

Leicester
City Council

**CABINET
ALL SCRUTINY COMMITTEE MEETINGS**

**19th JANUARY 2004
various**

REVENUE BUDGET MONITORING 2003/2004 – PERIOD 7

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. This report is the second in the cycle of reports for the 2003/2004 financial year showing budget issues that 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 7 months of the year, 57% of the revised budgets of departments have been spent.
- 2.2 In respect of the general fund, departments are facing significant pressures, but each director has taken action and it is predicted that all departments will spend within their resources.
- 2.3 In respect of the Housing Revenue Account (HRA), spending is broadly in line with the budget, although very small savings are anticipated.

2.4 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 expenditure to date and the budgetary issues that have emerged so far this year;
- b) Note the proposals put forward to ensure that spending is contained within the Departments budgets;
- c) Approve virements specified in section 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 AND LEGAL IMPLICATIONS

4.1 The report is solely concerned with financial issues. 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.

5. OTHER IMPLICATIONS

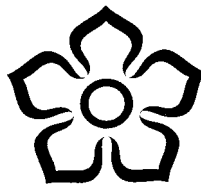
Other implications	Yes/No	Paragraph referred
Equal Opportunities	No	-
Policy	No	-
Sustainable and Environmental	No	-
Crime and Disorder	No	-
Human Rights Act	No	-
Elderly/People on Low Income	No	-

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DECISION STATUS

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



Leicester
City Council

CABINET
SCRUTINY COMMITTEES

19th JANUARY 2004
Various

REVENUE BUDGET MONITORING 2003/2004 – PERIOD 7

SUPPORTING INFORMATION

1. INTRODUCTION

- 1.1 This report provides a summary for all General Fund expenditure at the end of period 7 for the financial year 2003/2004. The report details the main budgetary issues affecting departments, a forecast position for the year-end, and the steps being taken to control expenditure for the remaining months of the financial year.
- 1.2 The report also includes a summary position on the Housing Revenue Account, Neighbourhood Renewal Fund and Schools balances.

2. SUMMARY OF THE REPORT

- 2.1 As is consistent with previous years, the 2003/04 position is tight and is being carefully managed by departments to ensure that spending is contained within budget. It is pleasing to report that all departments forecast that they can contain spending within their reserves.
- 2.2 The first budget monitoring report for 2003/04 was received by members in October 2003 (relating to period 4), and highlighted the pressures faced by most departments. In particular, the Social Care and Health and Education and Lifelong Learning departments had highlighted significant problems which could potentially give rise to an overspend.
- 2.3 After seven months of the year the forecast position is much improved for Social Care and Health; and through careful management, the position is forecast to be close to break-even. Education and Lifelong Learning however still have significant pressures which will give require them to use earmarked reserves to prevent an overspend.

3. BUDGET FOR 2003/2004

- 3.1 The net General Fund budget for the financial year 2003/04 is £342.8m. Together

with the carry forwards from 2003/04 (net deficit of £0.5m), the revised budget against which expenditure is being monitored is £342.3m.

- 3.2 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.
- 3.3 Corporate Directors are responsible for their controllable budgets. These include employee and running costs and income. 'Indirect expenditure' is the responsibility of the service provider with the cost of those services being included in the providers' controllable budgets.

4. DEPARTMENTS / CORPORATE REVISED BUDGET

4.1 The table below details the revised budget for the Authority.

	Original Budget for 2003/2004	Approved Carry- Forwards	Virements	Revised Budget for 2003/2004
<u>Department</u>	£000	£000	£000	£000
Cultural Services	15,628.6	2.2	1,125.5	16,756.3
Chief Executives	2,499.0	143.3	(6.1)	2,636.2
Education & LLL	172,570.1	0.0	164.0	172,734.1
Environment R&D	35,129.4	61.2	(1,667.5)	33,523.1
Housing	6,641.8	(0.5)	19.3	6,660.6
- Housing Benefit	2,580.7	0.0	0.0	2,580.7
Social Care & Health	73,955.7	(1,350.6)	78.8	72,683.9
Resources A&D	15,042.4	384.0	329.6	15,756.0
Total Departments	324,047.7	(760.4)	43.6	323,330.9
<u>Corporate Budgets</u>				
Levies	7,641.1	0.0	0.0	7,641.1
Miscellaneous	1,865.4	288.6	(434.2)	1,719.8
Capital Financing	12,314.0	0.0	0.0	12,314.0
Gen Fund (Exc Net Recharges)	345,868.2	(471.8)	(390.6)	345,005.8
Capital Charges	0.0	0.0	216.7	216.7
Net Recharges	(3,074.0)	0.0	173.9	(2,900.1)
Net General Fund	342,794.2	(471.8)	0.0	342,322.4

