

Leicester
City Council

CABINET
ALL SCRUTINY COMMITTEE MEETINGS

13th OCTOBER 2003
various

REVENUE BUDGET MONITORING 2003/2004 – PERIOD 4

REPORT OF THE CHIEF FINANCE 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 2003/2004 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 2003/2004 was £342.8m. Together with the sums carried forward by service departments from 2002/2003, (net deficit of £0.5m as reported to Cabinet in July 2003) the revised budget is now £342.3m. After 4 months of the year, 32% of the revised budgets of departments have been spent.
- 2.2 Although it is too early in the year to make realistic projections of outturn, it is clear that a number of departments are again facing significant budgetary pressures, which need addressing to ensure budgets are not overspent at the year end. Departments have highlighted those services where budget pressures exist, and details are included in the supporting information attached to this report where appropriate.

2.3 In accordance with Finance Procedure Rules, some virements of budgets between services are submitted to Cabinet for approval.

3. RECOMMENDATIONS TO CABINET

3.1 The Cabinet is recommended to:

- a) Note the changes made to the original approved budget for 2003/04 as approved by the Cabinet on 21st July 2003;
- b) Note the expenditure to date and the budgetary issues which have emerged so far this year;
- c) Note the proposals put forward to ensure that spending is contained within the Departments budgets;
- d) Note the finalisation of the virement of £1,535,100 relating to the transfer of advice services, community safety and the racial harassment project from Environment, Regeneration & Development to the Cultural Services & Neighbourhood Renewal Department (as previously approved by Cabinet 25th February 2002 and Council 21st March 2002);
- e) Approve the budget virement of £310,800, which relates to the reclassification of the Markets function from an “internally traded service” to a General Fund service.
- f) Approve various virements within the Housing Department, which realign budgets to reflect departmental structure, but have no overall net effect on the departments’ budget.
- g) Approve the change of name and use of the Strategic Review Reserve within the Education & Lifelong Learning Department to the Departmental Reserve, for the purposes set out in paras 6.3.4 and 6.3.5 of the supporting information.

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.

4. FINANCIAL IMPLICATIONS

The report is solely concerned with financial issues .

5. LEGAL IMPLICATIONS

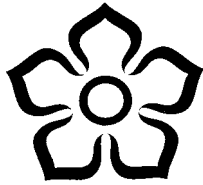
There are no direct legal implications in this report. Peter Nicholls, the Head of Legal Services has been consulted in the preparation of this report.

Author: Alison Greenhill / Devanshi Mavani – Ext 7421
Principal Accountant

MARK NOBLE
CHIEF FINANCE OFFICER

DECISION STATUS

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



Leicester
City Council

**CABINET
FINANCE, RESOURCES & EQUAL OPPORTUNITIES
SCRUTINY COMMITTEE**

13th October 2003

6th November 2003

REVENUE BUDGET MONITORING 2003/04– PERIOD 4

SUPPORTING INFORMATION

1. INTRODUCTION

- 1.1 This report provides a summary position for all General Fund expenditure at the end of period 4 for the financial year 2003/2004.
- 1.2 The report is the first full report for this financial year, and shows the overall General Fund position against the original budget of £342.8m. Further reports will be presented at period 7 and outturn.

2. BUDGET FOR 2003/2004

- 2.1 The net General Fund budget for the financial year 2003/04 is £342.8m. Together with the net deficit carried forward from 2002/03 which amounts to £0.5m, the budget for the year is now £342.3m.
- 2.2 Each Corporate Director is required by Finance Procedure Rules to ensure that services are delivered within budget, and has the responsibility of providing a framework for monitoring the budgets within the guidelines provided by the Chief Finance Officer. Financial control is maintained by monitoring actual expenditure against approved budgets at regular intervals throughout the year.
- 2.3 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.

3. DEPARTMENTS / CORPORATE REVISED BUDGET

3.1 The table below details the revised net direct budget for the Authority.

	Original Budget for 2003/2004	Approved Carry- Forwards	Virements	Revised Budget for 2003/2004
Department	£000	£000	£000	£000
Cultural Services	15,628.6	2.2	1,176.2	16,807.0
Chief Executives	2,499.0	143.3	4.3	2,646.6
Education	172,570.1	0.0	(25.6)	172,544.5
Environment	35,129.4	61.2	(1,489.9)	33,700.7
Housing	6,641.8	(0.5)	(11.4)	6,629.9
Housing Benefit	2,580.7	0.0	0.0	2,580.7
Social Care	73,955.7	(1,350.6)	61.5	72,666.6
Resources	15,042.4	384.0	95.9	15,522.3
Total Departments	324,047.7	(760.4)	(189.0)	323,098.3
Corporate Budgets				
Levies	7,641.1	0.0	0.0	7,641.1
Miscellaneous	1,865.4	288.6	0.0	2,154.0
Capital Financing	12,314.0	0.0	0.0	12,314.0
Gen Fund (Exc Net Recharges)	345,868.2	(471.8)	(189.0)	345,207.4
Net Recharges	(3,074.0)	0.0	189.0	(2,885.0)
Net General Fund	342,794.2	(471.8)	0.0	342,322.4

