



Leicester
City Council

WARDS AFFECTED
All wards

APPENDIX

CABINET
ALL SCRUTINY COMMITTEES

12 FEBRUARY 2001
FEBRUARY 2001

REVENUE BUDGET MONITORING 2000/2001 – Period 8

Report of the CHIEF FINANCIAL OFFICER

1. Purpose of Report

- 1.1** The purpose of this report is to show the summary position comparing spending with the budget for all General Fund Services and the Housing Revenue Account (HRA). The report is the second of the 2000/2001 financial year showing the General Fund position against the budget of £297m, and the HRA position against a gross budget of £59m and is based on the first eight months' spending.
- 1.2** The Council's processes provide for reports on the budget to be prepared twice during the year. The first such occasion was in November, and was reported to both Cabinet and Scrutiny Committees in the November cycle. This is the second occasion and includes a detailed projection of the likely final outturn position.
- 1.3** A number of significant issues and trends were identified in the last report. A more precise position is now available and any areas of concern are considered in the supporting papers.
- 1.4** 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 this report, the appendices which relate to its portfolio and a summary report considering the overall position for the whole Council.
- 1.5** The cabinet will receive this covering report and the overall position for the Council.
- 1.6** Members of the Cabinet or the Finance, Resources and Equal Opportunities Scrutiny Committee wishing to see the appendices relating to any portfolio not appended to the report should contact the report author.

2. Summary

- 2.1** The net general fund budget (which pays for all services other than Council Housing) is £297m. After 8 months of the year, 65% of the revised budgets of Departments have been spent. A number of departments are still facing budget

pressures and are continuing to take action to avoid overspending. Departments not projecting an overspending are forecasting (between them) an underspending of £1.0m. Such savings will be carried forward by the departments concerned. Savings of approximately £0.6m are expected on corporate budgets, the main reason for which is savings in capital financing costs. Such savings will be returned to corporate reserves.

2.2 The position for the HRA is that the forecast amount of the HRA balances at 31 March 2001 is £1.79m compared to £1.305m in the original approved budget.

3. Recommendations

3.1 Cabinet is recommended to:

- 1) Note the spend to date and the forecast outturn.
- 2) Note the action proposed, as set out in the appendix to this report, to ensure that spending is contained within the Departments' budgets
- 3) Note the likely underspending in respect of corporate budgets, which will be returned to corporate reserves
- 4) Approve requested budget virements and transfers
- 5) Note the DIP repayment schedule.

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, although these will not be considered by Cabinet in the current cycle of meetings.

4. Financial and legal Implications

4.1 This report is concerned solely with financial issues.

5. Other Implications

Other implications	Yes/No	Paragraph referred
Equal Opportunities	No	-
Sustainable & Environmental	No	-
Crime & Disorder	No	-
Human Rights Act	No	-

6. Report Author

Andy Morley, Chief Accountant
Date: 17 January 2001

MARK NOBLE
CHIEF FINANCIAL OFFICER

REVENUE BUDGET MONITORING – PERIOD 8, 2000/2001

SUPPORTING INFORMATION**1. INTRODUCTION**

The purpose of this report is to provide a summary position comparing spending with the budget for all General Fund services/ Housing Revenue Account and DSO's.

The information in this report is also being presented to individual Scrutiny Committees in detail.

The report is the second of the 2000/2001 financial year showing the overall position against the budget, and a projected outturn and is based on the first eight months' spending.

2. SUMMARY OF THE REPORT

After 8 months of the year, 65% of the revised budgets of departments have been spent.

The previous report identified that some departments were facing significant pressures, in particular the Social Services department. All departments have taken firm action in order to minimise any overspend and as a result, the forecast outturn is much improved.

Savings of approximately £0.6m are expected on corporate budgets as a result of improved return on funds invested by the Council's fund manager.

The HRA is predicting an improved position over that budgeted, which will result in closing HRA balances, of £1.79m.

There are no issues of significance in respect of the former statutory DSOs.

3. RECOMMENDATIONS BEING MADE TO CABINET:

- (1) Note the spend to date, budgetary issues identified in the reports and forecast outturn;
- (2) Note the action proposed, as set out in this appendix to ensure that spending is contained within the Departments' budgets.
- (3) Note the likely underspending in respect of corporate budgets, which will be returned to corporate reserves.
- (4) Approve the virements identified in paragraph 6.
- (5) Note the DIP repayment schedule set out in paragraph 14.

