

CURRENT REVENUE FORECAST FOR 2006/07

- 1.1 Strategic Directors' Group is actively managing the Council's financial position, and the table below summarises the management actions that have already been implemented to reduce the projected overspend to the reported level. Although the table shows at an overall level the Council is projecting an overspend of £476,000, currently there are large areas of service pressures which are being offset by the previously reported forecast underspend in capital financing costs and interest on balances.
- 1.2 Directors continue to work towards managing within budget in the current year for their respective service areas, and to manage below budget where possible by not committing unnecessary expenditure through tight budget control.

Table 1: Revenue Budget Position & Further Recovery Actions 2006/07

Strategic Director / Assistant Director	2006/07 Forecast Overspend £'000	2006/07 Further Recovery in Apr-Dec Figures* £'000	2006/07 Net Position reported Apr-Dec £'000
Adult Care & Health Services	79	(122)	(43)
Children's Services	554	(317)	237
Customer Services	1,363		1,363
Support Services	(140)		(140)
Improvement & Performance	(67)		(67)
Council Solicitor	95		95
Major Projects			
Corporate & Agency	(969)		(969)
Total	915	(439)	476

* These figures reflect the further reductions proposed through recovery actions during the remainder of the financial year.

REVENUE BUDGET MONITORING APRIL TO DECEMBER 2006

- 1.3 Appendix 2 outlines the Council's current financial position for the 2006/07 financial year to the end of December 2006 by portfolio. The Appendix shows that there is a projected year-end overspend of £476,000 (or 0.48% of the net budget). However within this figure there are areas of over and under spending which are detailed below.
- 1.4 Significant areas of over and under spend are highlighted within this appendix. The major changes at portfolio level since the last budget monitoring report for April to September 2006 figures (Council Executive – 6th December) are shown in the table below:

Table 2 - Summary of major changes in revenue year-end forecast vs. budget since second quarter revenue budget monitoring report (Council Executive - 6th December 2006)

Portfolio	Change (£'000)	Main Reasons
Transport & Highways	+252	Increase in forecast income shortfall for on & off street pay & display income, and Penalty Charge Notice income.
Children's Services	-149	Training Services now moved to this Portfolio from Economic Development, along with associated £67k forecast underspend. Additional underspends identified in Special Education due to better than expected income.
Economic Development	+115	Previously forecast savings in the Employment Development Service (vacancy management), and Corporate Estate (premises costs) no longer anticipated. Also, Training Services now moved to Children's Services Portfolio, along with associated £67k forecast underspend.
Sustainability & The Environment	+125	Planning Services: Recruitment and transitional arrangement of new Assistant Director
Other Portfolios	+102	As detailed in paragraphs 1.6,, 1.7 & 1.10 below.
Total	+445	

1.5 Children's Services portfolio – forecast £237,000 over spend

Education Services are predicting a year end overspend of £82,000, with the access service forecasting an overspend of £305,000 due to school transport costs, the Executive received details of the main factors causing this overspend in the last quarterly monitoring report in September. This is partly offset by a £134,000 forecast underspend on Special Education due to better than expected income and a £69,000 forecast underspend on Education Strategic Management, due to flexible use of grant funding. The balance within Education is made up of a smaller underspend in non schools funding.

The balance on the portfolio is made up of an underspend of £26,000 in Youth & Community, an underspend of £67,000 in Training Services due to vacant posts, and an overspend of £264,000 in Social Services Children's Services due to the increase in Independent Fostering Placements since the start of 2005/06.

1.6 Resources Portfolio – forecast £916,000 under spend

The forecast underspend on this portfolio is made up of a £67,000 overspend in Corporate Support Services due to staffing pressures in Democratic Services, a £203,000 underspend in Support Services due to staff vacancies in Finance and a £188,000 overspend in Traded Services due to school catering income falling below targets and the increased Building Engineering Services contribution not meeting savings targets.

The spend forecast on capital financing costs is for an underspend of £1,900,000. The main factors causing the underspend are as follows:-

- The budget for borrowing and Minimum Revenue Provision (MRP) in 2006/07 was based on a full spend of capital in 2005/06 (after the re-phasing of £10m of capital to 2006/07 based on the budget monitoring information available at that time). The year end position for 2005/06 included further capital spend slippage of £9m into 2006/07 which resulted in lower MRP payments in 2006/07 and interest savings from the delayed need to borrow.
- In line with the annual borrowing strategy, further borrowing has been taken out during this financial year in support of the Council's capital programme due to long term interest rates falling below target levels. Capital spend for the first nine months of 2006/07 is only 51% of the annual budget, leaving the Council with a positive cash balance which has been invested short term. The interest receipts from these investments have also contributed to the underspend as short-term interest rates earned are around 1.5% higher than the long-term borrowing rates.

As part of funding of the Council's Exceptional risks, £700,000 of the capital financing underspend will be transferred to the Exceptional Risk Reserve as part of the year end outturn adjustments. This treatment is reflected in the monitoring figures.

Unfunded Pensions are forecasted to overspend by £116,000 as the budget is inadequate for the existing liability. A shortfall of £182,000 against the original savings target from the Agency framework arrangement is projected due to delays in rolling out the framework, tie-in terms with some agency staff suppliers from pre-framework assignments and possible reduction in agency placements (which is being reviewed). This is partially offset by unallocated inflation & single status provisions totalling £133,000 for which no commitments are projected in the remainder of 2006/07.