4. VIREMENTS

- 4.1 The transfer of advice services, community safety and the racial harassment project from Environment, Regeneration & Development to the Cultural Services & Neighbourhood Renewal Department was approved by Cabinet on the 25th February 2002 and at Council on the 21st March 2002. The finalisation of the transfer of their associated budgets is now complete and the resulting sum is £1,535,100.
- 4.2 The Markets function was transferred to the Cultural Services and Neighbourhood Renewal Department during 2002/03. At this time, the function was treated as an "internally traded service" which reflected the accounting arrangements within the former Commercial Services Department. The virement of £310,800 is purely an accounting transfer and supports a change in the way the Markets function is reported as part of the General Fund budget.

- 4.3 The Housing department has undertaken a number of internal budget virements. These have no overall effect on the department, but realigns the budget to more accurately reflect the structure of the department.

5. SUMMARY OF PROJECTIONS

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

6. SIGNIFICANT ISSUES ARISING FROM DEPARTMENTS

The budgetary issues, which have emerged to date, are as follows:

6.1 Cultural Services and Neighbourhood Renewal Department

- 6.1.1 The department is monitoring the budget position on an on-going basis to ensure it achieves a balanced budget for the end of the year. A significant number of vacancies are being held across the department pending confirmation of the future service structure and the budget strategy. The savings on employee budgets and ongoing control over non-essential expenditure will be used to achieve a balanced outturn.
- 6.1.2 NNDR refunds backdated for up to 10 years, received in 2002/03, were put into a Strategic Reserve which presently has a balance of £0.7m. The fund is being used to begin visible reinvestment in facilities and to upgrade the department's I.T. network.
- 6.1.3 The Markets function, which was transferred to Cultural Services last year, no longer operates as a trading service, and is being monitored as a separate service area within the department and expects to achieve its target income.

6.2 Chief Executive's Office

- 6.2.1 There are no major issues of concern in the Chief Executive's Office and the department is presently forecasting to balance its budget .

6.3 Education & Lifelong Learning

- 6.3.1 The Department is experiencing budgetary pressures in a number of areas. These are mainly those services associated with meeting special needs. The key issues are outlined below.

a) The area of most concern is SEN (Special Education Needs) Transport which is predicting an overspend of over £0.75m. The predicted overspend is a result of a combination of factors including:

- Bus costs increasing in excess of inflation accounting for an overspend of £0.3m, and;

- The number of pupils eligible for the service has increased during the year costing a further £0.3m.
- b) Statementing in Mainstream schools is a budget which supports pupils with a high level of special educational need. As in previous years, this budget is forecasting an overspend of more than £0.1m due to the ever-increasing numbers of pupils requiring additional support. Parental demands in response to the LEA & Government's policy of inclusion, means that pupils that might otherwise have gone to special schools are now going to mainstream schools, and therefore require high levels of support.
- c) The Statementing and Special Recoupment budgets are based upon the level of City pupils attending schools in other education authorities (mainly Leicestershire County), and income budgets that are dependent upon the level of pupils (again mainly Leicestershire County) attending City special/mainstream schools. Overspends of around £0.1m are predicted as a result of the continuing trend of fewer County pupils attending City Special schools and parents preferring their children to go to County schools.
- d) The Mainstream Transport budget is expecting to overpend by over £50k because the number of children eligible for free transport continues to increase.

6.3.2 Resourcing the Overspend

For 2003/04 a needs-led contingency was established within the School's Block; accessing this budget is ring fenced to services in the School's Block. £0.2m of the above meets this criteria.

6.3.3 The remaining overspend of £0.6m falls within the LEA Budget Block. The department currently has available non ring-fenced reserves of £142,000. **The Departmental Management Team are considering the areas facing budget pressures and** the following actions are happening:

- Underspends from within the department (mostly Policy & Resources Division) have reduced the transport overspend to £616,000.
- A team have been established to review and analyse the transport overspend. The team have already met twice and are currently collating information to inform decision making (first estimates suggest that pupil numbers receiving SEN transport have increased by 100 this year).
- The team are reporting back to DMT in October with an analysis of the reasons for the overspend and proposals on how to deal with the financial implications that have arisen.

6.3.4 Earmarked Reserves

As part of the revenue outturn 2002/03 report the department reviewed its' earmarked reserves. This was in response to the new financing regime and the introduction of the Schools Block and LEA Block. As a result, the Strategic Review Reserve, originally set-up in 2000/01 as a one-off fund to provide for the implementation of the post OFSTED identified strategic reviews, is no longer required specifically for that purpose. The department has renamed the reserve as the Departmental Reserve, which will be used for dealing with budget and other pressures.

