

Leicester  
City Council

**CABINET  
RESOURCES & EQUAL OPPORTUNITIES  
SCRUTINY COMMITTEE**

**24<sup>th</sup> JANUARY 2005**

**13<sup>th</sup> JANUARY 2005**

---

## **REVENUE BUDGET MONITORING 2004/2005 – 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. The report is the second 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 July 2004) the revised budget is now £357.1m. 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, and a slight overspend is anticipated. The forecast balance at 31.03.05 will be incorporated into the 2005/06 HRA budget.
- 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 changes made to the original approved budget for 2004/05;
- b) Note the expenditure to date and the budgetary issues which have emerged so far this year;
- c) Note the proposals put forward for preventing departments from overspending;
- d) Approve the change in status for specific traded services within the Regeneration & Culture department, as set out in para. 6.3.4 and the necessary consequential virements and amendments to the determinations appended to Finance Procedure Rules.
- e) Approve the establishment of the Job evaluation earmarked reserve, as proposed in para 7.4, and the Butterwick House reserve, as proposed in para 6.5.3;
- f) Approve virements specified in section 6 of the report;
- g) Consider what other action is necessary to prevent departments from overspending.

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**

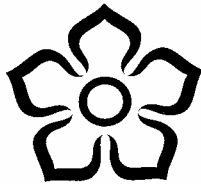
There are no direct legal implications in this report. The Head of Legal Services has been consulted in the preparation of this report.

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

**MARK NOBLE**  
CHIEF FINANCE OFFICER

## DECISION STATUS

<b>Key Decision</b>	No
<b>Reason</b>	N/A
<b>Appeared in Forward Plan</b>	No
<b>Executive or Council Decision</b>	Cabinet



Leicester  
City Council

**CABINET  
RESOURCES & EQUAL OPPORTUNITIES  
SCRUTINY COMMITTEE**

**24th January 2005**

**13<sup>th</sup> January 2005**

---

## **REVENUE BUDGET MONITORING 2004/05– PERIOD 7**

---

### **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 7 for the financial year 2004/2005.
- 1.2 The report is the second 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.

##### **2. SUMMARY OF THE REPORT**

- 2.1 After 7 months of the year, 57.5% of the revised budgets of departments have been spent.
- 2.2 Although detailed projections are tentative at this stage, it is clear that there are still a number of budgetary pressures within departments that need to be addressed to ensure budgets are not overspent at the year end, particularly within RAD, Education and Housing. Departments have highlighted those services where significant budget pressures exist in more detail and these can be found in section 8 of the report. These continue to be the themes identified in previous budget monitoring reports.
- 2.3 The forecast outturn position for 2004/05, before the impact of actions to be taken by management are felt, is a net departmental overspend of £1.0m.
- 2.4 Corporate budgets, however, are anticipating a saving of over £2.0m. This arises from substantially increased cash balances on which interest is earned. Part of this has subsequently been committed for the Support Services review.

### 3. BUDGET FOR 2004/2005

- 3.1 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.
- 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 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.

### 4. DEPARTMENTS / CORPORATE REVISED BUDGET

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

	<b>Original Budget for 2004/05</b>	<b>Approved Carry forwards</b>	<b>Virements</b>	<b>Revised Budget for 2004/05</b>
<b><u>Department</u></b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Chief Executive's Office	2,546.5	136.2	(134.2)	2,548.5
Education & Lifelong Learning	181,587.8	0.0	68.9	181,656.7
Regeneration & Culture	49,772.0	70.8	1,921.2	51,764.0
Housing	6,336.1	514.2	118.9	6,969.2
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	1,500.0	17,374.0
<b>Total Departments</b>	<b>338,043.7</b>	<b>772.2</b>	<b>3,474.8</b>	<b>342,290.7</b>
<b><u>Corporate Budgets</u></b>				
Levies	615.0	0.0		615.0
Miscellaneous	6,326.6	55.8	(3,558.1)	2,824.3
Capital Financing	13,866.7	0.0		13,866.7
<b>General Fund (excl. net recharges)</b>	<b>358,852.0</b>	<b>828.0</b>	<b>(83.3)</b>	<b>359,596.7</b>
Net Recharges	(2,600.0)		83.3	(2,516.7)
<b>TOTAL GENERAL FUND</b>	<b>356,252.0</b>	<b>828.0</b>	<b>0.0</b>	<b>357,080.0</b>

## 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 outturn close to budget.

### 6.2 **Education & Lifelong Learning**

6.2.1 The Department is predicting an overspend of £148k at period 7 after the use of contingency budgets. This is made up of:

	<u>£'000</u>
Directorate	4.5
Standards & Effectiveness	(8.0)
Pupil & Student Support	<u>685.1</u>
	681.6
Less: earmarked reserves	125.0
contingency budget	<u>408.4</u>
	<u>148.2</u>

6.2.2 The main reason for the overspend continues to be due to needs led expenditure necessary to meet statutory requirements on statemented pupils, recoupment and Independent schools fees. Subject to schools forum approval, these areas qualify for resourcing from the schools block contingency budget.

