

Revenue Budget Monitoring 2006/7

SUMMARY

- 1.1 This report sets out the Council's latest spending position for 2006/7.
- 1.2 The Cabinet is keeping the budget under constant review and within this report, identifies:
 - an update on all key risk budgets which are being subject to more detailed monitoring by Cabinet
 - the main areas of forecast variance predicted at the year end on other budget areas if current trends continue
 - proposals for corrective action or alternative strategies to balance any overspends.
- 1.3 The report identifies a total potential £63k over budget at the end of the year which represents a variance of just 0.04%. This is an improved overall position by £342k to that reported in September.
- 1.4 It should, however be noted that within this almost balanced forecast year-end position the underspending on the treasury management budget is compensating the large overspends in children's care and placements and Adult Social Care budgets.
- 1.5 Subject to any issues raised at the meeting, I support the following recommendation.

RECOMMENDATION

- 2.1 To note the latest monitoring position in respect of the 2006/7 General Fund, Trading Account and Housing Revenue Account budgets.
- 2.2 To approve the £500k increase to the Adult Social Services budget 2006/07 for the No Board pressure, with one-off funding from corporate reserves.

Revenue Budget Monitoring 2006/7

SUPPORTING INFORMATION

- 1.1 This report provides a further update on the 2006/7 revenue budget position as summarised in Table 1 below. This shows a net projected overspend of £63k over all General Fund services, excluding individual school budgets. This is a £342k reduction from the overspend reported in September 2006 and represents a variance of 0.04% on the budget of £155m.

Table 1 – Summary Revenue Budget Variances 2006/7

Department	Forecast year end variation 2006/7 £000's	
	September 2006	November 2006
Children and Young People		
• Non schools budgets including social care	584	1,046
• Central schools budget, including special needs less holding back on service reserves	414	382
	(148)	(148)
	850	1,280
Corporate and Adult Social Services		
• Corporate Services	Nil	197
• Adult Social Services	303	346
Environmental Services	(25)	(37)
Regeneration and Community less holding back of service reserves	87	330
	(60)	(60)
	27	270
Resources and Housing	Nil	0
Corporate Budgets	(750)	(1,450)
Net Projected Variance	405	63

- 1.2 Further details of these variances are attached at appendix 2, This provides an update for all risk budgets and an explanation of main variances on other budgets, by department.
- 1.3 Although this presents an almost balanced forecast year-end position, there are some large over and underspendings within it. In addition to the management intervention required to address the overspending areas this year, any ongoing impact of variances will need to be considered by departments as part of the 2007/08 budget process.

1.4 The main changes in the position now reported to that reported in September are ...

a. Children and Young People – agency placements budget

The forecast year-end overspend has increased by £515k to £726k. This is mainly the result of an increase in agency residential placement numbers over the period from 11 to 15. In contrast the budget assumed the numbers would fall from 9 to 7. In addition, there is a pressure on the budget from foster numbers holding at the 48 to 52 mark whereas the budget assumed a fall over the year from 42 to 36. Continue to place as many children in house as possible, to negotiate favourable rates with placement providers and to seek planned moved of children to extended family wherever possible. A process has been established where officers are challenging the placement of every child and closely monitoring changes. Proposals to improve contracting to secure reduced costs are included within the contract and financial procedure matters report on this agenda.

b. Regeneration and Community - car park income budget

A forecast year-end overspend position is emerging, currently forecast at £210k, based on latest information on income received to date and assuming the lower levels continue. Officers are reviewing data on usage levels to determine where the reductions against budgeted assumptions are and refine the forecast position for the remainder of the year. An updated position will be reported to management to consider what action is to be taken to address this.

c. Treasury management

The £550k increase in the forecast underspending on the treasury management budget is a result of a combination of many factors. Cash balances have increased as a result of earlier receipt of grant funding from the Government and some slippage in the capital programme spend against that assumed in the budgeted cash balances. In addition, short-term interest rates have increased allowing greater returns on investments while longer term rates have remained low. This is a particularly beneficial set of circumstances which benefit the treasury management budget in the short-term at least. Debt restructuring has added to the savings on an on-going basis.

1.5 The September 2006 Cabinet monitoring report included an additional ongoing cost of £500k for Adult Social Care - No Board rule changes, to be funded from corporate reserves in 2006/7 only. This position remains as included in the monitoring update, and Cabinet is now asked to approve the increase in the Adult Social Services budget for 2006/07 only. The ongoing effects will be dealt with as part of the 2007/08 to 2009/10 budget process.

