



meeting

CABINET

date

14 NOVEMBER 2007

agenda item number

REPORT OF THE CABINET MEMBER FOR FINANCE AND PROPERTY

REVENUE BUDGET MONITORING 2007/08

1 Purpose

- 1.1 To provide information on the monitoring of the revenue budget, County Fund Balances and other balance sheet items for the first 6 months of the year and the estimated impact for the year-end position.

2 Background

- 2.1 All Cabinet Members are provided with information about their portfolio budgets on a regular basis. This information is summarised in quarterly reports to Cabinet.

3 Summary

The summary below shows the major forecast variations by portfolio:

Forecast Under (-) or Over (+) Spending	
	Year End Forecast £m
Portfolios	
Children & Young People	-1.0
Adult Social Care & Health	-1.4
Environment	-
Culture & Regeneration	-
Community Safety & Partnerships	-
Leader	-
Deputy Leader	-
Finance & Property	-
People & Performance	-
Portfolio Underspending	-2.4
Other Items	-4.1
Change from Revised Budget	-6.5

- 3.1 When constructing the 2008/09 Budget portfolios will be able to carry forward underspendings of up to 2%, to be agreed by Cabinet early in the new year. At the year end 50% of any additional underspendings

may also be carried forward.

- 3.2 In some cases where there are variations against portfolios' budget profiles in the first 6 months of the year, it is anticipated that these will be managed within available resources by the year-end. Of the remainder, the major variations forecast for the year end are explained below:

4 **Portfolios**

4.1 **Children & Young People**

The predicted underspending of £1 million for the Children and Young People is a result of a number of factors:

- a) Vacancy savings across the portfolio
- b) The introduction of new software to improve route planning in Special Home to School transport
- c) Change the provision of the Personal Adviser Service for care leavers from an external provider to in-house provision
- d) Variability in the number of children for which fostering payments are made
- e) Departmental overheads

4.2 **Adult Social Care and Health**

The anticipated underspending arises from continued difficulties in filling social work posts and lower than anticipated client numbers for:

- a) Older persons in long term care due to higher than anticipated discharges
- b) Delays in transfers into community care for people with mental health and learning disabilities

4.3 **Other Portfolios**

The other portfolios are all forecasting that expenditure will be in line with budget at the year-end.

5 **Other Items**

"Other Items" consists primarily of interest and principal payments on cash balances and borrowing together with the contingency and Local Authority Business Growth Incentive (LABGI) grant. The forecast underspending primarily relates to additional interest arising from a higher than anticipated level of County Fund Balances at the end of 2006/07 and the delay in settling the pay award together with lower than anticipated borrowing. In addition the Government have recalculated the LABGI grant relating to 2005/06 and 2006/07 resulting in a further £825,000 grant for Nottinghamshire County Council.

6 **Direct Services**

The Direct Services are currently expecting to achieve a surplus of £240,000, in line with their targeted contribution to the Environment Portfolio.

7 Impact on County Fund Balances

As a result of the Final Accounts Report for 2006/07 County Fund Balances are now £19.5 million at 31/3/08. The forecast underspendings on "Other Items" will increase this figure to £23.6 million.

Any underspendings by portfolios not used for carry forwards will increase the County Fund Balances further.

It is anticipated that some use of County Fund Balances will be needed to help fund the outcome of the National Job Evaluation process.

8 Other Balance Sheet Items

8.1 Debt

As at 9th October 2007 the Council was owed £11.7 million by people it has invoiced. The debt position (analysed by age) compared to the target set for the 2007/08 year end is shown below:

	Actual March 2007 £m	Position at 09/10/07 £m	Year end Target £m
Current Debt (under 1 month old)	10.1	7.7	8.4
Debt 1 to 6 months old	1.7	2.8	1.8
Debt over 6 months old	1.5	1.2	1.3
Total Debt	13.3	11.7	11.5

The table shows that progress is being made to meet the year end targets. All debt is pursued rigorously, with reminder letters issued at regular intervals. Cases of non-payment are referred to Legal Services in accordance with the established debt recovery process. Monitoring takes place on an on-going weekly basis to ensure that debt levels are controlled and appropriate action taken to recover outstanding invoices.

8.2 Creditors

The percentage of invoices paid within the required period of 30 days during the second quarter of 2007/08 was 88.72. This is a 6% deterioration on the first quarter of 2007/08, a temporary consequence of departmental restructuring.

9 Risk Assessment

Most areas of the budget are showing spending to date at or below budget with no areas of significant overspending. Historically the Revenue Budget has seen a degree of underspending at the year end.

The pay award for 2007/08 has yet to be settled. The 2007/08 budget includes an allowance of 3% for the pay award. Each 1% variation in the pay award is expected to have a £2.2 million impact on costs. An employers' offer of an average 2.47% increase is being put to the

ballot by the trade unions.

Fluctuations in the client base for social care services have been volatile in recent years and there remains a risk that there will be further fluctuations in social care costs before the year end.

The Capital Programme Monitoring reported elsewhere to this meeting indicates that there may be an additional funding requirement of around £10 million. The impact of this increase is only likely to be felt towards the end of the financial year. Historically, however, the Capital Programme has seen a degree of additional slippage at the end of the year, reducing the risk of any increases in interest costs.

An unallocated balance of £1.5 million remains in the contingency. Although there may be further claims on the contingency relating to flooding earlier in the year, there is still only a low risk that there will be an additional call on balances by the year end.

The outcome of the National Job Evaluation process is not yet known. The potential outcome remains a significant risk although a specific reserve of over £30 million is planned for the end of 2007/08.

The amount of funding earmarked for the LABGI in 2007/08 by central government indicates that grant payments will be higher than in previous years. However the actual amount likely to be paid to individual authorities is still uncertain.

County Fund Balances at 31/3/07 are 4.8% of the budget (before use of reserves). Given the uncertainty regarding the outcome of the National Job Evaluation Process it is prudent to hold this level of County Fund Balances.

Overall there are a number of factors that may potentially reduce forecast expenditure by the year end. These “positive” risks are likely to outweigh the risk of additional funding needed to cover the outcome of the National Job Evaluation process.

10 **Statutory and Policy Implications**

This report has been compiled after consideration of implications in respect of finance, equal opportunities, personnel, Crime and Disorder, Human Rights and those using the relevant service. Where such implications are material, they have been described in the text of the report.

11 **Recommendation**

The report be noted.

CLLR CHRIS BARON
CABINET MEMBER FOR FINANCE AND PROPERTY

Background Papers Available for Inspection

Accounting Tabulations, Internal Management Reports

Legal Services Comments (JF 29/10/07)

Cabinet is receiving this report for noting only.

Director of Resources' Comments (BD 25/10/2007)

The financial implications are as set out in the report.

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