6.2.3 The department is aiming to minimise any overspend. Overspends totalling £685k in the pupil and student support division qualify for being resourced from the schools block contingency. A paper will be presented to the schools forum in December, outlining options for resourcing these services. Consultation with the schools forum is required before the contingency may be used.

6.2.4 Departmental reserves will be used to finance any remaining overspend.

### 6.3 **Regeneration & Culture**

6.3.1 Overall the department is predicting an outturn at budget. The department has a number of pressures such as the delay in implementation of advice services (£250k) and increased energy costs (£150k). However the department is forecasting to break-even aided by additional income from Granby Halls car park and the use of departmental reserves.

- 6.3.2 The departments' traded services are all forecasting a break-even position, with the exception of City Catering and City Highways who expect to achieve a surplus of £30k and £50k respectively. The Council's building cleaning contract was awarded to an external contractor (ISS) following a tendering process and the contract became effective in September 2004. The contract was previously undertaken in-house by Citywide Cleaning.
- 6.3.3 The department has undergone significant changes following the abolition of the Commercial Services Department and the merger of the Environment, Regeneration and Development and Cultural Services and Neighbourhood Renewal Departments. The structure of the department is now such that traded services, formally within Commercial Services, are no longer treated as separate entities but are integral to the organisation. In fact both the departmental reorganisation and best value reviews have resulted in the dissolution of the formal client/contractor split in a number of areas. The former traded services will be subject to the same tight financial and budgetary control procedures as the remainder of the Department, which will ensure continued focus on effectiveness and efficiency.
- 6.3.4 Therefore it is proposed to integrate some formerly traded services into the department's general fund budget, thereby ensuring that the accounting arrangements reflect the management arrangements within the department. The traded services to which this will apply are Grounds Maintenance, City Cleansing and City Consultants, where Regeneration and Culture is the majority purchaser of the traders' services. The accounting entries are currently being agreed and there will be no overall effect on the general fund budget.
- 6.3.5 City Catering, Operational Transport and City Transport fleet will remain as traders because their customers include other departments of the Council.

## **6.4 Housing**

- 6.4.1 The department is forecasting an overspend of £288k. This is due to the position in Housing Benefits administration where there is a forecast overspend of £500k. This is because additional agency staff have been required to deal with a 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.

### **6.4.2 Housing Benefit Payments**

The current forecast indicates an overspend of £155k on the original budget. There are a number of factors that can affect this volatile 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 £300k, which is £100k more than the target set at the start of the financial year. 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 a reduced surplus of £69k. The reason for the adverse variance of £298k is due to a reduction in capital financing costs being more than offset by an increase in negative subsidy. The projected balance for the end of the year on HRA is £2.6m.

## 6.5 Social Care & Health

6.5.1 The Social Care and Health budget has been restructured to reflect how social care finance is reported at national level and also the movements in spending within the community care budget over recent years. This involves a number of virements across the service areas within the department, but has no overall effect on the departments' net budget.

6.5.2 The Corporate Director continues to plan to bring the departmental outturn in at budget overall. There is continued pressure on homecare, community care residential placements and the children's agency budget. Service user transport costs remain a concern. The costs of these pressures are being offset by vacancies and delayed implementation of reviews and initiatives, in particular the Family Support Strategy and post-16 services.

6.5.3 The Corporate Director also wishes to make a revenue contribution of £300,000 towards the redevelopment of Butterwick House into an intermediate care centre, funded by one-off grant-funded income and the temporary closure of Butterwick House in the current year. Whilst the core costs of the scheme are being met by the NHS as originally planned, the Director wishes to take the opportunity to comply with new and expected care standards and to include provision for ancillary services. It is therefore proposed to establish a specific earmarked reserve for this purpose as it is likely that the expenditure associated with the scheme will not be incurred until 2005/06.

6.5.4 A potential underspend of around £62k. is anticipated in the Youth offending Services budget. This is due to vacancies, the time needed to develop new initiatives and additional external funding.