1.6 The Supporting People budget

The Supporting People budget is now much more stable following a major restructuring last year, and a small improvement is expected in income levels from the Government. The estimated gross underspending for this year as a result is now £867k. As the cumulative overspend on Supporting People to

2005/06 was £1.3m, the Council resolved to recover £0.3m of this in 2006/07. The balance will be considered by the Supporting People Board.

1.7 Trading Accounts

Environmental Services Trading accounts continue to forecast losses in some service areas. These centre on three trading areas of buildings (£100K) golf courses (£73k), and cleaning and caretaking (£135k). Taking into account forecast surpluses in other areas the overall net year-end position is a £218k loss. Further details are contained in Appendix 2. Actions are being put in place to mitigate the losses but should they persist a £1m reserve exists from accumulated past year surpluses.

1.8 Housing Revenue Account (HRA)

The monitoring position for the HRA is attached at Appendix 3 and shows a forecast year end underspend of £754,000. The main reason that this position has moved from a forecast year-end underspending of £10k reported in September is a projected slippage in the Estates Pride programme to next year. The Housing Repairs budget continues to be a risk budget area and to address this Derby Homes are implementing an action plan to reduce spending in a number of areas. Latest projections from Derby Homes suggest that this action plan is on track to reduce spending in line with the budget. This remains, however, a risk budget as there has in previous years been a surge in expenditure in the second half of the year. There remains therefore a chance of an overspend recurring this year. This budget will continue to be closely monitored with a view to achieving the challenging budget for the year end.

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Background papers:	None
List of appendices:	Appendix 1 – Implications Appendix 2 – Revenue Budget Monitoring Update Appendix 3 – HRA - Revenue Budget Monitoring Update

IMPLICATIONS

Financial

1. As detailed in the report.

Legal

2. None directly arising.

Personnel

3. None directly arising.

Equalities impact

4. None directly arising.

Corporate priorities

5. One of the Council's top four priorities is to deliver excellent services, performance and value for money. Effective financial monitoring and reporting systems is a key component of this.

Revenue Budget Monitoring Update
Children's and Young People Department

Main variances	Projected year end variance			
	£000 overspend/ (underspend)		Reason	Action to contain overspends
	Reported Sept 06	Nov 06 update		
Non-schools budget risk budgets				
Workforce learning and development - risk	30	30	Employment of a temporary IT trainer	
Agency placements – risk	211	726	Children's agency residential and fostering placements greater than assumed in budget.	Continue to place as many children in-house as possible, negotiate favourable rates where possible, seek planned moves of children to extended family wherever appropriate.
Special Education Needs Transport – risk	0	(30)	Savings on provision of escorts for special needs children by local taxi firm, rather than by the Council.	
ICT – risk	0	0		
Adult Learning – risk	0	0	Underspends from previous years are available this year only to support reducing funding. Service currently under review	
Sure Start Local Programmes and Neighbourhood Nursery Initiative – risk	0	0	No variance reported as funded through Local Area Agreement. Currently £50k underspent	

Main variances	Projected year end variance		
	£000 overspend/ (underspend)		
	Reported Sept 06	Nov 06 update	
Children Centres – risk	0	0	No variance reported as funded through Local Area Agreement - LAA. Currently £687k underspent but supporting £188k overspend elsewhere within the LAA.
Sub Total – Non Schools Risk Budgets	241	726	
Non Schools other budgets			
Children's social care budgets	257	313	Use of agency manager covering absences. Overspend on taxi fares for CLA contact meetings, an overspend on the Intentionally Homeless budget and 238 foster care placements against a budget of 220.
Unaccompanied Asylum Seekers	50	56	Unaccompanied asylum seeker children. Total overspend currently at £120k. However there is the assumption that some of this overspend can be reduced from income available from previous years' grant claims.
Voluntary early retirements	50	57	Additional ongoing commitments approved since base budget review.
Inclusion	(70)	(70)	Underspend predicted on departmental restructuring although not yet complete. Final figure subject to change

Main variances	Projected year end variance			
	£000 overspend/ (underspend)		Reason	Action to contain overspends
	Reported Sept 06	Nov 06 update		
School Improvement	(40)	(55)	Staffing underspends and utilisation of standards fund grants to fund core activity.	
Other minor departmental variances	96	19		
Sub Total – Non Schools, Other Budgets	343	320		
Total Non Schools Budget	584	1046		
Central Schools Budget (ring-fenced and funded by grant)				
Central Schools Risk Budgets				
Recoupment / Independent Special School Fees –	429	400	High cost placements and a reduction of income from Derbyshire for placements at enhanced resource schools.	<p>Continue to consider all out of authority placements with regard to necessity and how needs could be met locally.</p> <p>Regional commissioning work related to considering all exceptional fee increases (long term).</p> <p>Looking at returning children to Derby provision where needs could be met appropriately locally.</p> <p>Consider offering additional support to schools to meet needs rather than expensive placement out of city.</p>

