

Revenue Budget Monitoring 2007/8

SUMMARY

- 1.1 This report sets out the Council's latest revenue budget forecast year-end position for 2007/8.
- 1.2 To enable Cabinet to keep the budget under constant review the report provides 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 net potential £603k over budget at the end of the year for General Fund revenue budgets, which represents a variance of 0.4%. It should, however be noted that within this forecast year-end position the treasury management budget underspend and the inflation contingency budget saving are compensating the large overspending in Adult Social Care budgets.
- 1.4 The report also provides a monitoring update on the Housing Revenue Account 2007/8 at Appendix 3.
- 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 General Fund Revenue and the Housing Revenue Account budgets for 2007/8.

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SUPPORTING INFORMATION

- 1.1 This report provides a further update on the 2007/8 revenue budget position as summarised in Table 1 below. This shows a net projected overspend of £603k over all General Fund services, excluding individual school budgets. This represents a variance of 0.4% on the budget requirement of £163m.

Table 1 – Summary Revenue Budget Variances 2007/8

Department	Forecast year end variation 2007/8 overspend/(underspend) £000's	
	November 2007	Key variances Reported July 2007
Children and Young People		
• Non schools budgets	496	200
• Schools budgets	15	0
	511	200
Corporate and Adult Services		
• Adult Social Services	3,254	2,150
• Other service areas	58	0
	3,312	2,150
Environmental Services	478	214
Regeneration and Community less use of car park income reserve	501 (180)	237 0
	321	237
Resources	48	0
Corporate Budgets		
• Treasury Management	(2,200)	0
• Public Realm borrowing costs	(1,500)	0
• Inflation contingency budget	(800)	0
• Other	433	200
	(4,067)	200
Net Projected Overspend	603	3,001

- 1.2 The overspend on risk budget areas reported to Council Cabinet in July 2007 was £3m, mainly arising from pressures in Adult Social Services' budgets. It should be noted that the overall improved net year-end position now forecast is attributable to one-off gains on the treasury management budget and a saving from releasing the inflation contingency budget no longer required following the local government pay settlement of just under 2.5%, which are compensating the continuing pressures in Adult Social Services budgets.
- 1.3 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.
- 1.4 There are some large variances within this net position and management intervention is required to address the overspending areas this year with the aim of containing overspends by the year-end, and to address the ongoing impact of variances as part of the 2008/9 budget setting process. Appendix 2 provides an update on action being taken to address key variances.
- 1.5 The main elements of the Adult social services forecast overspend of £3,254k for 2007/8 are:
- Home care services including Direct Payments - £2,161k
 - Non achievement of planned efficiencies - £888k
 - Mental health long term care placements - £647k
 - The above are slightly set off by underspends in other areas within the department - £442k.
- 1.6 The table below provides details of the key actions to minimise the Adult Social Services overspend.

Action taken to deliver efficiencies and minimise overspend	Saving projected to be achieved in 2007/8 £000's	Full year expected effect of saving £000's
Implementation of the change in the council's eligibility criteria to cease providing services where there is a low risk to independence	1,345	1,793
Freeze on external recruitment, and reductions in cost through non filling of posts (assessment, care management and support services)	330	330
Reduction in Direct payments rate paid	80	160
Shift in the balance of homecare provided from in house to independent sector	100	200
Reduced contribution to Mental Health service users in Independent Living	30	45
Review of high cost residential placements	150	150
Possible closure of a residential care home – to be consulted on	20	100
TOTAL	2,055	2,778

1.7 Within the corporate budgets underspend it should be noted that ...

- The Treasury management budget underspend has arisen from a combination of high cash balances well above the levels expected in the budget together with more favourable interest rates on both loans and investments. A full base budget review has been undertaken as part of the 2008/9 to 2010/11 budget which has taken into account future spending plans which will significantly reduce cash balances, new borrowing requirements for the indicative capital programme and future market rate predictions. This has confirmed that the current forecasted level of underspend will not be sustainable beyond 2007/8 and future budget savings from Treasury management therefore cannot be relied upon.
- The saving on the unsupported borrowing costs of the Public Realm capital programme is a one-off first year saving only due to interest only applying in the first year and some re-profiling of spend to 2008/9. Principal repayments against loans do not apply until the second year.

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 £198k.

This is due mainly to:

- reduced borrowing costs partly offset by reduced HRA Subsidy receivable -£128k
- additional interest following increase in forecast HRA balances - £150k
- offset by an increased payment of management fee to Derby Homes to cover the cost of closure of Alvaston Area Office +£80k.

