

Leicester
City Council

**CABINET
ALL SCRUTINY COMMITTEE MEETINGS**

27th SEPTEMBER 2004
various

REVENUE BUDGET MONITORING 2004/2005 – 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 2004/2005 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 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 Resources and Equal Opportunities Scrutiny 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 2004/2005 was £356.3m. Together with the sums carried forward by service departments from 2003/2004, (net underspend of £0.8m as reported to Cabinet in June 2004) the revised budget is now £357.1m. After 4 months of the year, 33% of the revised budgets of departments have been spent.
- 2.2 Although it is too early in the year to make detailed projections of the outturn, it is clear that there are a number of budgetary pressures within departments. Nonetheless, every department is taking action where necessary to contain spending within budget.

3. RECOMMENDATIONS TO CABINET

3.1 The Cabinet is recommended to:

- a) Note the changes made to the original approved budget for 2004/05 as approved by the Cabinet on 21st June 2004;
- 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;

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 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

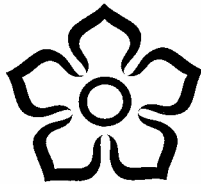
There are no direct legal implications in this report. Peter Nicholls, the Head of Legal Services has been consulted in the preparation of this report.

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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
RESOURCES & EQUAL OPPORTUNITIES
SCRUTINY COMMITTEE**

27th September 2004

21st October 2004

REVENUE BUDGET MONITORING 2004/05– PERIOD 4

REPORT OF THE CHIEF FINANCE OFFICER

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 2004/2005.
- 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 £356.3m adjusted for carry forward underspends from 2003/04 of £0.8m. Further reports will be presented at period 7 and outturn.

2. BUDGET FOR 2004/2005

- 2.1 The net General Fund budget for the financial year 2004/05 is £356.3m. Together with the net underspend carried forward from 2003/04 which amounts to £0.8m, the budget for the year is now £357.1m.
- 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. FINANCIAL IMPLICATIONS

3.1 This report is solely concerned with financial issues.

4. DEPARTMENTS / CORPORATE REVISED BUDGET

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

	Original Budget for 2004/05	Approved Carry forwards	Virements	Revised Budget for 2004/05
<u>Department</u>	£000	£000	£000	£000
Chief Executive's Office	2,546.5	136.2	(134.2)	2,548.5
Education & Lifelong Learning	181,587.8	0.0	86.1	181,673.9
Regeneration & Culture	49,772.0	70.8	748.1	50,590.9
Housing	6,336.1	514.2	0.0	6,850.3
Housing Benefit	300.0	0.0	0.0	300.0
Social Care & Health	81,649.6	28.7	0.0	81,678.3
Resources, Access & Diversity	15,851.7	22.3	0.0	15,874.0
Total Departments	338,043.7	772.2	700.0	339,515.9
<u>Corporate Budgets</u>				
Levies	615.0	0.0		615.0
Miscellaneous	6,326.6	55.8	(700.0)	5,682.4
Capital Financing	13,866.7	0.0		13,866.7
General Fund (excl. net recharges)	358,852.0	828.0	0.0	359,680.0
Net Recharges	(2,600.0)			(2,600.0)
TOTAL GENERAL FUND	356,252.0	828.0	0.0	357,080.0

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 Chief Executive's Office

6.1.1 There are no major issues of concern in the Chief Executive's Office and the department is presently forecasting an underspend of £62k mainly due to vacancies across the department.

6.2 Education & Lifelong Learning

6.2.1 The Department is predicting an overspend of £260k on pupil and student support. The main cause of the overspend is due to expenditure necessary to meet statutory requirements on mainstream transport, recoupment and independent schools. All other divisions are predicting an outturn at budget at this stage.

6.2.2 The department is aiming to minimise any overspend. An efficiency review of operational transport has now been concluded and it is anticipated that this will produce savings in the medium term. The future budgetary position of the recoupment and independent schools budgets will be addressed as part of the review of special educational needs (SEN) provision in the City. This review should progress in the current year. Departmental reserves will be used to finance any remaining overspend.

6.2.3 The 2004/05 budget reductions mainly affected the Lifelong Learning and Community Development Division, which is currently concluding a structural review. The entire divisional budget, excluding the Library Service, is being reallocated to reflect the revised service structure. It is expected that the division will achieve the required savings.