Main variances	Projected year end variance		
	£000 overspend/ (underspend)		
	Reported Sept 06	Nov 06 update	Reason
			Action to contain overspends
			Developing multi-agency supported packages locally for children with complex needs.
Pupil Referral Unit/Behaviour Support – risk	(100)	(100)	Part-year savings on new posts.
Early Years – risk	35	40	Existing staff transferring into posts following a restructure where budget for new posts were based on recruiting at a lower teaching grade with no special allowances.
Sub Total – Central Schools Risk Budgets	364	340	
Central staff cover	50	41	Reimbursements to schools for maternity cover and trade union duties.
Sub Total – Central Schools Other Budgets	50	41	
Total Central Schools Budget	414	382	
Net departmental forecast year-end variance (excluding LAA underspends)	998	1428	

Revenue Budget Monitoring Update

Corporate and Adult Social Services

Main variances	Projected year end variance			
	£000 overspend/ (underspend)		Reason	Action to contain overspends
	Reported Sept 06	Nov 06 Update		
Adult Social Services Risk Budgets				
Home support (home care and Direct Payments risk budgets)	1,240	1,292	Assumed growth of 25% in Direct Payments and pressures in home care within in-house service and Learning Disabilities.	Plans to achieve budget savings and to fund growth in Direct Payments being compiled by Management Team.
Residential and nursing placements (high cost packages of care risk budgets)	(346)	(671)	Projection based on a reduction of 20 elderly placements during the year and an underspend predicted on Learning Disability budgets in line with 05/06.	
Supporting People risk budgets	0	76	There has been a cut in Supporting People funding nationally.	
Health partnerships – risk budgets	0	0	The Health Service currently contribute significantly to a wide variety of care packages and schemes provided by Adult Social Services.	
Adult Social Services Other Budget Areas				
Care Management	(423)	(351)	Underspends in arising from vacancy management of social work staffing costs in Older People and Learning Disability.	
Learning Disability Day Services	(226)	(133)	Underspends in arising from vacancy management of staffing costs.	

Strategic Planning – Adult Social Services	70	48	£53k was removed from Planning and Partnerships' budgets as part of the Department's budget savings. No potential reductions in capacity have yet been identified within the new departments.	Awaiting decisions re disaggregation of this budget.
No Board income	500	500	Loss of protection of No Board income on Elderly and Learning Disability residential budgets	
One –off use of corporate reserves	(500)	(500)	To fund No Board income loss as reported in September 2006 Revenue Budget Monitoring report to Cabinet	
Net (under)/overspend on other areas	(12)	85		
Total Adult Social Services budgets	303	346		
Other Corporate Services budgets				
Risk budgets – Markets and estates rents, Land charges and Repair and Maintenance	0	0		
Legal Services	0	163	Additional demand for legal services has had to be met from external resources and has put a pressure on the external legal and solicitors fees budget	On-going legal services staffing levels is currently under review as part of the 2007/8 budget process
Net (under)/overspend on other areas	0	34		
Total Corporate Services budgets	0	197		
Net departmental forecast year-end variance	303	543		

Revenue Budget Monitoring Update
Environmental Services – non Trading

Main variances		Projected year end variance		
	£000 overspend/ (underspend)		Reason	Action to contain overspends
	Reported Sept 06	Nov 06 Update		
Other Budgets				
Bereavement Services	10	10	Under achievement of adult cremation fees due to late 2005/6 decision to limit prices increases. This has meant the budget is inherently £62k overstated. Off set by extra income from burials and savings in maintenance costs.	Scale back maintenance works to balance.
Waste management	(35)	(47)	Overspends on waste disposal at the Civic Amenity site and fridge disposal costs offset by savings from recycling disposal.	
Net departmental forecast year-end variance	(25)	(37)		