4. BUDGET FOR 2000/2001

The net revised General fund budget for the financial year 2000/2001 is £296.9m.

[The Housing Revenue Account budget for the financial year 2000/2001 is a net deficit budget of £403,000.](#)

5. FINANCIAL IMPLICATIONS AND KEY ISSUES

This report is solely concerned with financial issues.

6. DEPARTMENTS / CORPORATE REVISED BUDGET

The table below details the revised General Fund budget for the Authority.

	Original Budget for 2000/2001	Approved Carry-Forwards	Virements	Revised Budget for 2000/2001
Department	£000	£000	£000	£000
Chief Exec	3,686.6	277.3	(154.0)	3,809.9
TC & CR	15,656.4	197.0	355.3	16,208.7
Arts & Leisure	23,828.2	(56.1)	125.2	23,897.3
Commercial	(650.3)	(186.3)	3.0	(833.6)
Education	137,516.1	282.8	134.4	137,933.3
Env & Dev	30,388.1	670.2	(71.2)	30,987.1
Housing	10,773.7	0.0	(2,319.0)	8,454.7
Social Services	60,114.3	22.3	614.5	60,751.1
Youth Off. Team	675.5	60.8	0.0	736.3
Total Departments	281,988.6	1,268.0	(1,311.8)	281,944.8
Corporate Budgets				
Levies	6,993.8	0.0	0.0	6,993.8
Miscellaneous	4,173.6	0.0	(750.0)	3,423.6
Capital Financing	5,922.6	0.0	0.0	5,922.6
Gen Fund (Exc Net Recharges)	299,078.6	1,268.0	(2,061.8)	298,284.8
Net Recharges	(3,427.6)	(44.8)	2,061.8	(1,410.6)
Net General Fund	295,651.0	1,223.2	0.0	296,874.2

During the course of the year, budgets are vired between Departments which, in accordance with Financial Regulations, require Cabinet approval if in excess of £35,000 or imply a change in policy. Virements requiring approval are as follows:

- a) To transfer the budget provision of £82,400 for energy management to schools under the fair funding arrangement. (This reduces the Environment & Development departments budget and increase the Education departments budget).

- b) To realign the base budget of the Education department, a number of virements totalling £381,000 have been actioned to meet previously reported budget pressures. The detail of the individual sums will be reported to the relevant scrutiny Committee.

7. SUMMARY OF THE CURRENT POSITION

A number of service committees have faced significant pressures so far this year. Whilst management action has been taken in a number of areas the position of a number of service departments still requires close monitoring over the remaining weeks in the financial year.

8. SIGNIFICANT ISSUES ARISING FROM SERVICE COMMITTEES

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

Chief Executive's Office

The department is forecasting an underspend of approximately £0.3m. This comprises:

An underspend from savings in legal work (£0.1m). Some of the underspend will be re-directed to Corporate initiatives if the Chief Executive's proposed budget strategy is approved.

An underspend from staffing vacancies within Corporate Equalities, Management Development Unit, Human Resources Unit and Corporate Strategy as a result of the recent departmental review (£0.1m). A further underspend on staffing has arisen within the Corporate Regeneration unit due to the secondment of staff within the section (£0.05m).

An underspend has arisen in the Communications Unit on the project to improve the distribution of LINK (£0.05m).

The Occupational Health section is forecasting a small underrecovery of income due to the impact of the Human Rights Act, which requires that staff who work with care of the vulnerable no longer require a compulsory medical (and thus reduces charges made by the section).

Town Clerks & Corporate Resources

The department is currently forecasting an overspend of approximately £0.1m. The main divisional issues are:

Corporate Services - an overspend of approximately £0.04m is predicted due to a series of relatively small over and under spends across the division. However, the main pressure areas continue to be the Coroners' Service, Community Languages and the Committee Secretariat.

The division will continue to monitor expenditure with a view to eliminating the overspend.

A detailed corporate review of Translation and Interpretation will show the future options available for Community Languages. The pressures on the Committee Secretariat may settle down with fewer printing costs.