6.3.5 The balance on the new reserve is £725,400, which is made up of the residual balance brought forward from 2002/03 of £59,400 and £666,000 transferred to the LMS Contingency Reserve in error at the year-end. This transfer should have been made to the new Departmental Reserve.

6.4 Environment Regeneration & Development

6.4.1 There are various budget pressures arising within the department and action is being taken to manage this situation. Although the department is forecasting an overspend of around £0.4m, it is anticipated that these actions will result in the department breaking even. This includes savings across the department on staff vacancies which will be used to contribute to the short fall.

6.4.2 The areas of concern include:

- Waste Disposal, predicting a £0.1m overspend due to the increases in tonnage of waste arising,
- Closure of the textile training due to the loss of the contract with JOB Centre Plus, and
- Concerns over the ability of the Wyvern unit to be self financing,
- A part year only achievement of advertising income following a delay in finalising the requisite contract – forecast overspend of £0.3m.

6.4.3 All of the trading services operating within the department are forecasting outturn close to budget.

6.5 Housing

6.5.1 The department is presently forecasting a break-even position for the year-end and is monitoring the position on a regular basis to ensure spend is controlled within the budget. At present there are minor concerns across the department but a forecast underspend in the Hostel & Community Care division, as a result of high occupancy levels, will be used fund any overspends.

The department has undertaken a complete analysis of its' budget and a number of virements have been actioned to bring the reported budget more closely in line with the departmental reporting structure. These have no overall effect on the department but result in some changes to the information presented in the 2003/04 budget book.

6.5.2 Housing Benefit Payments

The current forecast indicates outturn close to budget. However, the mid-year estimates have not yet been submitted and the audit of the 2002/03 grant claim is not yet complete. Both of these may affect the forecast outturn.

6.5.3 Housing Maintenance Trading Unit

Although the unit expects to achieve a surplus of £200k this year, this surplus is to be used to fund repairs. Therefore the present forecast is a break-even position for the end of the year.

6.5.4 Housing Revenue Account

The original budget for the HRA indicated a planned £368k deficit for the end of this year, however the current forecast indicates a reduced deficit of £0.2m.

6.5.5 The main reason for the improvement is a reduction in capital financing costs. There continues to be extremely high levels of Right to Buy (RTB) sales, which have resulted in higher than anticipated levels of capital receipts. This effectively reduces outstanding debt and reduces the cost of capital financing. However such levels of RTB sales adversely affects HRA income as the amount of rental income is reduced (currently forecast to be around £250k).

6.5.6 The projected balance for the end of the year on HRA is £2.1m.

6.6 Social Care & Health

6.6.1 Following the Council's investment in the Directorate's 2003/04 budget, and through continuing stringent measures to contain activity, it is anticipated that spending on operational activity will be able to be contained within the available resources.

6.6.2 The Directorate continues to face a range of demanding operational pressures, including:

- The on-going level of demand for community care services
- Above inflation cost increases on children's residential placements
- Impact of new legislative requirements
- Shortfall on the Government's funding of Preserved Rights
- Restrictive conditions on new specific grants
- Recruitment and retention
- Service user transport
- The implementation of the *Fairer Charging* framework for non-residential services

6.6.3 The stringent measures that continue to be taken to stay within budget include:

- Challenging activity targets
- Consideration being given to waiting lists for some types of service

- Close scrutiny prior to filling vacancies
- Delayed implementation of new initiatives and response to new statutory requirements where possible
- The management of service risk within the available resources

6.6.4 However, a number of external pressures have emerged that were not foreseen when the budget was prepared. These total some £0.75m, and are:

- A shortfall in the 2002/03 NRF slippage transferred to the Department – the budget anticipated £0.4m would be available, whereas only £0.1m has been received.
- A report by the Local Government Ombudsmen on the refund of charges made to people for community care services following an assessment under S117 of the Mental Health Act 1983. In addition to the provision set aside in the 2002/03 accounts, a further £0.35m may now be needed. A Cabinet report on this is being prepared in conjunction with the Head of Legal Services.
- The abolition of the Residential Allowance from October 2003, and its replacement with a Government grant. The current Department of Health consultation and draft grant figures indicate a potential lost income of up to £0.2m.

6.6.5 The following further actions are being undertaken to bring the overspend in line with the budget and to contain the unforeseen external pressures identified in 6.6.4 above. These are:

- The position with the 2002/2003 NRF slippage is still being sought and a positive outcome will improve the situation.
- Legal advice is being sought from Legal Services on the department's position regarding S117 of the Mental Health Act 1983. The report will clarify the current situation.
- Activity targets are set on all Community Care services; for example, from October an intake team will now review all Home Care provision before re-provisioning the service to the independent sector.
- Service Directors have been asked to re-prioritise current spending to assist with the current situation.

