

Leicester
City Council

**CABINET
ALL SCRUTINY COMMITTEE MEETINGS**

**19th NOVEMBER 2001
various**

REVENUE BUDGET MONITORING 2001/2002 – PERIOD 5

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

- 1.1 The purpose of this report is to show a summary position comparing spending with the budget for all General Fund Services. The report is the first of the 2001/2002 financial year showing budget issues which have surfaced so far.
- 1.2 Each Scrutiny Committee will receive only this covering report and the appendix (or appendices) which relate to its portfolio. The Finance, Resources and Equal Opportunities scrutiny committee will receive the appendices which relate to its portfolio and a summary report considering the overall position.
- 1.3 The Cabinet will receive this covering report and the overall position for the Council.
- 1.4 Members of the Cabinet or the Finance, Resources and Equal Opportunities Committee wishing to see the appendices relating to any portfolio not appended to the report should please contact the report author.

2. SUMMARY OF THE REPORT

- 2.1 The General Fund budget set for the financial year 2001/2002 was £301.9m. Together with the sums carried forward from 2001/2002, as reported to Cabinet on 30 July 2001 the Budget is now £302.8m. After 5 months of the year, 41% of the revised budgets of departments have been spent.
- 2.2 At this stage of the year it is too early in the year to make realistic projections of the outturn. However, departments have been able to highlight those services where significant budget pressures exist and set out the measures proposed to tackle these pressures.
- 2.3 In overall terms, the budget position is tight. No department is envisaging a significant underspend, and most departments envisage (after management action in some cases) that overspends will be avoided. Key issues which have arisen are:

- (a) significant budgetary pressures in the Social Services Department (a theme common to social services authorities up and down the country) mainly arising from pressures in community care and children's services (the director is taking action to ensure the position is managed);
- (b) pressures arising from a recent influx of EU nationals will create spending needs in the Education and Social Services departments (steps are being taken to pursue additional funding);
- (c) a small contribution to reserves is anticipated due to reducing housing benefit costs.

2.4 In accordance with Financial Regulations, some virements of budgets between services are submitted for approval.

3. RECOMMENDATIONS TO CABINET

3.1 The Cabinet is recommended to:

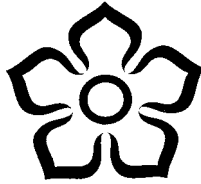
- 1) Note the changes made to the original approved budget for 2001/02;
- 2) Note the expenditure to date and the budgetary issues which have emerged so far this year;
- 3) Note the proposals put forward to ensure that spending is contained within the Departments budgets;
- 4) Approve the budget virements detailed in the attached appendices.

3.2 Scrutiny committees are asked to consider issues affecting their portfolio and make any observations to the cabinet as they see fit.

3.3 The Finance, Resources and Equal Opportunities Scrutiny committee is asked to consider the overall position for the whole Council and make any observations it sees fit.

Author: Andy Morley
Chief Accountant

MARK NOBLE
CHIEF FINANCIAL OFFICER



Leicester
City Council

**FINANCE RESOURCES AND EQUAL OPPORTUNITIES
SCRUTINY COMMITTEE**

22ND NOVEMBER 2001

REVENUE BUDGET MONITORING 2001/2002 – PERIOD 5

SUPPORTING DOCUMENTATION

1. BUDGET FOR 2001/2002

The net General Fund budget for the financial year 2001/02 is £301.9m. Together with the carry forwards from 2000/01 which amount to £0.9m, the budget for the year is now £302.8m.

Each Service Director is required by financial regulations to ensure that services are delivered within budget, and has the responsibility of providing a framework for monitoring budgets within guidelines provided by the Chief Financial Officer. Financial control is maintained by monitoring actual expenditure against approved budgets at regular intervals throughout the year.

Service Directors are responsible for their controllable budgets. These include employee costs, running costs and income. 'Indirect expenditure' or 'below the line charges' are the responsibility of the service provider with the cost of those services being included in the providers' controllable budgets.

