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**REVENUE BUDGET MONITORING 2002/2003 – PERIOD 5**

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**REPORT OF THE CHIEF FINANCIAL OFFICER**

**1. PURPOSE OF REPORT**

- 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 in the regular cycle of reports for the 2002/2003 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**

- 2.1 The General Fund budget set for the financial year 2002/2003 was £312.4m. Together with the sums carried forward from 2001/2002, (net deficit of £0.6m as reported to Cabinet on July 2002) the revised budget is now £311.8m. After 5 months of the year, 39% of the revised budgets of departments have been spent.
- 2.2 The budget monitoring report has been presented based on the old departmental structures, as per the budget book. The effect of the new structures following the revitalising neighbourhoods initiative is being addressed and will be incorporated in the next budget monitoring report.
- 2.3 Although it is too early in the year to make realistic projections of outturn,

departments have been able to highlight those services where significant budget pressures exist and set out the measures proposed to tackle these pressures.

- 2.4 In overall terms, the budget position is tight. No department is envisaging a significant underspend, and those departments under pressure are taking action to avoid overspending. The key issues are the demanding situation faced by Social Services (in common with many Social Services departments nationally) and budget pressures in parts of the former Commercial Services Department.

### **3. RECOMMENDATIONS TO CABINET**

3.1 The Cabinet is recommended to:

- 1) Note the changes made to the original approved budget for 2002/03;
- 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 departments' budgets;
- 4) Authorise the establishment of a new reserve in the Cultural Services and Neighbourhood Renewal department.

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

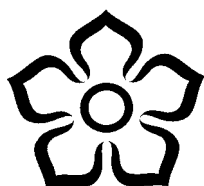
3.3 The Finance, Resources and Equal Opportunities Scrutiny Committee is asked to consider the overall position for the whole Council and make any observations it sees fit.

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### **DECISION STATUS**

Key Decision	No
Reason	N/A
Appeared in Forward Plan	No
Executive or Council Decision	Executive (Cabinet)

**MARK NOBLE**  
**CHIEF FINANCIAL OFFICER**



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**REVENUE BUDGET MONITORING 2002/2003 – PERIOD 5**

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**SUPPORTING INFORMATION**

**1. INTRODUCTION**

The net General Fund budget for the financial year 2002/03 is £312.4m. Together with the carry forward deficit from 2001/02, which amounts to £0.6m, the budget for the year is now £311.8m.

Each Corporate 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 Finance Officer. Financial control is maintained by monitoring actual expenditure against approved budgets at regular intervals throughout the year.

Corporate 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.

The departmental restructuring following the revitalising neighbourhoods initiative is presently being addressed and departmental budgets will change to reflect the new structures once formally agreed. Therefore the budget monitoring is presented based on the 'old' departmental structures, as per the budget book.

**2. FINANCIAL IMPLICATIONS**

This report is solely concerned with financial issues.

### 3. DEPARTMENTS / CORPORATE REVISED BUDGET

The table below details the budget for the Authority.

	Original Budget for 2002/2003	Approved Carry-Forwards	Virements	Revised Budget for 2002/2003
<u>Department</u>	£000	£000	£000	£000
Cultural Services	18,267.4	9.6	8.3	18,285.3
Chief Executives	2,594.6	89.2	(26.0)	2,657.8
Commercial Servs	(211.8)	0.0	0.0	(211.8)
Education & LLL	150,970.2	0.0	50.2	151,020.4
Environment R&D	32,482.2	422.1	114.0	33,018.3
Housing	8,080.5	93.8	0.0	8,174.3
Social Care & Health	64,925.7	(1,407.4)	(128.0)	63,390.3
T.Clerks & C.Res	18,295.5	227.5	0.0	18,523.0
<b>Total Departments</b>	<b>295,404.3</b>	<b>(565.2)</b>	<b>18.5</b>	<b>294,857.6</b>
<b>Corporate Budgets</b>				
Levies	7,230.9	0.0	0.0	7,230.9
Miscellaneous	2,638.3	0.0	0.0	2,638.3
Capital Financing	10,259.0	0.0	0.0	10,259.0
<b>Gen Fund (Exc Net Recharges)</b>	<b>315,532.5</b>	<b>(565.2)</b>	<b>18.5</b>	<b>314,985.8</b>
Net Recharges	(3,127.5)	0.0	(18.5)	(3,146.0)
<b>Net General Fund</b>	<b>312,405.0</b>	<b>(565.2)</b>	<b>0.0</b>	<b>311,839.8</b>

### 4. SUMMARY OF PROJECTIONS

The results of the monitoring of the budgets are summarised in Appendix 1.