6.7 Resources Access & Diversity

6.7.1 The department, in the 2002/03 outturn report, identified some pressures in 2003/04 which could be met from the 2002/03 underspend. However, this is currently frozen as part of the plan to restore the CMF to a satisfactory level, so the pressures will have to be borne from the department's 2003/04 budget. The main areas are:

- Financial Services and Property Services divisions, where there are residual costs arising from the restructuring of these divisions,

- IT & Customer Access, where there is demand to continue to develop the Customer Service Centre and improve telephone access,
- The trading position of the Construction Services section of Property Services is also difficult, and a thorough review of the costs and charges of this activity is being undertaken.
- The City Council's share of the costs of the Coroner's Service continue to exceed the budget and this is also under review.
- The difficulties previously experienced with Creativity Works have, however, been resolved by management action and the unit expects to break-even.

6.7.2 Overall, the department is forecasting an overspend in 2003/04, although it is anticipated that the majority of this will be eliminated by measures put in place to tackle it, such as:

- Maximising income
- Reviewing non-essential spending
- Delaying recruitment to some vacant positions

7. CORPORATE BUDGETS

- 7.1 This budget includes a number of items that are not within the controllable budgets of any corporate directors. Capital financing and the Fire Authority levy are by far the largest element of the budget but it also includes bank charges, audit fees and other miscellaneous expenditure.
- 7.2 The Capital Financing budget is presently forecasting a saving of £0.4m. Levels of cash balances are higher than expected which has reduced the borrowing needs, and resulted in interest payable lower than originally forecast.
- 7.3 The PFI integrated waste management contract is now signed and government support via PFI grant secured. Within the complexities of forecasting the affordability of the project over the 25 year term, the level of government support should be sufficient so that no additional affordability issues (over and above those currently managed) arise as a consequence of the project. There may even be some surplus available, which if available, will be dealt with as part of the revenue budget strategy.

8. NEIGHBOURHOOD RENEWAL FUND

- 8.1 The Neighbourhood Renewal Fund (NRF) is a revenue grant introduced by the Government in 2000 and covering the period 2001/02 to 2005/06. The grant is to assist authorities to implement the Government's national renewal strategy.

8.2 The City Council was allocated £18.8m over the first three years (£4.1m in 2001/02, £6.3m in 2002/03, £8.4m in 2003/04). It is expected by the Government that the majority of the grant is spent in the year it has been allocated and there are explicit instructions relating to year end carry forward. The authority carried forward £730k from 2002/03 on projects which had not been completed at the year end.

8.3 At present £7.8m of the total £9.1m has been allocated to projects. A formal monitoring exercise of all projects will be conducted after six months and details will be included in the period 7 budget monitoring report to Cabinet.

9. OTHER IMPLICATIONS

Other implications	Yes/No	Paragraph referred
Equal Opportunities	No	-
Policy	No	-
Sustainable and Environmental	No	-
Crime and Disorder	No	-
Human Rights Act	No	-
Elderly/People on Low Income	No	-

10. DETAILS OF CONSULTATION

All departments are consulted on revenue budget monitoring.

Author: Pratish Parmar
Date; 03/09/2003

MARK NOBLE
CHIEF FINANCE OFFICER

**GENERAL FUND REVENUE
BUDGET MONITORING PERIOD 4
2003/04**

APPENDIX 1

	Revised Budget for Year	Actual Expenditure to Period 4	% Spend	% Spend period 4 2002/03
	£000	£000		
Department				
Cultural Services & Neighbourhood Renewal	16,807.0	5,450.0	32.4%	30.1%
Chief Execs Office	2,646.6	962.5	36.4%	29.1%
Education & Lifelong Learning	172,544.5	53,516.2	31.0%	35.1%
Environment, Regeneration & Development	33,700.7	13,642.1	40.5%	16.9%
Housing	6,629.9	1,284.0	19.4%	43.9%
Housing Benefit	2,580.7	(3,571.7)	n/a	n/a
Social Care & Health	72,666.6	25,662.8	35.3%	34.3%
Resources, Access & Diversity	15,522.3	7,574.8	48.8%	42.5%
Total Departments	323,098.3	104,520.7	32.3%	33.3%
Corporate Budgets				
Levies	7,641.1	2,124.9		
Miscellaneous	2,154.0	344.8		
Capital Financing	12,314.0	5,219.4		
Total Corporate Budgets	22,109.1	7,689.1		
TOTAL GENERAL FUND	345,207.4	112,209.8		
Net Recharges	(2,885.0)			
TOTAL GENERAL FUND	342,322.4			