2. FINANCIAL IMPLICATIONS

This report is solely concerned with financial issues.

3. DEPARTMENTS / CORPORATE REVISED BUDGET

The table below details the revised budget for the Authority.

	Original Budget for 2001/2002	Approved Carry- Forwards	Virements	Revised Budget for 2001/2002
Department	£000	£000	£000	£000
Arts & Leisure	23,836.6	(60.4)	0.0	23,776.2
Chief Executives	2,717.0	425.0	30.9	3,172.9
Commercial	(648.7)	0.0	433.0	(215.7)
Education	141,725.3	409.2	14.0	142,148.5
Env & Dev	31,394.7	239.1	(13.9)	31,619.9
Housing	8,585.0	0.0	50.0	8,635.0
Social Services	62,845.2	(313.3)	4.4	62,536.3
T.Clerks & C.Res	18,178.0	199.6	(85.4)	18,292.2
Total Departments	288,633.1	899.2	433.0	289,965.3
Corporate Budgets				
Levies	6,846.0	0.0	0.0	6,846.0
Miscellaneous	1,447.0	0.0	0.0	1,447.0
Capital Financing	7,463.0	0.0	0.0	7,463.0
Gen Fund (Exc Net Recharges)	304,389.1	899.2	433.0	305,721.3
Net Recharges	(2,496.1)	0.0	(433.0)	(2,929.1)
Net General Fund	301,893.0	899.2	0.0	302,792.2

During the year, budgets are vired between departments which, in accordance with Financial Regulations, require Cabinet approval if in excess of £30,000. Virements requiring approval are as follows:

- (a) £5,492,200 has been provisionally agreed between the Arts & Leisure and Education Departments for the implementation of the Youth & Community Review;
- (b) £1,934,500 across service lines for the Social Services Department - re-alignment of budgets during the year to reflect changes in the department's structure. This has had no effect on the overall budget for the department;
- (c) £433,000 from Net Recharges to the Commercial Services Department – reflecting a change in the way the Commercial Services Department's budget is reported for the introduction of Best Value accounting. The department now reports with a single cash

target contribution to the General Fund.

- (d) £329,700 from Corporate Services to IT Services within the Town Clerks & Corporate Resources Department – budgets for services following a restructure within the department;
- (e) £299,600 across departments – contribution towards the shortfall in pay award resulting from the difference between the actual and budgeted inflation rates – this is to be funded from Corporate Budgets (£180,000) and Property Services (£119,600) in the Environment & Development Department;
- (f) £100,000 from Departmental Management & Corporate to ICT & Customer Access division within the Town Clerk's & Corporate Resources Department – relating to the development of the Corporate website;
- (g) £97,300 from Corporate Budgets to departments – devolution of Grant Claims Audit costs to departments;
- (h) £71,400 from Town Clerks & Corporate Resources Department to the Environment & Development Department – budget for Overseas Links following transfer of service;
- (i) £50,000 from the Environment & Development Department to the Housing Department – contribution towards Resources for Community Project;
- (j) £55,000 from all departments to the Environment & Development Department - contribution towards the Land & Property Gazetteer;
- (k) £55,000 from Departmental Management & Corporate Division to the Corporate Procurement Property & Support Division within the Town Clerks & Corporate Resources Department following a departmental review;
- (l) £43,200 from Corporate budgets to Environment & Development Department – contribution towards the costs for graffiti removal;
- (m) £35,300 from the Environment & Development Department to the Chief Executive's Office – contribution towards Revitalising Neighbourhoods initiative;
- (n) £35,000 from Property Services to Energy Management Centre within the Environment and Development Department - reflecting re-allocation of budget identified during the year;

4. SIGNIFICANT ISSUES ARISING FROM DEPARTMENTS

The budgetary issues, which have emerged during the year, are as follows:

Arts & Leisure Department

The Arts & Leisure departmental outturn forecast for 2001/02 currently indicates an overspend of less than £0.1m. This comprises:

- £65k overspend on Libraries due to NNDR revaluation costs;
- £100k overspend within Cemeteries & Crematoria due to substantial under-achievement on budgeted income targets (a demographic issue associated with people living longer);
- £80k underspend due to vacancies pending the implementation of an organisational review.