### 5. SIGNIFICANT ISSUES ARISING FROM DEPARTMENTS

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

#### 5.1 Cultural Services & Neighbourhood Renewal Department

The department is currently predicting a balanced outturn for end of the year.

Officers have been working in consultation with members to deal with budget

issues which have arisen since the budget was set, and as a result, there will be some budget movements in period 6. The expectation is that service managers will live within their budgets.

The above forecast includes the Libraries & Information Services division transferred to the Education department as part of the Revitalising Neighbourhoods.

The department is also seeking Cabinet approval to establish a departmental earmarked reserve. This will be used to fund one-off projects and budgetary issues from any future, fortuitous income (for example NNDR refunds).

## 5.2 Chief Executive's Office

The department currently anticipates a slight underspend against budget of £24,000. This is due to savings on employee costs and additional grant income received.

## 5.3 Former Commercial Services Department

Until budget transfers from the former Commercial Services department have been formally ratified by the director of Environment, Regeneration and Development and the recipient directors of services, budget monitoring is being reported for the former department.

The department is experiencing significant difficulties and is presently forecasting an overspend of £0.5m. The main budget pressures are Creativity Works who are forecasting a considerable loss in 02/03. Management action has been taken to turn around the deficit but it is too early to identify whether this will produce the necessary result. Reprographics continues to be the major activity and the main area of concern.

Citywide Cleaning continues to operate to an extremely tight margin, and Construction Services are also predicting an overall loss.

It should be noted that Creativity Works, Architects and Surveyors have been transferred operationally to the Resources Access & Diversity Department as part of the Revitalising Neighbourhoods initiative.

## 5.4 Education

The department is currently projecting an overspend of approximately £1m for the end of the year. The net overspend will be partially funded from departmental earmarked reserve funds and the balance will be addressed by management action currently being assessed.

The main issues for the department are:

- (1) £0.5m overspend in the **Pupil & Student Support Division**. This includes:
- £0.2m forecast overspend on **Independent Schools** who have increased fees substantially over the last year, on average by 5%. There is also a predicted shortfall of grant from the Learning and Skills Council due to fewer post-16 pupils in Independent Schools than budgeted.
  - **Mainstream Statementing** is forecasting a £0.1m overspend. This is a needs-led budget which supports pupils with a high level of special educational need. Over the past year, the number of funded pupils has more than doubled. The policy of inclusion means that pupils that might otherwise have gone to special schools are now going to mainstream schools, and require high levels of support. Pupils' needs are becoming increasingly complex, resulting in higher levels of support being required.
  - The **Special Education** budget is forecasting an £0.1m overspend. This has arisen following the loss of Standards Fund grant for the Parent Partnership Scheme, plus the need to recruit extra staff to address additional work within the service.
- (2) There is also a £0.4m overspend forecast in the **Policy and Resources division**. The main items being:
- Schools Maternity Cover of £0.2m. This budget funds the cost of school-based teachers' maternity cover. The overspend is based upon the current number of applications.
  - Employee related costs of £0.2m, mainly due to a large rise in advertising costs.
  - Other various support service costs including insurance premiums, £0.1m overspend.

## 5.5 Environment, Regeneration & Development Department

At this stage of the year the department as a whole is forecasting expenditure to be contained within the revised budget. Key issues are:

- **Highways and Transportation** are predicting a £0.3m overspend due to under-achievement of advertising income following a delay in setting up the requisite contract.
- The **Business and Resources Division** is anticipating an underspend of £0.2m due to vacancies, use of carry-forwards, and savings from the grant claim for the Urban Pilot Project funded by the European Regional Development Fund.
- There is a further underspend of £0.1m forecast in **Regulatory Services**, due to increased fee income from Building Control & Licensing.

## 5.6 Housing Department

5.6.1 The department is presently forecasting a break-even position for the year-end. However there are some issues which are being carefully monitored:

- There is a forecast £0.1m overspend in Homelessness & Rehousing division. This is due mainly to increased demand for bed and breakfast places,
- A £0.1m overspend on Housing Benefit Administration due to the need for additional agency staff required for the DIP/VF operations.
- An underspend of £0.1m in Hostels. This is due to savings from the difficulties encountered in recruitment, and higher occupancy levels.
- There is also a £0.1m underspend in voluntary organisations due to changes in funding regimes as a consequence of Supporting People.