The balance within this portfolio is due to a small overspend on other Corporate budgets of £67,000 mainly due to Housing Benefit Rent Allowances costs arising from regulation changes related to subsidy claims.

1.7 Social Services Portfolio – forecast £45,000 over spend

Older People and Physically Disabled year end forecast is for an under spend of £721,000, due to savings in the residential placement budget. The Learning Difficulties budget is forecast to be overspent by £536,000, due to care placements, although this figure assumes some management actions which are high risk and are being monitored. Mental Health has a forecast overspend of £483,000 due to the purchasing of residential care. This is offset against a forecast underspend of £252,000 in Elderly Person's Homes and Other areas through savings in salaries and overheads.

1.8 Transport & Highways Portfolio – forecast £1,307,000 over spend

The forecast overspend on this portfolio consists of £654,000 in Public Transport due to the new obligation to provide free off-peak concessionary bus travel, a £600,000 shortfall in Car Parking income due to Pay On Foot deficit and a £410,000 shortfall of Penalty Charge Notice income due to less ticket issues. The Assistant Director Environmental Services prepared a paper on the Parking Strategy to provide options for addressing these issues, which was presented to the Informal Executive meeting on 22nd November 2006. Park & Ride income is forecast to achieve £75,000 above budget.

The overspends are partly offset by a £245,000 underspend in Highways Maintenance & Street Lighting due to tight control and capitalisation, and a £37,000 underspend in Overheads due to vacancy management in order to reduce the overall overspend on the Portfolio.

1.9 Sustainability & The Environment Portfolio – forecast £25,000 under spend

Waste Management is forecasting an underspend of £152,000 after offsetting increased recycling costs against the savings in gate fees, taxes relating to landfill disposal and income from the Landfill Allowance Trading Scheme for the Council's surplus permits.

There is a forecast £118,000 overspend in Planning mainly due to the recruitment and transitional arrangement of the new Assistant Director.

There is also a forecast £40,000 overspend in Waste Operations due to increased running costs of the transfer stations with the remaining £31,000 underspend due to vacancy management in Cleansing.

1.10 Community Safety & Housing Portfolio – forecast £115,000 under spend

There is a forecast underspend of £77,000 in Housing, £10,000 in Environmental & Consumer Services, £20,000 in Drug Action Team and £10,000 in Building Control, all as a result of vacancy management and surplus licensing income.

CAPITAL BUDGET MONITORING – APRIL TO DECEMBER 2006

1.11 In the April to September budget monitoring report that was presented to the Council Executive at the meeting on 6th December 2006, a capital programme of £52.0 million was reported. Since then, the following changes have been incorporated into the programme, funded by Government grant/supported borrowing or third party contributions;

Capital Scheme	£'000
Regional Housing Grant Allocation	15
Rural Bus Challenge Grant	54
Social Housing Grant Rephasing (as advised in Sep'06 Exec)	-1,500
Surestart Grant	86
Schools contribution to Education Capital	463
Social Services Govt Supported Borrowing – Adult	19
Social Services Govt Supported Borrowing – Children	8
Total Additions	-855

1.12 These changes give a revised capital programme of £51.163m as reported in Appendix 3. Further additions to the capital programme of £178,000 Waste Performance & Efficiency Grant and £33,000 National Treatment Agency Grant Funding, are reported in Appendix 5(i), and will be included in future capital monitoring reports. A further addition of £650,000, funded by service supported borrowing, for the surrender of the Head Lease on 7-9 Lower Borough Walls is also included in appendix 5(i).

1.13 Spend to the 31st December 2006 totalled £26.24m or 80% of profiled spend, with a year end forecast spend of £49.39m, or 97% of budget. Details of the current monitoring position are given in Appendix 3.

1.14 As part of the 2007/08 Budget Report that was presented to Council on 20th February 2007, a total of £5.804m of capital schemes were identified as needing re-phasing from 2006/07 into 2007/08. Details of these schemes are included in Appendix 5(i).

1.15 The budget for 2007/08 assumed a further £10M of exceptional receipts before the 31st March 2007. This comprises £2M to fund the capitalisation required to create the exceptional risk reserve, a further £3.75M to replace the receipts assumed in 2006/07 in relation to Education, but not now expected until 2007/08 and a further £4.5M to reduce unsupported borrowing to enable the council to fund service revenue budgets above original financial plan targets. These changes give a revised capital receipts target for 2006/07 of £15.384M general receipts and £2M Right to Buy receipts. The Assistant Director Support Services (Finance) is holding regular meetings with Property Services to monitor actual achievement against this target.

1.16 As reported in the Council Budget Report 2007/08 with reference to the Education Capital Programme, there is a need for further clarification of some of the items in the draft programme from previous years. There is a need for further clarification of the expected phasing of payments, and associated funding to ensure the Council (non DSG budget) is not exposed to unfunded borrowing costs, or is funding borrowing costs from the revenue budget which it does not need to. Specifically in relation to Threeways schools scheme, proposed adjustments were included in the Budget Report to correct the budget for estimated revised phasings of expenditure and timing of specific capital receipts for this project. The proposed change in the 2006/07 budget for Threeways is included in Appendix 5(i). Due to report timings, this adjustment is not included in the monitoring figures shown in Appendix 3, which currently includes a forecast year end overspend for Threeways prior to the adjustment, although future reports will include this adjustment on the basis that this is conditional pending the Director Of Support Services (in consultation with the Executive Member for Resources) being satisfied in the light of the above clarification (as agreed in the Council's Budget Report 20th February 2007).