Legal Services - the division is projecting an overspend of £0.1m due to a shortfall in Land Charges income. This is as a result of an overall reduction in searches requested and an increase in personal searches which attract a much smaller fee.

Financial Services – the division predicts a small underspend of £0.03m overall. The two most significant items are a net underspend on Local Taxation and a net overspend in Payroll. Local Taxation is being reviewed with a view to improve / compare unit costs and to provide a better service to users, and underspending from vacancies is helping to support the review. Payroll is spending more on staff cover to help maintain the service whilst necessary improvements are made to meet the demands of schools and other users.

Arts & Leisure

An overall overspend of £0.1m is currently predicted. There are significant pressures in some areas of the department and measures are being considered by the department to prevent any overspend. The main issues are:

The cost of storm damage, although the position regarding insurance is currently being investigated.

Additional costs of events (New Year's Eve) and underachievement of income at DeMontfort Hall.

Late implementation of budget reductions

On a favourable note, there are some planned underspends particularly to meet the cost of EPOS replacement.

Commercial Services

The department is forecasting an overspend of £0.1m. (excluding the former DSO's)

The departments budget consists of a net contribution to the General Fund from the markets function. All other trading areas are expected to (at least) break-even. Current projections indicate that Creativity Works will suffer an overall trading deficit of £0.2m but this is partly offset by a surplus of £0.1m generated by Construction Services due to the additional generation of external income.

Education

The Department is predicting a small underspend of less than £0.1m. However, within this figure there was, as previously reported, a significant number of overspends on departmental budgets of £0.4m. The department has been able to vire budgets to offset these overspends as a result of reductions in pupil numbers and the Premature Retirement Costs (PRC) contingency budget. The main issues during the year have been:

Pupil and Student support branch (Centrally managed budgets)

Statementing Mainstream budget – this supports pupils requiring additional resources and is a needs led budget. The forecast overspend is £0.4m.

Special Schools Recoupmnt budget – this predicts an overspend of £0.2m due to the net effect of a reduced number of County pupils being placed in City schools slightly offset by the number of City pupils placed in County schools also being fewer.

Independent Schools budget - supports the education of pupils with independent provision. An overspend of £0.3m is expected due to additional pupil numbers, and a partial settlement of an outstanding funding issue with Social Services.

Non-delegated community budget - an underspend of £0.1m is predicted due to salary savings on recruitment, pending the implementation of the community review.

Resources and School Support Branch (Centrally managed budgets)

SEN Transport - £0.1m underspend arising from more accurate information being available on the numbers of SEN pupils to be transported for the spring term.

Delegated Schools budgets

Overall savings of £0.6m as a result of reduced pupil numbers.

Departmental budgets

Base budget adjustments totalling £0.4m have taken place to address some budgets under pressure, which have been funded from savings resulting from reduced pupil numbers. This has the effect of reducing underspends previously forecast in the following areas:

- Directorate
- Staff development
- Consumables pool
- Central postage
- Mainstream transport
- Legal costs

PRC Contingency

An underspend of £0.3m is predicted which is required to meet other budget pressures.

Environment & Development

The department is forecast to underspend by approximately £0.4m

There are a number of significant variances within the department which result in the overall position above. The main issues are:

Environmental Management & Protection

Waste management – an overspend is predicted of £0.3m as a result of the increased cost of waste disposal and recycling, particularly arising from growth in levels of waste disposed of.

Energy management – an overspend is predicted of £0.2m due to a deficit in income and increased running costs.

Health & Community Regeneration

Welfare and employment rights – savings of £0.1m have yet to materialise but progress is being made on this matter.

Regeneration – running costs are forecast to underspend by £0.1m.

City Development

Car Parks – a one-off reimbursement of VAT has generated additional income of £0.1m.

General (across the department)

The department has a number of vacancies, which are anticipated to generate savings of £0.2m, principally in Building Control, Urban Design and Food Control. Also, £0.1m of savings carried forward from 99/00 is to be used to relieve the budget pressures mentioned above.

Property

Salary savings of £0.2m are anticipated due to vacancies, running costs are expected to underspend by £0.1m and additional income is anticipated of £0.1m as a result of non-disposal of properties and additional take-up of car parking spaces. The division is also concerned about the high level of aged debt and has been able to establish a contribution of £0.15m to a specific bad debt provision, as a prudent measure against future debt write-offs.

