

**SCRUTINY COMMISSION – 28<sup>TH</sup> JANUARY 2009**

**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

**2008/09 REVENUE BUDGET MONITORING**

**Purpose**

1. To provide the Scrutiny Commission 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 seven months of this financial year. 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 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.
4. The centrally managed Schools budget is forecast to overspend by £1,315,000. 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	260	10%	Overspending on transport and supply costs.
Nursery Education Funding (NEF)	100	1%	Directly related to the more flexible entitlement. Take up on NEF 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 cost of maternity leave in schools.

### **Children and Young People – Local Authority Budget**

5. The Department is forecasting a net underspend of around £120,000 (0.2%). The main variances are:

	£000	% of Budget	
Education Psychology	-80	-5%	Staff vacancies and turnover.
Education of Children in Care (Looked After Children)	-115	-38%	Staff vacancies and associated activities due to slippage in programme to review of service which has now been completed and is beginning to deliver an improved service.
School Place Funding	-205	-80%	Delay in implementing staffing changes for better capital programme management.
Children's Residential	510	9%	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%	Increased costs associated with more young people leaving care attending higher education.
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 Care**

6. The Department is forecasting a net overspend of around £320,000 (0.3%). The main variances are:

	£000	% of Budget	
Direct Payments	900	17.0%	Increased demand, national targets.
Independent Residential Care	-590	-1.4%	Reduced demand, increased income.
Independent Home Care	-250	-1.3%	Reduced demand growth, partly as a result of Direct Payments.
Supported Living – Adult Mental Health	280	4.6%	Increased demand for placements.

## **Highways and Transportation**

7. The Service is forecast to overspend by around £1,830,000 (6.4%). The main variances are:

	£000	% of Budget	
Management & Staff Costs	130	2%	A shortfall on external income and additional contract management costs for the 3 Counties Alliance.
Safety Maintenance and Street Lighting Maintenance	1,530	30%	Increase in energy costs.
Civil Parking Enforcement	290	n/a	Forecast deficit on On-street Parking Enforcement due to lower than anticipated Penalty Charge Notice issues.
Other Maintenance	-120	-38%	Current forecast saving on miscellaneous maintenance.

8. 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.
9. The impact of inflation on fuel charges and bituminous products for Highways and Transportation continues to cause concern.

## **Passenger Transport**

10. The Passenger Transport budget is forecast to underspend by around £705,000 (3.1%). The main variances are :

	£000	% of Budget	
Management & Staff Costs	210	22%	Review of Passenger Transport Unit staffing and Customer First.
School Transport	-800	-5%	Savings from schools contracts re-tendering exercise/increased income.
Local Bus Services	-120	-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.
12. Part of the underspend on schools transport is due to increased income on Post 16 transport, which will be the subject of a carry forward request for rolling out the voucher scheme, providing an improved customer service and youth initiatives. In addition there are other one-off pressures within the Passenger Transport Unit which

the underspend may be required to fund, either in 2008/09 or by means of a carry forward request to 2009/10.

### **Waste Management**

13. An underspend of around £1,750,000 (7.0%) is forecast. The impact of haulage costs on the budget remain uncertain. The main variances are:

	£000	% of Budget	
Staffing Costs	-120	-8%	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.

14. Practice in recent years has been to transfer any net underspend on the Waste Management budget to the earmarked Waste Strategy Reserve, the first use of which will be for the purchase of a replacement for the Sibleby recycling and household waste site.

### **Community Services**

15. 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 additional costs relating to Brooksby College and Coroner services.

### **Corporate Resources**

16. The Department is forecasting an underspend of around £50,000 (0.2%) relating mainly to savings on staffing budgets, offset partly by increased energy and rates costs on the Maintenance of Buildings budget.

### **Bank and Other Interest**

17. Bank and Other Interest is forecast to exceed the original budget by £2.5m (38.5%). The interest rates achieved in the early part of the year and the level of balances are higher than originally anticipated.

### **Financing of Capital**

18. Financing of Capital is currently forecast to be around £1.05m (3.5%) lower than the original budget. This mainly reflects a lower Minimum Revenue Provision requirement and a change in the accounting treatment of certain types of market loans (Lender's Option Borrower's Option).

### **Other Central Items**

19. Savings of around £245,000 are forecast on Financial Arrangements budgets, reflecting the receipt of a dividend of £142,000 from ESPO, reduced charges from ESPO and lower external audit fees. The Central Items budget also benefits from a credit of around £170,000 regarding the recharge of costs to departments for capitalised added year costs met initially from central resources in previous years.

### **Other Issues**

#### **Fuel and Energy Costs**

20. It is estimated that rising fuel and energy costs could add £0.8m to the County Council's spending (excluding schools) in the current financial year. This excludes £1.5m regarding street lighting energy costs referred to in paragraph 12.

#### **Pay Negotiations**

21. 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. An extra 0.25% equates to around £400,000 on the non-schools budget and around £50,000 on the schools budget.

#### **Shared Services**

22. The projected outturn includes a sum of £0.2m regarding a potential contribution from the general underspend towards the development of Shared Services with Nottinghamshire County Council.

### **Performance Information**

23. Performance for the first half of 2008/09 showed that the majority of targets in the CPA Improvement Plan, Medium Term Corporate Strategy (MTCS) and LAA were on track to be achieved. However, there were a few areas where performance has a financial impact e.g. increased recycling.

### **Summary**

24. At this stage in the year a net underspend of approximately £1.3m (0.4%) is forecast (excluding schools), after taking account of increased energy costs, potential additional pay arising from arbitration and transfers to reserves. In terms of the utilisation of these resources it may be necessary to make a contribution to the Corporate Restructuring / Severance Reserve.

### **Equal Opportunities Implications**

25. The budget monitoring exercise has not highlighted any particular issues.

**Recommendation**

26. The Scrutiny Commission is asked to note the contents of this report.

**Background Papers**

None.

**Circulation Under Local Issues Procedure**

None

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