6.2.4 Two significant areas of reduction that may be more problematic in the current year are the reductions to the voluntary sector grant support and the anticipated savings for the premises review. The voluntary sector savings are dependent on the outcome of the judicial review. Until this is known the impact cannot be fully assessed. Should the outcome result in the savings not being realised, this will affect future years' revenue strategies and will have to be addressed accordingly. The premises review is also proving to be very complex, although in this instance the achievement of savings is more likely to slip into future years. This area will be closely monitored on completion of the structural review.

6.3 Regeneration & Culture

6.3.1 This is the first budget monitoring report reflecting the new department. There has been considerable change in the overall departmental structure and further work is being carried out to correctly align and profile budgets.

6.3.2 Overall the department is predicting an outturn at budget at this stage of the year. Currently, advice services is predicting an adverse variance due to a delay in obtaining approval for the review, however this been offset by other savings within the regeneration division.

6.3.3 The departments' traded services are all forecasting a break-even position, with the exception of City Catering who expect to achieve a small surplus of £35k. The recently retendered building cleaning contract commences with ISS in early September and therefore the outturn position for CityWide Cleaning (the former in-house provider) is not clear at this stage.

6.4 Housing

6.4.1 The department is forecasting an overspend of £201k. This is due to the position in Housing Benefits administration where there is a forecast overspend of £450k. This is because additional agency staff have been required to deal with the backlog in the first part of the year. Also further staffing costs are being incurred as a result of implementing the new document management workflow system. The department is looking at ways of managing its potential overspend as follows:

- 1) The department is scrutinising all expenditure to see where savings can be made;
- 2) The department is looking at whether there is any potential for capitalisation of costs.

It should also be noted that the department has several particularly volatile cost centres and these are being closely monitored to see how they might affect the department's overall position.

6.4.2 Housing Benefit Payments

The current forecast indicates outturn close to budget. There are a number of factors that can affect this budget including any variations arising from the audit of the 2003/04 claim, and overpayments/overpayment recoveries.

6.4.3 Housing Maintenance Trading Unit

The present forecasts indicate a surplus of £200k. This surplus will be used to fund capital expenditure as part of the HRA capital programme.

6.4.4 Housing Revenue Account

The original budget for the HRA indicated a planned £367k surplus for the end of this year, however the current forecast indicates an increased surplus of £668k. The reason for the favourable variance is due to a reduction in capital financing costs. The projected balance for the end of the year on HRA is £3.2m.

6.5 Social Care & Health

- 6.5.1 The department is confident that expenditure will be contained within the overall budget. At present, the department is showing an underspend against the profiled budget however a number of projects, initiatives and recruitment exercises are underway. The only significant underspend to date is on the family support strategy, however it is expected that this will change as the year progresses.
- 6.5.2 The 2004/05 budget reductions will, in general, be achieved. However, the full planned saving on non-personal home care will not materialise this year due to the need to review cases and the links with other care services. The cost of maintaining voluntary sector payments affected by the judicial review beyond the planned finish date of the end of June for the second quarter is £4k per month, which will reduce the achievement of voluntary sector savings in the departmental revenue strategy (DRS). The revised home care savings have been built into the community care budget restructuring. The voluntary sector costs to date are not significant, but will become more so if they continue for much longer.
- 6.5.3 Overall, there are two main variances affecting the 2004/05 budget - community care residential and nursing placement budgets continue to be under pressure, with a potential risk approaching £1m. A further 3% fee increase is to be paid to independent sector care homes from October, to coincide with a National Minimum Wage increase. Significant savings are being achieved by restricting the rate at which the Family Support Strategy is implemented. Savings are also being made from vacancies across the department, and by making the best use of external funding. The home care budget, usually an area of significant volatility, is on track now that the budget has been restructured and additional council funds and government grants applied to it. Transport costs and budgets continue to be a concern, with potential overspends of at least £0.4m before the impact of the corporate review. Overall spending is on track to remain within budget, which is a major achievement in itself compared to the corresponding position at period 4 in recent years.

