

REVENUE BUDGET MONITORING APRIL TO JULY 2007

- 1.1 Appendix 2 outlines the Council's current financial position for the 2007/08 financial year to the end of July 2007 by cabinet portfolio. The Appendix shows that there is a projected year-end overspend of £1,928,000 (or 1.85% of the net budget). This is an improved position when compared to the potential overspend of £4,248,000 that emerged earlier in the financial year. The improved position results from the identification of £960,000 of efficiency savings and £1,360,000 of capital financing savings. Directors are developing proposals to bring expenditure back within budget. However within the current £1,928,000 forecast overspend figure, there are areas of over and under spending which are detailed below along with planned management actions being taken to reduce any overspends.
- 1.2 A new monthly system has been introduced whereby action plans to reduce the forecast overspend are reported through Assistant Directors Group, Strategic Directors Group and onto the Cabinet. Initial analysis of these proposals indicate relative risk of achievement as detailed in the following table:

Emerging Recovery Proposals from Directors

	£'000
April to July Monitoring Position	1,928
Total Emerging Recovery Proposals from Directors	2,394
Revised Position 2007/08	(466)

Indicative Risk Categorisation of Directors' Recovery Proposals

Indicative Risk Categorisation	£'000
Low	1,134
Medium	698
High	562
Total	2,394

- 1.3 If the £2,394,000 of recovery proposals are all achieved, the revised forecast position will be a year-end underspend of £466,000, which if achievable given the risk, will assist in meeting any as yet unidentified current year pressures and will increase reserves and help enhance the Council's financial plan flexibility in future years (see separate report on this agenda).

1.4 Children's Services portfolio – forecast £522,000 over spend

The overspend relates to two main areas as follows:

Children's & Families – forecast overspend of £282,000. The over spend is a result of increased demand on foster care allowances and an additional residential placement. The 2 areas of overspend highlight the increasing demand for placements of children. The services pooled budget arrangements managed through a Joint Agency Panel (JAP) is continually observing increases in both numbers and levels of need. Resources have been allocated to this budget to respond to these pressures and to develop local alternatives to reduce future demand for such placements.

Youth Service – forecast overspend of £240,000. The service was set a target of £380,000 savings as part of the 2007/08 service planning process and an action plan was developed to achieve this. The plan has slipped in relation to managing the restructure of the service which has been delayed due to union consultation. It is anticipated that the savings target will be achievable during 2008/09.

Action plans to address the overspend are being established for discussion within the department and with the cabinet member for Children Services.

1.5 Adult Social Services & Housing – forecast £517,000 over spend

The main factor causing the overspend is spending on Mental Health services. The Mental Health Services budget is forecast to overspend by £526,000 due to the purchase of adult placements. This overspend is a continuation of the position for 2006/07. There was no additional investment into the budget due to the requirement to reconfigure the service to deliver more value for money. The major service reconfiguration was approved at the Joint commissioning Board in June. The balance on this portfolio is made up of an overspend on older people budget of £50,000, consisting of an overspend on purchasing care partly offset by salary savings and underspends on in-house residential and home care services.

Panels to review all placements continue to ensure that robust care management is taking place. Re-commissioning of learning difficulties and mental health placements is taking place. The intake and re-enablement team has been established which should lead to a reduction in the number of home care hours commissioned longer term. All recruitment is subject to approval at Director level.

In addition the management team have put in a range of additional control measures on non- direct care related spend to bring the budget in to line in-year.

1.6 Customer Services – forecast £1,086,000 overspend

The overspend on this portfolio arises mainly from:

- £435,000 – free public transport to disabled people and those over 60 years of age. This scheme was introduced in April 2006 and the government decided on detailed funding following appeal. This decision arrived too late to be included in the service plan, and proved insufficient for Bath & North East Somerset.
- £333,000 – Planned savings in Planning & Waste Services are unlikely to materialise.

- £300,000 – employment and other charges to capital schemes are unlikely to be achieved.