The Housing Repairs budget continues to be a risk budget area and in addition, an in-year saving of £121k has been agreed with Derby Homes since the budget at Appendix 3 was approved. Close monitoring is continuing and other proposals are being developed to restructure the repairs account budget. Any savings achieved will be earmarked for further investment.

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Background papers:	None
List of appendices:	Appendix 1 – Implications Appendix 2 – Revenue Budget Monitoring Update Appendix 3 – Housing Revenue Account 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 six priorities is to deliver excellent services and value for money. Effective financial monitoring and reporting systems is a key component of this.

2007/8 revenue budget monitoring – summary of significant variances – November 2007

Department	Projected year-end variance November 2007 £000	Material year-end variances reported July 2007 £000	Reason for variance	Action being taken
Children and Young People Department				
Non Schools Budget				
Workforce Learning and Development – Risk Budget	148	100	Demand for service exceeded resources	The costs of the agency training officer for the Integrated Children's System has been funded from underspends elsewhere within the service and detailed work will be undertaken with Corporate and Adult Services with a view to producing a Service Level Agreement that can be contained within existing resources, or a restructuring option.
Reception and Hospital Services	55	100	Underlying staffing overspend	Where possible budgets from underspending services within the division will be permanently transferred to reduce the ongoing impact
Family Support	(120)	0	Underspends on staffing. Posts have been frozen to help balance other overspending budgets within the division, i.e. Reception and Hospital Services	

Department	Projected year-end variance November 2007 £000	Material year-end variances reported July 2007 £000	Reason for variance	Action being taken
Children and Young People Department continued				
Asset Management	54	0	Essential office moves following reorganisation of new Children and Young People's department.	
Agency Placements – Risk budget	300	0	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.
ICT – Risk Budget	0	0		
Other net variances across the department	59	0		
Total Non Schools Variance	496	200		
Schools Budget				
Independent Special School Fees – Risk budget	48	0	High cost placements in independent special schools	Negotiate block contracts and challenge costs and placements
Foundation stage payments to the private and voluntary sector	100	0	Increase in number of 3 year olds	
Rates	-145	0	Schools rate revaluations	
Other net variances	12	0		
Total Schools Budget Variance	15	0		
Total Children and Young People's department	511	200		

Department	Projected year-end variance November 2007 £000	Material year-end variances reported July 2007 £000	Reason for variance	Action being taken
Corporate and Adult Services department				
Adult Social Services				
Home Care	2,161	1,900	Increase in number of hours provided above budgeted level	See paragraph 1.5 of report
High cost placements – mental health	647	150	Cost of placements being above budget	
Planned efficiencies	888	100	Agreed savings only partly achieved	
Underspends	-442	0	Various	
Total Adult Social Services	3,254	2,150	Various	
Other Corporate Services				
Estates Income	0	0		
Markets Income	27	0	High level of voids in Eagle Centre market	One-off funding used for temporary rent reduction to prevent more voids; opening of Westfield should improve situation
Land Charges	0	0		
Legal Services	63	0	High external legal fees and less income from Derby Homes than budgeted	Additional staffing approved in budget will reduce external Counsel's fees
Housing General Fund	40	0	Reduced income from Carelink, HMO Licensing and Enforcement Notices.	Efforts will be made to contain within the overall Division's budget
Net underspends across other areas	(72)	0		
Total Other Corporate Services	58	0		
Total Corporate and Adult Services	3,312	2,150		

Department	Projected year-end variance November 2007 £000	Material year-end variances reported July 2007 £000	Reason for variance	Action being taken
Environmental Services department				
Non Trading Services				
Composting	164	114	Approx 4,000 tonnes being composted above the 17,000 budgeted for	Discussions with contractor over disposal rates being charged. Look to promote home composting to reduce the amount of green waste collected.
Waste disposal	(74)	0	Lower tonnes being sent to landfill due to higher composting collections	Continued work to promote recycling, thus helping to achieve recycling targets and minimising landfill disposal costs.
Recycling disposal	37	0	Income received for recycling materials has dropped due to market prices being lower than forecasted.	Discussions with contractor regarding gate fee being charged for materials.
Waste regulations compliance	(25)	0	Costs post 1.7.07 can be recovered from Government.	Working with Civic Amenity site operators to ensure correct documentation is in place.
Bereavement Services	116	0	Lower than forecasted number of cremations and burials.	None essential spend kept to a minimum.
Arboretum Park	0	0	Use of £50k one off reserve in 07/08 to support budget.	