Housing

The department is forecasting an underspend of £0.1m. (This will be used to repay part of the DIP loan from the General Reserve).

An underspend of £0.2m has arisen primarily as the result of increased charges and a high occupancy rate in hostels. This has been offset by just under £0.1m due to the radical change in working procedures due to Document Image Processing (DIP). Retraining for all staff has caused a reduction in performance levels which has been countered by additional staff resources.

Social Services

The department is forecasting an overspend of approximately £0.9m. The director is taking measures to reduce the overspend. The major issues are as follows:

Care in the Community – A projected overspend of £1.9m is the result of increased demand/activity for the services and is a national problem. Income is forecast to over-recover by £0.7m including the loss of income forecast from the S117 Mental Health Act ruling, whereby local authorities now do not have the right to charge accommodation costs to persons initially detained under the Act. Many authorities including ourselves used to do so.

Children's Provider Services - The number of children cared for continues to grow resulting in a forecast overspend of £1.2m. This is compensated by employee costs underspending due to vacancies, which will save around £0.4m.

Elderly Persons Homes - A projected overspend of £0.2m as a result of only having a 'half year' budget for Thurncourt EPH due to a restructuring exercise.

Adult Resources - The projected overspend is made up of £0.3m on running costs due to increased demand on transport costs, and an underspend of £0.1m on employee costs.

Home Care - A projected underspend of £0.5m due primarily to vacancies held.

Adult Fieldwork - A projected underspend of £0.3m comprising mainly of employee costs where some posts have been held due to restructuring, and other areas experiencing difficulties in recruitment.

Management & Support – The projected underspend of £0.6m comprises £0.1m on employees due to vacancies, £0.2m on running costs, income over-recovery of £0.1m and forecast income from the Asylum Seekers Grant of £0.2m.

Voluntary Sector – An underspend of £0.1m is being forecast as a result of savings on "Mosaic" scheme which started late, the utilisation of the Partnership Grant and savings as a result of not using the Joint Finance money allocated at the start of the year.

Legal Services – Charges from legal services have increased substantially since last year and are now exceeding budgetary provision by 0.3m. Legal services costs are activity led and difficult to control.

Youth Offending Team

There is a projected underspend of approximately £0.1m due mainly to a difficulty in the recruitment of suitable staff and corresponding savings in running costs.

9. CORPORATE BUDGETS

These include capital financing, levies to other bodies and miscellaneous budgets. Currently the Corporate Budgets are projecting an underspend of approximately £0.6m.

The majority of the underspend (£0.9m) arises in respect of capital financing costs. This year's loan requirements have already been financed at a rate below what we were expecting (4.875%) and the money is currently invested at rates in excess of 6% pending capital programme expenditure. Short term interest rates are higher than forecast when the budget was set, which benefits the Council. The Council's fund managers have been

able to lock into more favourable interest rates reflecting decisions to invest which were made at the right time (before interest rates start to fall).

The write-off of some residual LGR balances, overspends in bank charges and audit fees all contribute to an overall overspend elsewhere in Corporate budgets of £0.3m.

10. HOUSING REVENUE ACCOUNT

The Housing Revenue Account is currently projecting a net surplus of £0.6m which is £1.0m favourable variance compared to the original budget deficit of £0.4m. The year-end forecast for HRA reserves is now £1.79m compared to the budgeted forecast of £1.3m.

There has been an underspend of £1.5m on repairs partly due to lower day to day repairs and DSO recruitment problems, and partly due to projected underspends on the Housing Capital Programme which will allow the capitalisation of £0.7m of window-fitting costs currently in revenue budgets. However, the overall underspend on expenditure is £1.3m as the saving is reduced by additional subsidy penalties of £0.2m.

This saving is offset by income reductions totalling £0.3m due to high voids and Right-to-Buy sales.

11. DIRECT SERVICE ORGANISATIONS

There are five former statutory DSOs within Commercial Services which have either budgeted to break even or make a small surplus. The Building Cleaning DSO is now projecting a deficit of just under £0.1m which primarily arises because the contract was keenly priced and wage inflation has exceeded expectations; the other four DSO's are predicting an overall surplus of just under £0.2m (of which 50% will accrue to the General Reserve).