Action is being taken to ensure that the department spends within budget.

Chief Executive's Office

The department currently anticipates an underspend of less than £50,000 which mainly consists of small savings across the department.

Commercial Services

The current forecast for the year indicates a surplus of between £0.2m and £0.3m, compared to a target surplus of £0.2m.

The main area of concern relates to Building Cleaning where a deficit of £178k is forecast. The key reason for this is the cost of wage increases, however measures are being introduced in order to try and reduce this deficit. All other trading areas are budgeting to either make a surplus or break-even.

Education

At this stage of the year the department is predicting an underspend of around £0.1m. The main issues for the department are:

- £139k forecast overspend in the Pupil & Student Support Division - Within the wider policy of social inclusion, the LEA has an obligation to provide additional teaching hours for excluded pupils. In order to implement the increased pupil provision, further staffing is needed to meet the requirements of the Behaviour Support Plan. There are also further costs related to the service relocating to 3 new premises;
- £65k overspend on the budget that funds the cost of school-based teachers' maternity cover. The overspend is based upon the current level of need;
- £57k overspend on the budget for the EMTAG (Ethnic Minority Achievement Grant) for which the funding period has been extended;
- An underspend of £154k on the budget which covers premature retirement costs for education employees. The current forecast is based upon commitments to date;
- An underspend of £88k on the budget which supports the transportation of pupils with special needs. The predicted underspend is based upon actual expenditure for April to July and an estimate of the number of children requiring transport.

The eventual outturn for the department will be significantly influenced by the recent influx of persons from abroad (see section 5).

Environment & Development

At this stage of the year the department as a whole is anticipating expenditure to be close to budget. Key issues are:

- a forecast overspend of £186k on waste disposal and recycling; energy management is forecasting a deficit in income of £70k; and there is a forecast under-achievement of advertising income of £100k. On the positive side £150k is anticipated from additional planning income, and there are a number of vacancies in the department which are anticipated to generate savings of £70k. The Property Services budget is anticipated to underspend by £115k due mainly to salary savings on unfilled vacancies.

Housing

The department is presently forecasting a saving of approximately £0.8m. This is primarily made up of an underspend on Housing Benefit Payments which is a demand-led budget, and for which the department's budget will be adjusted at year-end (i.e. the department is not permitted to keep it).

Other issues affecting the department are:

- There is a forecast £170k overspend in Housing Benefits Administration (as distinct from payments to recipients), due to the need for additional staff to cope with the backlog resulting from the introduction of a new computer system and the Government's verification framework;
- A £180k underspend in the Hostels, Homelessness and Rehousing division is forecast due to increased income from high occupancy levels.

The budget for the Housing Maintenance Trading Service requires a surplus at the end of the year of £200k. However the forecast at period 5 indicates a surplus of £100k. The reason for the reduction in profit is mainly the result of difficulties being experienced in retaining and recruiting to its' workforce.

Social Services

The department has identified significant pressures which are forecast to result in an overspend of nearly £2.0m by the end of the year. This is a trend experienced nationwide with a recent survey indicating that 75% of authorities overspent in 2000/01 and 87% are reporting a gap for 2001/02.

The Director has recognised the overspend and has already put into action various measures to bring spending back towards the budget. This includes pro-active management of vacancies by Assistant Directors, ensuring that requests for high cost services such as legal advice go through service Managers, and holding back orders for goods and services where possible. In addition the department must ensure it makes full

use of the grants available and is pro-active in finding other ways to reduce expenditure and/or increase income. These actions will not compromise the statutory/essential duties of the department.

The main areas of concern are:

- £2m overspend forecast against the budget for Care in the Community. The main reason is the current level of commissioning activity associated with the increase in demand, and the effect of legislative charges;
- £1m overspend on Children & Family Services. This is due to an increase in the cost of children being looked-after, and the effect of foster contract care which is estimated to cost around £400k per year;
- There are compensating underspends totalling £1.5m across various services as a result of vacancies which are proving difficult to fill.