5. VIREMENTS

- 5.1 Cabinet is asked to approve a virement of £272,300 from various departments to Resources, Access and Diversity relating to the funding of the telephone access project. This project aims to provide a central point of contact for the authority's customers, with the objectives of improving access to services and increasing customer satisfaction with telephone based enquiries.

6. SUMMARY OF PROJECTIONS

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

7. SIGNIFICANT ISSUES ARISING FROM DEPARTMENTS

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

7.1 Cultural Services & Neighbourhood Renewal Department

- 7.1.1 The department predicts a balanced outturn for end of the year. The position will be monitored carefully on an on-going basis to achieve a balanced budget. 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 on-going control over non-essential expenditure will be used to achieve a balanced outturn.
- 7.1.2 Following a successful appeal with the Customs & Excise, the department will be receiving a VAT rebate in the region of £0.4m. When received this will be transferred to the departmental strategic reserve which, without this rebate, is estimated to stand at £109k on 31/03/04. The reserve is being used to meet significant one off investment needs in the department such as upgrading the department's IT network and beginning visible reinvestment in facilities, e.g. St Margaret's Pastures pitch replacement and work at Spinney Hill Park. The refund will allow further prioritised investment to take place.

7.2 Chief Executive's Office

- 7.2.1 The department is forecasting an underspend of approximately £40k. This is mainly due to savings on the employees budget across the department.

7.3 Education & Lifelong Learning

- 7.3.1 The department is presently forecasting an overspend of £0.7m for the end of the year but has earmarked reserves from which this can be met. This excludes spending within the 'schools block' (primarily the budgets for individual schools and

closely related expenditure) for which a specific contingency exists.

7.3.2 The overspend of £0.7m falls within the LEA Budget Block and is predominantly on schools transport. This area is currently undergoing a thorough departmental review including detailed scrutiny of costs and eligibility.

7.3.3 In addition, the Departmental Management Team has commissioned a thorough scrutiny of all departmental budgets. In particular, budgets which support SEN expenditure are being rigorously challenged.

7.3.4 The main areas of overspend are:

- The area of most concern is still SEN (Special Education Needs) Transport which is predicting an overspend of around £0.6m. This is a needs-led budget which has experienced a large increase in the numbers of pupils eligible for the service, and an increase in the level of charges which are presently being investigated.
- The Student Support Service is predicting an overspend of £150k as a result of pupil capacity being exceeded by 48 additional exclusions. This has created the need for extra pupil programmes and additional teaching.
- Statementing in mainstream schools which is a needs-led budget supporting pupils with a high level of special educational need, is also forecasting an overspend of around £150k, 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.
- The budget for fees paid to and by other LEAs is also forecasting an overspend of around £100k. This budget is based upon the level of City pupils attending 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.
- There are small forecast overspends totalling around £100k in the Education Welfare Service and pupil support in Independent schools.
- The Lifelong Learning division forecasts an overspend of £100k due to the demand for childcare grants (£70k) and various pressures within the Libraries budget (£35k).

7.3.5 The following areas are forecasting an underspend position for the end of the year:

- The Standards & Effectiveness Division is forecasting an underspend of around £150k. This includes a £90k underspend due to staff turnover and additional Standards Fund grant, and a £80k underspend on Multicultural Service due to additional grant.

7.4 Environment, Regeneration & Development

- 7.4.1 The department is presently forecasting an overspend of around £350k. There are various budget pressures arising within the department which contributed to this. Action is being taken within the department to manage this situation and although an overspend is being forecast at present, it is anticipated that these actions will result in the department breaking even.
- 7.4.2 The main reason for the above is a predicted £280k overspend due to an under achievement of advertising income and £100k overspend on Legal Services where discussions are continuing to review the situation.
- 7.4.3 The overall position on the trading services in the department shows a forecast close to break-even.