The Housing DSO continues to project a surplus of £0.6m.

12. SCHOOLS BUDGET MONITORING

The Education department conducts a budget monitoring exercise with all schools twice a year. A report showing the results of Period 5 monitoring was presented to the departmental management team at the end of October. 68% of schools project that they will draw from balances, with 28% expecting to underspend. The net position shows a forecast "overspend" of £1.4m. Overspend projections will be met from existing schools reserves which currently have a balance of £4.6m. However, it should be noted that schools have significantly over estimated their spending forecasts in previous years.

13. NET RECHARGES

This is currently projected to be in line with budget.

14. DIP REPAYMENT SCHEDULE

The Council agreed in 1996 to make a repayable loan to the Housing Committee from corporate reserves, in order to implement Document Image Processing (DIP) (the costs of which would be in addition to the normal budget). At the August 2000 meeting of the

Finance and ICT Sub-Committee, the amount of loan outstanding was reported as £570,000, which would be repaid in accordance with a schedule agreed between the Director of Housing and the Chief Financial Officer. This schedule has now been agreed and is as follows:

	97/98 £'000	98/99 £'000	99/00 £'000	00/01 £'000	01/02 £'000	02/03 £'000
Total DIP costs	298	673	217	137	51	51
Met by:						
Housing controllable budget	(55)	(100)	(52)	(51)	(51)	(51)
Repay from HGF surplus	(243)	(120)	(48)	0	0	0
Total	(298)	(220)	(100)	(51)	(51)	(51)
Net cost for year charged to payback fund	0	453	117	86	0	0
Repay payback fund from HGF savings	0	0	0	(36)	(220)	(184)
Repay payback fund from HB savings	0	0	0	(50)	(80)	(86)
Annual charge to payback fund	0	453	117	0	(300)	(270)
<i>Cumulative position of payback fund</i>	<i>0</i>	<i>453</i>	<i>570</i>	<i>570</i>	<i>270</i>	<i>0</i>

15. EQUAL OPPORTUNITIES IMPLICATIONS

None arising as a result of this report.

16. DETAILS OF CONSULTATION

All the departments are consulted on revenue budget monitoring

MARK NOBLE
CHIEF FINANCIAL OFFICER

**GENERAL FUND
REVENUE
BUDGET MONITORING
PERIOD 8
2000/2001**

	Revised Budget for Year	Actual Expenditure to Period 8	Forecast Outturn	Forecast Variance	Forecast Variance	% Spend	Forecast Variance (no overspends)
Department	£000	£000	£000	£000	%		
Chief Execs Office	3,809.9	2,298.7	3,469.9	(340.0)	(8.9)%	60.3%	(340.0)
TC & C.Resources	16,208.7	11,929.8	16,327.4	118.7	0.7%	73.6%	0
Arts & Leisure	23,897.3	16,425.3	24,037.3	140.0	0.6%	68.7%	0
Commercial Services	(833.6)	(537.4)	(768.7)	(64.9)	7.8%	64.5%	0
Education	137,933.3	85,393.7	137,878.6	(54.7)	(0.0)%	61.9%	(54.7)
Environment & Development	30,987.1	18,120.3	30,576.9	(410.2)	(1.3)%	58.5%	(410.2)
Housing	8,454.7	5,171.0	8,335.9	(118.8)	(1.4)%	61.2%	(118.8)
Social Services	60,751.1	42,871.6	61,684.9	933.8	1.5%	70.6%	0
Youth Offending Team	736.3	284.8	587.6	(148.7)	(20.2)%	38.7%	(148.7)
Total Departments	281,944.8	181,957.8	282,129.8	185.0	0.1%	64.5%	(1072.4)
Corporate Budgets							
Levies	6,993.8	4,169.8	6,956.1	(37.7)	(0.5)%		
Miscellaneous	3,423.6	1,562.2	3,762.5	338.9	9.9%		
Capital Financing	5,922.6	-	4,999.0	(923.6)	(15.6)%		
Total Corporate Budgets	16,340.0	5,732.0	15,717.6	(622.4)	-3.8%		
Net Recharges	(1410.6)	(673.0)	(1410.6)	0	0		
TOTAL GENERAL FUND	296,874.2	187,016.8	297,436.8	(437.4)	-0.1%		