## **6.6 Resources Access & Diversity**

- 6.6.1 The Department continues to experience budget pressures in some areas, which are certain to overspend this year. These are the Coroners' Service (220K), due to a continuing high number of inquests and pathology referrals, Legal Land Charges fees (125K), due to loss of income arising from a general slump in the Housing market, Property Management (175K), due to the force of circumstances regarding the early sale of the Greyfriars complex, for which a budget reduction of £100k was made as part of the 2002/03 revenue budget strategy.
- 6.6.2 The above budget pressures will partly be offset by some underspends or additional income in other areas including income from registration fees and the departments share of the forecast surplus from its trading services.
- 6.6.3 The Director has also put in place measures to restrict non-essential spending which it is anticipated will reduce the net overspend to approximately £250K. This shortfall could be met by a transfer from the Department's earmarked reserves, but this could in turn have a detrimental effect on next years position.

## **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 over £2.0m. This is partly due to successful debt restructuring but primarily due to a significant increase in the amount of cash held by the authority (over £20m since last year). The authority always has cash balances, representing reserves, unspent capital receipts, grants received before they are spent and general income. Reasons for this increase, it is believed, chiefly relate to increases in direct grant funding regimes which do not give authorities time to spend the money as early as used to be the case.
- 7.3 On 8 November Cabinet agreed that the costs of a proposed review of Support Services would be met from the projected savings in Corporate budgets.
- 7.4 Budget provision has also been made to fund the cost of the implementation of the new Council's job evaluation scheme. It was always expected that this expenditure would be irregular in the early years (i.e. low costs prior to implementation, high costs whilst salary protection is in force, falling to a new ongoing figure after a period of years. The budget provision was created in such a way as to smooth this effect). It is therefore proposed that the unspent balance on this project will be transferred to an ear-marked reserve at year end.

**8. OTHER IMPLICATIONS**

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

**9. DETAILS OF CONSULTATION**

9.1 All departments are consulted on revenue budget monitoring

**Author: Devanshi Mavani / Alison Greenhill**  
**Date: 12/1/2005**

**MARK NOBLE**  
**CHIEF FINANCE OFFICER**

**GENERAL FUND REVENUE BUDGET MONITORING  
PERIOD 7 : 2004/05**

	Original Budget	Carry forwards	Virements	Revised Budget for Year	Actual Expenditure to Period 07	Forecast Outturn	Forecast Variance over (under) spend - before action is taken	Forecast Variance
Department	£000	£000	£000	£000	£000	£000	£000	
Chief Execs Office	2,546.5	136.2	(134.2)	2,548.5	1,582.7	2,549.6	1.1	0
Education & Lifelong Learning	181,587.8	0.0	68.9	181,656.7	101,617.7	181,804.9	148.2	0
Regeneration & Culture	49,772.0	70.8	1,921.2	51,764.0	29,974.8	51,764.0	0.0	0
Housing	6,336.1	514.2	118.9	6,969.2	6,125.0	7,257.0	287.8	4
Housing Benefit	300.0	0.0	0.0	300.0	455.0	455.0	155.0	51
Social Care & Health	81,649.6	28.7	0.0	81,678.3	43,884.8	81,616.6	(61.7)	(0.
Resources, Access & Diversity	15,851.7	22.3	1,500.0	17,374.0	13,142.2	17,841.5	467.5	2
<b>Total Departments</b>	<b>338,043.7</b>	<b>772.2</b>	<b>3,474.8</b>	<b>342,290.7</b>	<b>196,782.2</b>	<b>343,288.6</b>	<b>997.9</b>	<b>0</b>
<b>Corporate Budgets</b>								
Levies	615.0	0.0	0.0	615.0	240.1	614.0	(1.0)	(0.
Miscellaneous	6,326.6	55.8	(3,558.1)	2,824.3	1,550.8	2,735.0	(89.3)	(3.
Capital Financing	13,866.7	0.0	0.0	13,866.7	4,454.5	11,140.2	(2,726.5)	(19.
<b>Total Corporate Budgets</b>	<b>20,808.3</b>	<b>55.8</b>	<b>(3,558.1)</b>	<b>17,306.0</b>	<b>6,245.4</b>	<b>14,489.2</b>	<b>(2,816.8)</b>	<b>(16.</b>
<b>TOTAL GENERAL FUND</b>	<b>358,852.0</b>	<b>828.0</b>	<b>(83.3)</b>	<b>359,596.7</b>	<b>203,027.6</b>	<b>357,777.8</b>	<b>(1,818.9)</b>	<b>(0.</b>
<b>Net Recharges</b>	<b>(2,600.0)</b>	<b>0.0</b>	<b>83.3</b>	<b>(2,516.7)</b>				
<b>TOTAL GENERAL FUND</b>	<b>356,252.0</b>	<b>828.0</b>	<b>0.0</b>	<b>357,080.0</b>				