6.6 Resources Access & Diversity

- 6.6.1 The Department has identified some problem areas that are almost certain to overspend. These include the Coroner's service (~£250k overspend due to a persistent high number of inquests and pathology referrals) and income from land charges (£125k loss of income due to a slump in the housing sales market).
- 6.6.2 These budget pressures will be partly offset by other areas where income will exceed budget, such as registration fees (£100k) and the RAD department's share of income from non-operational property (£100k). The recurrent impact of these services will be reviewed during the year, and budgets realigned in future if necessary.
- 6.6.3 Some other budgets are currently forecasting an underspend which will help to meet the shortfall, but a year-end net deficit of approximately £100k is forecast. This could be met by a transfer from the department's earmarked reserves.

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 is by far the largest element of the budget but it also includes bank charges, audit fees, levies and other miscellaneous expenditure.
- 7.2 The Capital Financing budget is forecasting a saving of in excess of £1m. This is partly due to successful debt restructuring but primarily due to a significant increase in the amount of cash held by the authority, which increased by over £20m between the end of March 2003 and March 2004. The table below shows the amount of average cash held by the Authority (and available for investment) in the last few years:

Year	£m
98/99	52
99/00	53
00/01	62
01/02	63
02/03	61
03/04	75

- 7.3 If cash balances continue to be maintained at present levels, the average in 04/05 could exceed £90m. Interest on these balances represents revenue income, and partly explains both the underspend in 03/04 and the projected underspend in 04/05. Some analysis has been done to try to understand these increases, which have also been experienced in other authorities. The causes appear to include increased numbers of grant funding regimes, and receipt of more grant in advance of spending. This is being investigated further, and we will also monitor future patterns of payments and receipts to seek a significant (and permanent) change in cash flow patterns.

8. STOCK & INVENTORY WRITE-OFF

- 8.1 Finance Procedure Rules require that all write-off of stocks or deficiencies on inventories exceeding £2,000 must be reported to the Resources & Equal Opportunities Scrutiny Committee. No stock or inventory items of this value have been written off to date.

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

10.1 All departments are consulted on revenue budget monitoring

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Date: 02/09/2004

MARK NOBLE
CHIEF FINANCE OFFICER

**GENERAL FUND REVENUE BUDGET
MONITORING PERIOD 4 : 2004/05**

	Original Budget	Carry forwards	Virements	Revised Budget for Year	Actual Expenditure to Period 04	Forecast Outturn	Forecast Variance over (under) spend - before action is taken	Forecast Variance
	£000	£000	£000	£000	£000	£000	£000	%
Department								
Chief Executive's Office	2,546.5	136.2	(134.2)	2,548.5	896.8	2,548.5	0.0	0.0%
Education & Lifelong Learning	181,587.8	0.0	86.1	181,673.9	59,643.6	181,933.9	260.0	0.1%
Regeneration & Culture	49,772.0	70.8	748.1	50,590.9	11,104.1	50,590.9	0.0	0.0%
Housing	6,336.1	514.2	0.0	6,850.3	3,919.1	7,051.3	201.0	2.9%
Housing Benefit	300.0	0.0	0.0	300.0	678.2	300.0	0.0	0.0%
Social Care & Health	81,649.6	28.7	0.0	81,678.3	26,910.1	81,558.6	(119.7)	(0.1)%
Resources, Access & Diversity	15,851.7	22.3	0.0	15,874.0	8,122.4	16,164.9	290.9	1.8%
Total Departments	338,043.7	772.2	700.0	339,515.9	111,274.3	340,148.1	632.2	0.2%
Corporate Budgets								
Levies	615.0	0.0		615.0	(49.3)	614.0	(1.0)	(0.2)%
Miscellaneous	6,326.6	55.8	(700.0)	5,682.4	109.0	5,708.9	26.5	0.5%
Capital Financing	13,866.7	0.0		13,866.7	4,454.5	12,338.7	(1,528.0)	(11.0)%
Total Corporate Budgets	20,808.3	55.8	(700.0)	20,164.1	4,514.2	18,661.6	(1,502.5)	(7.5)%
SUB-TOTAL GENERAL FUND	358,852.0	828.0	0.0	359,680.0	115,788.5	358,809.7	(870.3)	(0.2)%
Net Recharges	(2,600.0)			(2,600.0)				
TOTAL GENERAL FUND	356,252.0	828.0	0.0	357,080.0				