



meeting

CABINET

date

13 SEPTEMBER 2006

agenda item number

REPORT OF THE CABINET MEMBER FOR FINANCE AND PROPERTY

REVENUE BUDGET MONITORING 2006/07

1 Purpose

- 1.1 To provide information on the monitoring of the revenue budget for the first three 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

Under (-) or Over (+) Spending 2006/07		
	June 2006 £m	Year End Forecast £m
Portfolios		
Leader	-0.1	-
Deputy Leader	-0.2	-
Adult Care Services	-1.4	-0.2
Community Safety & Partnerships	-	-
Culture & Community	-	-
Children & Young People	-0.6	-0.4
Environment	-3.5	-
Finance & Property	-0.2	-
People & Performance	-	-
	-6.0	-0.6
Other Items	-0.5	-2.0
TOTAL	-6.5	-2.6

- 3.1 Although the portfolio variations show an underspending of £0.6 million at the year end, the budgeted savings for senior management restructuring (£1.0 million) and the integration of resources functions (£0.8 million) have not yet been removed from budgets.

Work is continuing on identifying these savings. The £1 million savings for senior management restructuring has now been identified, however, delays in implementing the changes for both projects will be covered from the contingency. An amount of £0.7 million has already been set aside for this purpose.

- 3.2 Whilst there are some variations against portfolios' budget profiles in the first 3 months of the year, it is anticipated that these will be managed within available resources by the year-end. Nevertheless, the more significant of these are reported here, together with the approaches being taken to minimise the likelihood of any overspending taking place at the year end.

4 **Information and Advice**

4.1 **Adult Care Services**

At the end of period 3, Adults Services were £1.4 million underspent. This underspending is principally due to payments being made later than anticipated in a number of areas. The underspending is, therefore, expected to fall to £0.2 million by the year end

The only anticipated area of significant overspend for the year is Adults Direct Services where the department is experiencing difficulties in meeting the Homecare savings target, but this is being managed within the overall budget.

4.2 **Children and Young People**

The predicted underspending of £0.4 million is principally in the areas of Post 16 Education, Fostering and Children's Homecare and is generally a result of vacant posts.

A further £0.4 million underspending is anticipated in areas funded by the new Dedicated Schools Grant. Any underspendings in this area, however, must be carried forward and used for schools purposes only. As the underspending is not available for general use, it is not included in the table above.

4.3 **Environment**

Expenditure within the Environment portfolio at the end of the first quarter was £3.5 million below the budgeted profile, principally due to:

- a) Passenger Transport, where there are delays in receiving information from bus operators to enable payments to be made.
- b) Waste management, where suppliers have been slow in providing invoices.

By the year end the Environment Portfolio is now forecast to overspend by £165,000, principally on Highway Maintenance. Managers, however, have been tasked with containing expenditure

within the approved budget.

4.4 **Other Portfolios**

In total the other portfolios are currently underspending by £0.4 million. Although departments are not in a position to confirm whether these underspendings will materialise by the year end, vacancy control measures are already in place to help meet the £1.8 million budget savings target. Forecasts for these portfolios therefore show expenditure in line with budget at the year-end

4.5 **Other Items**

“Other Items” consists mainly of interest and principal payments on cash balances and borrowing. As a result of slippage in the capital programme some borrowing has been delayed and, following the underspendings that arose last year, the level of reserves has increased. In addition for borrowing that has taken place the borrowing rates obtained have been lower than anticipated. These factors are expected to generate savings of around £2 million by the year end.

4.6 **Contingency**

The contingency for 2006/07 has been set at £6,000,000. The contingency was earmarked for:

- a) redundancy costs relating to schools and implementing budget changes
- b) The initial cost of implementing any “Invest to Save” initiatives
- c) Life cycle maintenance on new buildings
- d) Preparatory costs for the Children’s Act requirements
- e) Any other appropriate items

The contingency report to Cabinet on 7 June identified delays in implementing budget changes and other items amounting to £2.1 million. Since this report severance costs of £1.6 million and expected allocations for items such as Living Landmarks and Holme Pierrepont of £1.3 million have been identified. This leaves an unallocated balance of £1.0 million plus an anticipated Public Service Agreement Grant of £2.3 million to cover further redundancy (including schools) and associated costs, life cycle maintenance and any other unforeseen items.

4.7 **Environment Trading Services**

The position on Building Cleaning, Landscape Services, catering, and Building Direct shows that in the first 3 months of 2006/07 surplus has been better than expectations, primarily due to changes in the way work in progress is calculated. As a result the trading services are still predicting that, by the year end, the surplus will be in line with the £204,000 forecast.

5 **Risk Assessment**

Most areas of the budget are showing spending at or below budget. The only significant overspending is in Adults Direct Services which is being managed from anticipated underspendings elsewhere and use

of the Homecare Reserve set up at the end of last year.

The £1.8 million budget savings for senior management and resources restructuring have yet to be allocated to portfolios. Although £0.7 million has already been earmarked in the contingency to cover anticipated shortfalls, there remains a risk that these savings will not be achieved in full this year.

The balance on the contingency is £3.3 million which should be sufficient to meet any outstanding commitments and cover any shortfalls in budget savings. There is, therefore, a low risk that there will be an additional call on balances by the year end.

County Fund Balances stand at £12.5 million at 31/3/06 which is over 3% of the non-schools budget. In recent years the level of balances has varied between £5.4 million to £8.2 million. County Fund Balances are therefore likely to be sufficient to meet any additional call on balances.

6 **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.

7 **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

Cabinet has the authority to receive, consider and note the report. [HD - 23/8/06]

Director of Resources' Comments (BD 16/8/2006)

The financial implications are as set out in the report.

Financial Strategy/Budget Monitoring/2006-07/September 2006 – 3 months