7.5 Housing

- 7.5.1 The department is forecasting an underspend of £600k for the year-end. This does not include the Housing Benefit Payments forecast which indicates an overspend of around £60k; but as a demand-led budget, will be met from corporate reserves. The main budgetary issues are:
- 7.5.2 A forecast overspend on the Housing Benefit & Local Taxation service of £130k. There have been increased staff costs in the implementation of the computerised systems, and the implementation on the new Supporting People initiative.
- 7.5.3 The "Supporting Tenants and Residents" budget is forecasting an underspend of £450k. The service is operating with a shortage of staffing and recruitment to vacant posts has been slow, partly due to slow processing of applicants by the Criminal Records Bureau.
- 7.5.4 The Hostels & Community Care service is forecasting additional income of up to £230k due to a combination of increase in charges and very high occupancy levels in council hostels.
- 7.5.5 There are various small overspend forecasts across the services in the department £75k.

7.5.6 Housing Maintenance Trading Unit

A surplus of £200k is expected for the end of the year. Some of the surplus will be used to fund repairs, and the reserve balance at the end of the year is expected to be around £350k.

7.5.7 Housing Revenue Account

The original budget for the HRA indicated a planned £368k deficit for the end of this year. The current forecast indicates a reduced deficit of £274k. Capital financing costs are £0.5m below budget as 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 has adversely affected HRA income and the amount of rental income is reduced by £0.3m. The projected balance for the end of the year on HRA is £2.0m.

7.6 Social Care & Health

7.6.1 The present forecast indicates an overspend for the department of around £150k. The department faces a number of external pressures that have emerged since the budget was set. These are:

- A shortfall in the anticipated 2002/03 NRF underspend transferred to the department of £180k.
- A report by the Local Government Ombudsmen recommending that charges made to the people for community care services following an assessment under S117 of the Mental Health Act 1983 should be refunded. The current situation means that £450k may now be needed over and above the provision set aside in 2002/03 accounts.
- The abolition of the Residential Allowance from 8th October 2003, and its replacement with government grant. The draft figures indicate a potential loss of income of up to £200k.

7.6.2 Other internal pressures facing the department are:

- Increase in the volume of Home Care provision and a 10% increase in home care costs following the periodic re-tendering in response to market conditions.
- The cost of Children's transport not being fully funded, and likely to be substantially overspent.

7.6.3 Although the above points have placed serious pressure on the budget, measures being taken across the Directorate are intended to result in a balanced budget at the year-end. The measures being taken include:

- Holding posts vacant
- Restricting the purchase of non-essential supplies and equipment
- Prioritisation of home care services, including the creation of a waiting list,
- Minimising the number of residential placements
- Using Government grants to reduce revenue budget spending wherever possible.
- Holding back on capital spending to enable substitution from the revenue budget.

7.6.4 Work has commenced with a view to reducing spending on service user transport, looking at both the requirements for transport and how these requirements are met.

7.7 Resources Access and Diversity Department

- 7.7.1 The department is currently forecasting an overspend of around £200k. The department continues to experience some budget pressures, particularly on the Democratic Services budget. A review of the Coroner's budget has not yet been completed, although discussions with the County Council are making progress. The position of Property Services also continues to be difficult.
- 7.7.2 The Department has put in place measures intended to restore the equilibrium of the Central Maintenance Fund (CMF), which overspent by £1m in 2002/003. £326k of the departmental underspend in 2002/03 was denied to them until a recovery plan had successfully been put into place.
- 7.7.3 There are now some positive indications that the CMF recovery plan is achieving the goal of reducing the deficit balance on the fund, although another significant plant failure could disrupt progress.
- 7.7.4 The Department is currently forecasting an overspend of £200k for 2003/04 but, based on the current progress with the CMF, it is likely that some of the 2002/03 underspend will be available to meet this. Other measures, such as restricting non-essential spending, should be sufficient to ensure that the Department does not overspend by the end of the year.

