|-------|-------------|--|
| Primary Behaviour Support | -100 | -28% | Staff vacancies. |
| Behaviour and Attendance | 370 | 13% | Transport and supply cover costs. Service restructure from September 2008 should produce savings elsewhere to offset some of these costs. |
| Nursery Education funding | 1,480 | 13% | Directly related to the flexible additional entitlement. Take up has significantly increased due to this Government initiative. The gross overspend (£2.9m) has been offset by £1.5m Standards Fund grant. |

Children and Young People – Local Authority Budget

5. The Department is forecasting an overspend of around £310,000 (0.6%), mainly relating to the Children's Residential budget. This is a volatile and demand led budget and movement in or out of the service could have a major impact on this budget.
6. At this very early stage it is difficult to forecast with any degree of confidence especially given the number of demand led budgets where there can be significant differences between academic years.

Adult Social Services

7. At this stage the Department is forecasting outturn to be on budget. There are a number of potential pressures and risks, chiefly Direct Payments, but the Department is aiming to ensure that expenditure is contained within the overall total budget.

Highways and Transportation

8. At present the Service is forecast to be on budget. Potential overspends have been identified on the Management and Staffing budget, relating to additional contract staff, and regarding Civil Parking Enforcement.
9. It was envisaged that On-street Parking Enforcement would be self financing. However, more recent projections following the introduction of the Traffic Management Act suggest this will not be the case. The 'worst case' is a net cost of around £220,000. A provision exists to offset some of the deficit but this is currently insufficient to cover the total cost. A review of the long-term implications and recommendations to minimise the deficit will be undertaken and reported to the Parking Board in October.

Passenger Transport

10. At present the Passenger Transport budget is forecast to be on target.
11. There is currently considerable uncertainty over the impact of increased fuel costs on the Passenger Transport budget. It is estimated that costs could rise by 2% to 4% (between £400,000 and £800,000). This has not been reflected in the forecast. A re-tendering exercise is scheduled to be complete by the end of August which may clarify the position.

Waste Management

12. An underspend of around £90,000 (0.4%) is forecast, relating to vacancies and staff turnover.

Bank and Other Interest

13. At this stage, Bank and Other Interest is forecast to exceed the original budget by £0.65m (10%). Interest rates are higher than originally anticipated.

Financing of Capital

14. Financing of Capital is currently forecast to be around £0.5m (1.7%) lower than the original budget. This mainly reflects a lower Minimum Revenue Provision requirement and a change in the accounting treatment of Lender's Option, Borrower's Option (LOBO) arrangements.

Change Management

15. Local Authority Business Growth Incentive (LABGI) Grant is earmarked to support the Change Management programme. The Year 3 (2007/08) instalment of LABGI was lower than anticipated and it is proposed to transfer £1m from the Industrial Properties reserve to the Change Management reserve to help meet the shortfall. This would leave a balance of £0.9m on the Industrial Properties reserve.

Fuel and Energy Costs

16. It is estimated that rising fuel and energy costs (based on prices in the wholesale market) could add £6m to the County Council's spending in a full year (including schools). There is likely to be a significant impact on budgets in the current financial year. New energy contracts have recently been negotiated by ESPO and the budgetary implications are being calculated.

Efficiency Savings

17. At this early stage in the year there are no indications that the budgeted level of efficiency savings will not be achieved.

Summary

18. At this very early stage in the year a net underspend of approximately £0.9m (0.3%) is forecast (excluding schools).

Recommendation

The Commission is asked to note this report.

Equal Opportunities Implications

None.

Background Papers

None.

Members Circulated Under Sensitive Issues Procedure

None.

Officer to Contact

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