Revenue Budget Monitoring Update
Regeneration and Community Department

Main variances	Projected year end variance			
	£000 overspend/ (underspend)		Reason	Action to contain overspends
	Reported Sept 06	Nov 06 update		
Risk Budgets				
Transport procurement including revenue support	37	49	Contract renewals are exceeding the budgeted inflation allowed from 05/06. A more realistic figure has been applied for 06/07 but the historic shortfall remains. The Forecasting has been refined to reflect current contract details.	Options to contain 06/07 overspend being investigated. Longer term viability will be reviewed within the 07-10 budget planning process and by the Transport Procurement and Operations Group.
CCTV income contributions	50	54	Budgeted contribution from Castleward area businesses not being met.	Options to contain 06/07 overspend being investigated. Longer term viability will be reviewed within the 07-10 budget planning process.
Car park income	0	210	An estimated underachievement of £132k is projected on off Street income. On Street income is showing a £78k underachievement – Both figures show a potential decrease in usage.	A focussed team of departmental and finance officers will scrutinise the car park usage details to identify where the specific variances against budget targets are and provide an updated position to management team
Decriminalised parking enforcement	0	0	New operation commenced early July 2006. Net scheme influenced by fine income generated and levels of staffing employed. Due to a phased introduction a more realistic position will only be available towards the year end	Detailed monitoring as part of a focussed team of officers will continue to update the position to R&C Departmental Management team on a monthly basis.

Main variances	Projected year end variance			
	£000 overspend/ (underspend)		Reason	Action to contain overspends
Sub-total risk budgets	87	313		
Other Budgets				
Development Control		17	17k forecast under recovery on fees, based on activity for period April to September 2006.	
Net departmental forecast year-end variance	87	330		

Revenue Budget Monitoring Update

Corporate Budgets

Main variances	Projected year end variance		
	£000 overspend/ (underspend)		
	Reported Sept 06	Nov 06 update	Reason
			Action to contain overspends
Benefits payments	150	150	Due to decreased overpayment creation / recovery, and external audit fees.
Treasury Management	(600)	(1,300)	Interest rate increases and investment balances continue to be maintained at higher level. £1.3m total possible this year. Longer term after this year much less secure as cash is spent as planned this will reduce investment income.
Supporting People	(300)	(300)	Previously reported one-off underspend of £300k due to part recovery of previous years overpayments – to be returned to Corporate reserves to repay 2005/06 overspend. A further £567k underspend is now forecast in 2006/07 action on which is to be considered through the Supporting People Board.
Net departmental forecast year-end variance	(750)	(1,450)	

Revenue Budget Monitoring Update
Environmental Services – Trading Accounts

Main variances	Projected year end variance		
	£000 overspend/ (underspend)		
	Reported Sept 06	Nov 06 Update	
Risk Budgets			
Building	0	100	Tendered works for 06/07 have not achieved expected levels.
Catering	0	0	Extra funding has been secured to cover the increased food costs.
Golf	0	73	In 2006/07 we estimate 15 fewer season ticket holders than the budgeted 763 and around 6,000 less individual rounds from 2005/06 levels of 39,750. Income is projected to be £435k against a £485k budget, thus £50k pressure. One off IT costs to implement the Torex booking system plus ongoing staff cost pressures make up the difference.
	0	173	
Other Budgets			
Cleaning and Caretaking	0	135	Expected to lose in 06/07 due to contracted prices being inadequate for current costs.

Main variances	Projected year end variance			
	£000 overspend/ (underspend)		Reason	Action to contain overspends
Refuse Collection	0	-40	Trade income forecasted to be above budget.	
Street Cleaning	0	-72	Efficiencies through operations alongside NEAT projects. Agency cover for operatives off sick not 100%	
All other Trading Accounts have projected outturn variances between £20k surplus to £20k deficit	0	22		
		45		
Net departmental forecast year-end variance (after £250k return to General Fund)	0	218		

Revenue Budget Monitoring Update

Resources and Housing Department
HRA

Main variances	Projected year end variance		
Budget heading	£000 overspend/ (underspend)		Reason
	Reported September 2006	Update November 2006	
Contribution to Repairs Account	0	0	See paragraph 1.8 of main report.
Contribution towards expenditure from General Fund (grounds maintenance)	(30)	(30)	Additional income from recharges to GF for grounds maintenance costs on HRA estates.
Housing Revenue Account Subsidy	0	34	Revised claim for year includes reduced subsidy for capital financing charges following a fall in the assumed interest rate, offset by compensation the council is to receive as a result of capping rents at 5%.
Debt Management Expenses		44	Costs of managing HRA debt have risen as a result of the Homes Pride Programme.
Estates Pride		(802)	A significant reduction in the Estates Pride programme has resulted in a reduced contribution to capital being required from the HRA
Net departmental forecast year-end variance	(10)	(754)	