8. CORPORATE BUDGETS

- 8.1 This budget comprises mainly of Capital Financing expenditure which is forecasting a saving of £0.5m. Levels of cash balances are higher than expected which has reduced the borrowing needs, and resulted in interest payable lower than originally forecast.

9. NEIGHBOURHOOD RENEWAL FUND

- 9.1 The present forecast indicates total NRF expenditure will be 92% of the available funding for the year (£8.4m). The monitoring process and subsequent verified payments for the second quarter has just been completed and actual expenditure levels are quite low (about 30%). This is due to a number of factors:
- some expenditure (significant proportions of Social Care & Health and Education) will not be drawn down until the year-end;
 - Some projects where large contracts are involved will be paid on conclusion of the contract work (total value of projects about £0.6m).
 - we pay a significant number of external projects in arrears for the previous quarters activity.
- 9.2 All projects will be monitored closely for the third quarter to establish likely underspend at year end and the Leicester Partnership has agreed a strategy for dealing with underspend as it is identified. The underspend strategy is based on

two principles:

- £750,000 was released to support the four PSA (Public Service Agreements) targets that the City is struggling to achieve in order to increase our chances of hitting the targets and getting the substantial financial 'reward' that is associated with them.
- As the underspend scenario becomes clearer after the third quarter monitoring, any likely additional underspend will be taken up by early capital spend on the programmes agreed for the 2004-2006 programme.
- Projects will be pressed hard to identify and admit to underspend at the end of the third quarter in order to allow re-cycling, and to minimize the amount of carry forward to the next financial year in order to comply with the Government's maximum allowance of £838,000.

10. SCHOOL BALANCES

- 10.1 As at the 1st April 2003, schools held revenue cash balances totalling £7.6m. Current forecasts show that schools expect to draw significantly from these balances, although it is too early to make realistic estimates..

11. RESERVES FORECAST

- 11.1 The forecast year-end uncommitted General Reserve balance is £4m. This is below the recommended minimum working balance of £5m.

12. EQUAL OPPORTUNITIES IMPLICATIONS

- 12.1 None arising as a result of this report.

13. DETAILS OF CONSULTATION

- 13.1 All departments are consulted on revenue budget monitoring.

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**GENERAL FUND REVENUE
BUDGET MONITORING
PERIOD 7 – 2003/04**

APPENDIX1

	Revised Budget for Year	Actual Expenditure to Period 7	Forecast Outturn	Forecast Variance over (under) spend - before action is taken	Forecast Variance	% Spend Period 7 2003/04
	£000	£000	£000	£000	%	
Department						
Cultural Services & NR	16,756.3	9,675.1	16,756.3	0.0	0.0%	57.7%
Chief Execs Office	2,636.2	1,696.5	2,598.8	(37.4)	(1.4)%	64.4%
Education & Lifelong Learning	172,734.1	97,098.3	173,310.5	576.4	0.3%	56.2%
Environment, Regen.& Dev.	33,523.1	19,047.7	33,862.1	339.0	1.0%	56.8%
Housing	6,660.6	2,766.0	6,060.6	(600.0)	(9.0)%	41.5%
Housing Benefit	2,580.7	1,363.5	2,638.7	58.0	2.2%	52.8%
Social Care & Health	72,683.9	42,668.7	72,839.9	156.0	0.2%	58.7%
Resources, Access & Diversity	15,756.0	8,326.3	15,956.9	200.9	1.3%	52.8%
Total Departments	323,330.9	182,642.1	324,023.8	692.9	0.2%	56.5%
Corporate Budgets						
Levies	7,641.1	4,035.0	7,654.1	13.0	0.2%	
Miscellaneous	1,719.8	673.8	1,639.0	(80.8)	(4.7)%	
Capital Financing	12,314.0	8,101.2	11,828.8	(485.2)	(3.9)%	
Total Corporate Budgets	21,674.9	12,810.0	21,121.9	(553.0)	(2.6)%	
TOTAL GENERAL FUND	345,005.8	195,452.1	345,145.7	139.0	0.0%	
Capital Charges	216.7					
Net Recharges	(2,900.1)					
TOTAL GENERAL FUND	342,322.4					