These deficits are planned to be mitigated by staff savings (£175,000), a review of capital charges and deferment of capital schemes (£400,000), a review of income projections (£200,000), a review of waste and recycling operations (£100,000), a reduction in training costs (£50,000) and £75,000 of other savings.

1.7 Resources Portfolio – forecast £197,000 under spend

The forecast underspend on this portfolio is made up of the following variances:

Support Services: overspend of £174,000 mainly due to an overspend of £218,000 in traded services related to catering and building & engineering services; the overspend is partly offset by underspends in Policy & Partnerships (£30k) and finance (£14k). Further actions planned to recover the support services overspend include vacancy management and restructuring savings.

Improvement & Performance: overspend of £71,000 related to volume variation charges in respect of the payroll contract. Short term budget pressures in Improvement & Performance have been mitigated by vacancy management. Longer term there is an Action Plan to align cost to base budget. This is well advanced with restructuring across all of the four areas of the service (i.e. HR, Marketing and Communications, Strategic Performance inc Culture and Improvement & delivery) scheduled for completion in October 2007. Currently estimated that the full costs of restructuring across I&P can be largely funded in year. However, these are still being finalised and worst case scenario is an overspend of up to £40k, which if necessary can be spread across future (3) years.

Efficiency Savings Target: overspend of £1,000,000 as detailed in paragraph 7.7 of the covering report.

Capital Financing Costs: underspend of £1,360,000 due to the following factors:

- Minimum Revenue Provision (MRP) in respect of debt repayments underspend of £360k due to the final capital spend in 2006/07 being c£10m underspent compared to the estimate used in setting the 2007/08 budget for MRP.
- Additional Investment income achieved over budget due to having higher cash balances available. Current forecast is for additional £1 million over budget. This is made up of £240k from education capital grant receipts in advance of spend, £100k from increased interest rates and £660k from capital spend slippage and other favourable cashflow impacts. This position will be closely monitoring during the remainder of the financial year.

The balance of the portfolio consists an underspend of £90,000 on Housing Benefit subsidy due to a reduction in claim errors leading to higher subsidy and other minor over and under spends.

CAPITAL BUDGET MONITORING – APRIL TO JULY 2007

1.8 On the 20th February 2007 a capital budget of £52.943 million for 2007/08 was approved by Council. Since then, the following changes have been incorporated into the programme;

	£'000
Education re-phasing (council report delegation to the Section 151 Officer in consultation with the Executive Member for Resources)	-1,311
Roman Baths Site Development	+816
Total Changes	-495

1.9 These changes give a revised budget of £52.448 as reported in Appendix 3. Further adjustments are required in respect of re-phasing the housing capital programme, for which authorisation was delegated to the Section 151 Officer in consultation with the Executive member for Resources by Council in February 2007. This adjustment is reported in Appendix 5(i) for information and will be incorporated into future monitoring reports. There are other proposed adjustments to capital budgets reported in Appendix 5 and these adjustments will be reflected in future monitoring reports.

1.10 The revenue and capital outturn was reported to cabinet in June 2007. This report delegated the agreement of carry forwards for capital over and underspends arising in 2006/07 to the Council's Section 151 Officer in consultation with the Chief Executive and Projects Programme Board (PPB). The carry forward requests are being reviewed before a final report to PPB on 30th August, budgets will be updated to reflect the decisions made. The forecast year end spend in 2007/08 shown in Appendix 3 column G assumes requested carry forwards from 2006/07 will be approved, although this is not reflected in the budget at this stage.

1.11 Capital spend to the 31st July 2007 totalled £5.45m or 47.6% of profiled spend. Details of the current monitoring position are given in Appendix 3.

1.12 Current indications are that the overall capital receipts target assumed in the financing of the capital programme will be met in 2007/08. Progress against target will be monitored as the year progresses and any issues will be highlighted to Projects Programme Board and reported back to the Cabinet in future budget monitoring reports.