Included in the departmental forecast above is a projected underspend for the Youth Offending Team of £78k mainly as a result of a £100k underspend carried forward from 2000/01. The team is gradually becoming fully established since being set up in 1999/2000.

Social Services, like Education, will be affected by the influx of persons from abroad (see section 5).

Town Clerks & Corporate Resources

At this early stage the department is optimistic that spending for the year will be contained within budget. However the department has identified a number of areas with potential budgetary pressures. These include:

- The Coroners Service where the costs of pathology testing are effectively not controllable as they are dependent upon wholly external factors;
- The Centrally Located Administrative Buildings where energy costs will be determined by weather conditions, and other costs dependent on factors outside the departments control;
- Weekly Benefit Savings penalties are likely to be incurred due to difficulties in achieving government targets for fraud detection;
- **Payroll where a review of the service is on going and additional temporary staffing costs are being incurred.**

5. OTHER ISSUES – PERSON FROM ABROAD

In recent months, a significant number of EU nationals have arrived in Leicester. Whilst it is the Council's usual practice to welcome people in these circumstances, this group of arrivals has resulted in considerable pressure on some departments, primarily Education and Social Services.

Unexpected costs are therefore being incurred which were not anticipated. These are not yet fully reflected in the current budget position, however they are estimated to be, at the least, in the region of £0.8m (£0.3m and £0.5m for Social Services and Education respectively), potentially rising to over £1m in 2002/03.

The key elements of these costs are:

Social Services:

- | | |
|--|-------|
| (a) money paid to families to cover daily living costs and accommodation | £0.2m |
| (b) additional staffing to deal with the increased demand for screening and assessment | £0.1m |

Education:

- | | |
|--|-------|
| (c) short-term support to schools to manage new arrivals | £0.1m |
| (d) work with young people and adults and support costs | £0.2m |
| (e) schools funding (potentially up to £0.5m) | £0.2m |

The authority will ask Government to provide additional resources to address this shortfall.

6. CORPORATE BUDGETS

The current projection on Corporate Budgets shows an overspend of between £0.1 and £0.2m for the year-end. This overspending will, in due course, be met from corporate reserves, but (conversely) reserves will increase due to savings identified above in housing benefits.

The key reason for the projected overspend is loss of investment income due to falling interest rates. Members will recall that savings on capital financing have increased reserves in previous years, partly due to good investment performance by our fund managers. In the current investment climate (which has been exacerbated by the tragic events of September 11th) there is no chance of such a saving being realised this year.

7. EQUAL OPPORTUNITIES IMPLICATIONS

None arising as a result of this report.

8. DETAILS OF CONSULTATION

All departments have been consulted on revenue budget monitoring, and the overall position has been considered by Directors' Board.

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MARK NOBLE CHIEF FINANCIAL OFFICER

APPENDIX 1

GENERAL FUND REVENUE BUDGET
MONITORING
PERIOD 5 : 2001/2002

	Revised Budget for Year	Actual Expenditure to Period 5	% Spend
	£000	£000	
Department			
Arts & Leisure	23,776.2	10,094.5	42.5%
Chief Execs Office	3,172.9	1,193.2	37.6%
Commercial Services	(215.7)	n/a	n/a
Education	142,148.5	56,517.5	39.8%

Environment & Development	31,619.9	9,079.0	28.7%
Housing	8,635.0	3,651.0	42.3%
Social Services	62,536.3	27,151.8	43.4%
TC & C.Resources	18,292.2	10,204.8	55.8%
Total Departments	289,965.3	117,891.8	40.7%
Corporate Budgets			
Levies	6,846.0	2,397.5	
Miscellaneous	1,447.0	821.6	
Capital Financing	7,463.0	-	
Total Corporate Budgets	15,756.0	3,219.1	
TOTAL GENERAL FUND	305,721.3	121,110.9	