Department	Projected year-end variance November 2007 £000	Material year-end variances reported July 2007 £000	Reason for variance	Action being taken
Environmental Services department continued				
Sport Centre Income	51	0	Lower than forecasted income returns from Queens and Moorways.	Examining reasons for fall in membership numbers, remedial action then to take place if possible.
Environmental Health	41	0	Pest control income pressures and dog kennelling works	Attempting to get the dog kennelling costs funded by Asset Management Group
Trading Accounts				
Golf income (trading account)	100	100	Reduced income because of poor weather	Hope to be offset by increased income from other trading accounts or from the Trading Account reserve; full review of provision in the autumn.
Building tendered works	0	0	On course to achieve budgeted income of £18.8m.	
Catering income – pupil meals	60	0	Lower than forecasted meals being sold and price increase lower than budgeted.	Hope to be offset by increased income from other trading accounts or from the Trading Account reserve
Other trading accounts	8	0	Balance on other trading accounts	
Total Environmental Services	478	214		

Department	Projected year-end variance November 2007 £000	Material year-end variances reported July 2007 £000	Reason for variance	Action being taken
Regeneration and Community department				
Friargate Studios	150	237	Estimated running costs reviewed with Estates, occupancy is expected to be 9 units let (22%) by end of October.	A turnaround strategy will be developed following the results of studies on rent levels and current state of creative sector in Derby
CCTV	35	0	Income unachievable and increased monitoring and maintenance costs.	Consultants are currently working on a report on the future of CCTV in Derby. The report will suggest ways in which the service can either operate within current budgets or secure additional funding.
Car park income	180	0	Car park income is forecast to underachieve by £180k by the year-end, assuming the increased revenue from Westfield opening continues to partly offset the underachievement to date.	Further monitoring and investigation is ongoing.
Decriminalised Parking Income	0	0	Balancing anticipated costs and income. Following discussions with budget manager the net position is within budget	Further monitoring and investigation ongoing.
Highway Maintenance	0	0	Some additional costs contained	Close monitoring of new contract

Department	Projected year-end variance November 2007 £000	Material year-end variances reported July 2007 £000	Reason for variance	Action being taken
Regeneration and Community department continued				
Big City Screen	10	0	Overspend on installation costs - costs not included in bid for DDEP grant. There is a risk of not raising sponsorship for the screen itself.	The search for sponsors has resulted in one pledge of £5,000 so far. This effort will continue to the year end, with the possibility of cooperation on appointing a fundraiser jointly with Derby Creative Industries Network.
Development Control	74	0	Forecast income shortfall due to the combination of volume and categories of fee paying applications.	Investigation to contain underachievement of income.
Building Consultancy	0	0	Fluctuation of building regulation inspection work	Managed by additional plan checking fees on behalf of neighbouring authorities and managed vacancies within the section
Department wide balance	52	0	Pressures of funding increments department wide	Discussions ongoing at Management team.
Total Regeneration and Community department	501	237		
Resources department				
Telecommunications	48	0	Reflects actual spending by departments	Savings anticipated from new Featurenet contract

Department	Projected year-end variance November 2007 £000	Material year-end variances reported July 2007 £000	Reason for variance	Action being taken
Corporate Budgets				
Treasury Management	(2,200)	(0)	One-off savings from higher cash balances and favourable interest rates than anticipated in the original budget	Forward cashflow projections will be built into budget planning; ongoing savings will be much more limited in scale and will be nil by 2009/10
Treasury management – Public Realm unsupported borrowing	(1,500)	0	First year borrowing cost savings and savings from re-profiling of some spend to 2008/9	No on-going saving unless further slippage in programme spend
Inflation contingency budget	(800)	0	Contingency no longer required following pay settlement at departmental budgeted level.	
Other corporate budgets				
Elections	65	0	Unavoidable additional expenditure on personal canvass and postage	Being built into budget planning as corporate pressure
Coroner	68	0	Reflects actual activity – recharged from County Council	Being built into budget planning as corporate pressure
Benefits payments	300	200	Actual cost of unrecovered overpayments and unsubsidised expenditure	Realistic base position to be built into budget planning
Total other Corporate Budgets	433	0		

Appendix 3

Housing Revenue Account 2007/8 - Monitoring update November 2007				
Budget Heading	Original Budget February 2007 £000's	Update November 2007 £000's	Variance £000's	Reason
Contribution to Repairs Account	8,778	8,778	0	
Derby Homes Management Fee	13,848	13,928	80	Additional Management fee to meet the costs of Alvaston area office closure
Capital Financing Charges	9,938	9,495	-443	Lower borrowing costs than first anticipated in original plan
HRA Subsidy	-4,226	-3,911	315	Impact of reduced borrowing costs mentioned above is reflected in lower projected subsidy entitlement
Interest on HRA Balances	-496	-646	-150	Increased HRA balances has attracted additional interest
NET DEPARTMENTAL FORECAST YEAR-END UNDERSPEND			-198	