



Leicestershire
County Council



C

SCRUTINY COMMISSION – 5TH NOVEMBER 2008

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

2008/09 REVENUE BUDGET MONITORING

Purpose

1. To provide members with an update on major issues on the revenue budget.

Background

2. The information contained within this report is based on the pattern of income and expenditure for the first six 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 report focuses on those areas of the budget where more significant variances could occur.
3. A previous report to the Commission on 23rd July 2008 indicated a forecast net underspend of approximately £0.9m (0.3%) based on limited information after the first two months of the financial year. The latest exercise indicates that this could increase to around £4.3m (1.3%). The results of the exercise are summarised in Appendix A

Children and Young People

Schools

4. The Department for Children, Schools and Families (DCSF) has announced final Dedicated Schools Grant 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.
5. The centrally managed Schools budget is forecast to overspend by £2,110,000, compared with the previous forecast of £1,685,000. The forecast overspend on Nursery Education Funding has reduced by £640,000 but overspends have been identified on Mainstream Statementing (£260,000), Out County Placements/ Recoupment (£860,000) and Special Staff Costs (£200,000). An underspend of £245,000 has been identified on the Contingency budget. The net overspend 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	
Statementing - Mainstream	260	31%	Increase in allocation of support.
Out County Placements/ Recoupment	860	11%	High cost placements.
Behaviour and Attendance	255	9%	Overspending on transport and supply costs.
Nursery Education funding	840	7%	Directly related to the more flexible entitlement. Take up has significantly increased due to this Government initiative. DCSF has allowed Standards Fund grant to be utilised to offset overspend.
Schools Budget Contingencies	-245	-39%	Based on previous years trend.
Special Staff Costs	200	21%	Additional maternity leavers.

Children and Young People – Local Authority Budget

6. The Department is forecasting a net underspend of around £90,000 (0.2%) compared with the previous forecast overspend of £310,000 (0.6%). The main variances are:

	£000	% of Budget	
Education Psychology	-90	-5%	Staff vacancies and turnover.
Education of Children in Care (Looked After Children)	-110	-35%	Staff vacancies and associated activities due to slippage in programme to review of service.
Education Welfare Service	-80	-8%	Staff on secondment.
Finance Unit	-70	-11%	Staff turnover.
School Place Funding	-205	-60%	Delay in implement staffing changes associated with managing capital programme.
Children's Residential	460	8%	Increase in the number of placements – demand led budget.
Fostering	-190	-4%	Lower numbers and children moving from fostering to other services
Leaving Care	100	9%	Pressures from unaccompanied asylum seekers children.
Child Care Resources	-70	-18%	Vacancies and staff on short term secondments.
Direct Payments	115	96%	Result of level of commitments and a review of the budget overspend is being undertaken,

Adult Social Services

7. The Department is forecasting an overspend of around £320,000 (0.3%), compared with the previous forecast of being on budget. The main variances are:

	£000	% of Budget	
Direct Payments	900	17.0%	Increased demand, national targets.
Independent Residential Care	-530	-1.2%	Reduced demand, increased income.
Independent Home Care	-220	-1.2%	Reduced demand growth, partly as a result of Direct Payments.
Supported Living – Adult Mental Health	260	4.3%	Increased demand for placements.

Highways and Transportation

8. At present the Service is forecast to overspend by around £1,700,000 (5.9%), compared to the previous forecast of being on budget. The main variances are:

	£000	% of Budget	
Safety Maintenance and Street Lighting Maintenance	1,550	30%	Forecast increase in energy costs based on current contract prices (new contracts still to be finalised)
Civil Parking Enforcement (see paragraph 9 below)	280	n/a	Forecast deficit on On-street Parking Enforcement due to lower than anticipated Penalty Charge Notice issues.
Other Maintenance	-80	-27%	Forecast saving on miscellaneous maintenance.

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. 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 has been undertaken and reported to the Parking Board in October. As a result of this Parking Managers will be reviewing the operation with a view to reducing the deficit.

Passenger Transport

10. At present the Passenger Transport budget is forecast to underspend by around £895,000 (4.0%), compared with the previous forecast of being on budget. The main variances are :

	£000	% of Budget	
School Transport	-730	-5%	Savings following schools contracts re-tendering exercise.
Local Bus Services	-125	-5%	Review of contracts

11. It is anticipated that the impact of increased fuel costs on the Passenger Transport budget will be offset by the savings arising from the re-tendering of the schools transport contracts.

Waste Management

12. An underspend of around £1,740,000 (6.9%) is forecast, compared with the previous forecast underspend of around £90,000 (0.4%). The impact of haulage costs on the budget remain uncertain. The main variances are:

	£000	% of Budget	
Staffing Costs	-100	-7%	Part year effect of vacancies and staff turnover.
Recycling & Household Waste Sites	-80	-2%	Contract savings and additional income from the sale of containers.
Disposal Contracts	-215	-2%	Reduced tonnage to landfill offset by additional recycling credits.
Trade Waste Income	-90	15%	Increased income.
Food Waste Digesters	-75	-33%	Take-up slower than expected.
Waste Strategy Implementation	-1,100	-40%	Deferred purchase of LATS and reduction in forecast spend on long-term waste procurement.

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

Community Services

14. The Department is forecasting outturn to be on budget. An underspend is anticipated on Trading Standards due to staff turnover but this may be offset by issues relating to Brooksby College and Coroner services, which are subject to negotiations.

Bank and Other Interest

15. At this stage, Bank and Other Interest is forecast to exceed the original budget by £2.5m (38.5%), compared with the previous forecast of £0.65m (10%). Interest rates and balances are higher than originally anticipated.

Financing of Capital

16. Financing of Capital is currently forecast to be around £1.05m (3.5%) lower than the original budget, compared with the previous forecast of 0.5m (1.7%). 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.

Fuel and Energy Costs

17. It is estimated that rising fuel and energy costs 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.

Pay Negotiations

18. The Unions have referred the Local Government Services pay award to arbitration. The 2008-09 budget includes provision for a settlement in line with the Employers' final offer of 2.45% plus £100 on each of the bottom three pay points. If arbitration results in a higher pay award there will be an impact on 2008-09 and later years' budgets : 0.5% equates to around £750,000 on the non-schools budget and around £100,000 on the schools budget.

Summary

19. At this stage in the year a net underspend of approximately £4.3m (1.3%) is forecast (excluding schools), before taking account of increased energy costs.
20. Consideration needs to be given to the most appropriate utilisation of these resources. If the Authority decides to take advantage of Building Schools for the Future (BSF) funding substantial one-off funding is likely to be required.

Equal Opportunities Implications

None.

Background Papers

None.

Members Circulated Under Sensitive Issues Procedure

None.

Officer to Contact

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