The Housing Benefit payments budget is currently under review. The grant claim for 2001/02 is being finalised at present, and this has taken priority. Once this claim has been submitted it will be possible to complete the review of the position for 2002/03.

### 5.6.2 Housing Maintenance Trading Unit

The budget for the unit is set to provide a surplus at the end of the year of £0.2m. The present forecast indicates expenditure to be at budget.

### 5.6.3 Housing Revenue Account

The original budget for the HRA indicated a planned £0.4m deficit for the end of this year. However the current forecast indicates a £0.6m surplus due mainly to accounting treatment of Housing Rents. There is a one-off windfall of nearly £1.0m because 2002/03 contains 53 rent weeks. This arises approximately once every 5 years and will have no adverse impact on the rents collected in 2003/04 which will revert to a standard 52 week rent year.

## 5.7 Social Care & Health

The department is facing considerable budget pressure amounting to in excess of £2m. A strategy to address this has been developed, including:-

- (a) deletion of current year capital schemes and bringing forward future capital funding, transferring £0.5m to revenue;
- (b) approaches to partners for additional funding.

If the above strategy is successful, the Director will be left with a residual problem of approximately £0.5m to be met by management action.

Heavy reliance on short term funding this year will make next year's budget round

more complicated, with around £3m required as the first call from new resources or savings before any other growth requirements are addressed.

## 5.8 Resources, Access and Diversity Department

The department is forecasting a break-even position for the year-end but it has identified a number of budgetary pressures which are highlighted below. The department is currently negotiating the transfer of Creativity Works and Architects/Surveyors from Commercial Services. These are currently projecting a deficit which is reported in section 5.3 of this report, but will mean the department is going to face significant budgetary challenges over the coming months.

- **Departmental Trading Services** are forecasting an overspend of over £0.3m. There continues to be pressure on the Legal Services and Payroll trading services. Payroll is undergoing a Best Value review with the aim of reducing costs and the situation is being closely monitored.
- There are compensating underspends forecast within departmental services. There is an increase in **Land Charges** income due to additional activity from the improved property market. There is also an underspend on **Financial Services** due to one-off sanctions subsidy income and staff turnover.

## 6. CORPORATE BUDGETS

The current projection on corporate budgets shows an underspend of £0.5m to £1.0m this year, entirely due to performance of the capital financing budget.

The underspend reflects a £0.3m gain from debt rescheduling (that is the premature repayment of existing loans and their replacement with new cheaper loans) undertaken in June. It also reflects the fact that base interest rates remain below levels forecast when the budget was set, good performance by our fund managers, and the fact that the Council has higher than budgeted cash balances (on which interest is earned).

## 7. LEGAL IMPLICATIONS

There are no specific legal implications.

## 8. OTHER IMPLICATIONS

Other Implications	Yes/No	Paragraph referred
Equal Opportunities	No	-
Policy	No	-
Sustainable & Environmental	No	-
Crime & Disorder	No	-



Human Rights Act	No	-
Elderly and People on Low Incomes	No	-

**9. DETAILS OF CONSULTATION**

All the departments are consulted on revenue budget monitoring.

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**MARK NOBLE**  
**CHIEF FINANCIAL OFFICER**

**GENERAL FUND REVENUE  
BUDGET MONITORING PERIOD 5  
2002/03**

**APPENDIX 1**

	<b>Revised Budget for Year</b>	<b>Actual Expenditure to Period 5</b>	<b>% Spend</b>	<b>% Spend Period 5 2001/02</b>
	<b>£000</b>	<b>£000</b>		
<b>Department</b>				
Cultural Services & Neighbourhood Renewal	18,285.3	7,779.5	42.5%	42.5%
Chief Execs Office	2,657.8	921.7	34.7%	37.6%
Commercial Services	(211.8)	n/a	n/a	n/a
Education & Lifelong Learning	151,020.4	55,287.0	36.6%	39.8%
Environment, Regeneration & Development	33,018.3	8,910.0	27.0%	28.7%
Housing	8,174.3	4,515.9	55.2%	42.3%
Social Care & Health	63,390.3	27,344.7	43.1%	43.4%
Resources, Access & Diversity	18,523.0	10,597.4	57.2%	55.8%
<b>Total Departments</b>	<b>294,857.6</b>	<b>115,356.2</b>	<b>39.1%</b>	<b>40.7%</b>