

**REPORT TO: POLICY COMMITTEE ON 5<sup>TH</sup> MARCH 2008**

**SUBJECT: REVENUE BUDGET MONITORING TO 31<sup>ST</sup> JANUARY 2008**

**BY: CHIEF FINANCIAL OFFICER**

**1. REASON FOR REPORT**

- 1.1 To advise Committee of the Revenue Budget Monitoring position for 2007/08 as at 31st January 2008. To identify allocations to departmental budgets from provisions for general and specific purposes. To report on Estimated Actual expenditure for 2007/08.
- 1.2 This report is submitted to Committee in terms of Section A(8) of the Council's Administrative Scheme relating to monitoring of revenue expenditure against approved Budget.

**2. RECOMMENDATION**

**2.1 It is recommended that Committee:**

- (i) note the current Budget Monitoring position for 2007/08 as at 31st January 2008;**
- (ii) note the allocations from provisions.**
- (iii) note the estimated actual position for 2007/08.**

**3. BACKGROUND**

- 3.1 The annual Budget is phased across twelve months to reflect the expected pattern of spend. Where the pattern of spend cannot be accurately predicted, budgets are phased equally against each month.
- 3.2 The table below highlights the position to date for each department, comparing the Actual and Committed spend to date against the Budget to 31st January 2008.

	Revised Budget 2007/08	Budget to 31 Jan 2008	Actual and committed expenditure to 31 Jan 2008	Variance %
	£000s	£000s	£000s	
Educational Services	81,074	64,910	63,658	2%
Social Work	39,518	34,969	33,228	5%
General Services Housing	1,583	(3,284)	(2,515)	23%
Environmental Services – Development	3,283	2,389	2,327	3%
Environmental Services – Direct	20,542	14,028	12,635	10%
Policy & Resources	18,129	11,205	11,762	-5%
Provision for Contingencies and Inflation	1,310			
Additional Costs (to be reported)	233			
Scottish Executive Notional Funding (to be reported)	874			
Savings to be allocated to Departments	<u>(237)</u>			
<b>TOTAL</b>	<b>166,309</b> =====	<b>124,217</b> =====	<b>121,095</b> =====	<b>3%</b> =====

- 3.3 Reconciliation of the movements in the base budget from that which was approved by the Moray Council on 8<sup>th</sup> February 2007 is shown in **APPENDIX 1**.
- 3.4 The budget set on 8<sup>th</sup> February includes provision for pay awards and other inflation based increases and an allowance for unforeseen contingencies; agreed provision to meet particular recognised cost pressures faced by the authority, and a provision for additional funding from the Scottish Executive relating to new burdens placed on the authority. These provisions are reported on separately. Reports on Service Plans for expenditure relating to additional cost pressures and new burdens are required before budget is released from these provisions.
- 3.5 In addition to the Council's core budget, budget allocated to schools through the Devolved School Management Scheme and not spent is brought forward from previous years.

#### **4. CURRENT BUDGET POSITION**

- 4.1 The overall position as at 31st January 2008 is an underspend against budget to date of £3 million. Major variances against budget are commented on below. The requirement for Out of Area Placements continues to be of concern in the short term.
- 4.2 Educational Services show an underspend of £1.3 million against budget to date. There is an underspend to date of £1.5 million relating to budgets devolved to schools. The Devolved School Budget had an overall balance of £582,000 at the start of the year and the year end position for the current year will be reported in July as normal. Expenditure on Out of Area Placements continues above budget, and the budget for examination fees is overspent by £72,000. Despite planned maintenance being reduced, there is an overall overspend on repairs and maintenance to date of £62,000.
- 4.3 Social Work services show an underspend of £1.7 million against budget to date. The Learning Disability budget is underspent by £0.6 million, primarily relating to the Challenging Behaviour project being developed. Income, including grant income, is £0.5 million above budget. The training budget is underspent by £0.2 million. The balance of the underspend relates to staff.
- 4.4 General Services Housing shows an overspend against budget to date of £0.8 million. This is largely due to timing differences in Building Services DLO and DWP reimbursement of Housing Benefits income being received.
- 4.5 Development Services shows an underspend of £0.06 million against budget to date. Income from planning fees and building warrants is above budget.
- 4.6 Direct Services expenditure shows an underspend of £1.4 million against budget to date. £0.4 million relates to Waste Management, and this budget is currently under review. This partly relates to £0.2 million notional Scottish Executive allocations of funding. £0.4 million relates to Roads Maintenance. The bulk of the remainder relates to the Significant Trading Operations.
- 4.7 Policy and Resources shows an overspend to date of £0.06 million. £0.3 million arises from timing differences following adjustments to the Police Board requisition. £0.1 million relates to expenditure on energy efficiency measures, which will be grant funded

- 4.8 Allocations to Departments from the three unallocated budget lines are listed in **APPENDIX 2**. The allocations from the provision for contingencies and inflation are in line with budget assumptions. Following renegotiation of the Council's insurance contract, the cost of insurance this year has decreased by £200,000. The main areas yet to be allocated are listed in **APPENDIX 3**.

## 5. ESTIMATED OUT-TURN

- 5.1 The table below summarises the anticipated expenditure for the year compared to budget for each Department.

	<b>Revised Budget 2007/08 £000s</b>	<b>Estimated Actual 2007/08 £000s</b>	<b>Anticipated Variance £000s</b>
Educational Services	81,074	81,670	(596)
Social Work	39,518	38,652	866
General Services Housing	1,583	1,600	(17)
Environmental Services – Development	3,980	4,115	(135)
Environmental Services – Direct	19,845	20,577	(732)
Policy and Resources	18,129	18,137	(8)
Provision for Contingencies & Inflation	1,310	30	1,280
Additional Costs (to be reported)	233	213	20
Scottish Executive Notional Funding (to be reported)	874	556	318
Cost of Job Evaluation Appeals	0	250	(250)
Loans Charges Less Depreciation	3,727	3,727	0
Savings to be allocated to Departments	<u>(237)</u>	<u>0</u>	<u>676</u>
<b>TOTAL</b>	170,036 =====	169,527 =====	509 =====
Funded by:			
Scottish Executive Grant	132,714	133,184	470
Interest on Capital Fund	300	300	0
Devolved School Management c/f	582	582	0
Modernising Government	309	309	0
Council Tax	<u>36,132</u>	<u>36,212</u>	<u>80</u>
<b>TOTAL</b>	170,037 =====	170,587 =====	 =====
<b>Projected Surplus</b>			1,059 =====

Major variances for each department are tabulated below.

5.2 Educational Services

	<b>Overspend £000s</b>	<b>Underspend £000s</b>
Out of Area Placements	370	-
Support for Learning	111	-
Former PPP Project Slippage	-	145
Exam Fees	72	-
Procurement	200	-
Playgroups – implementation of Best Value Review recommendations	-	39
Central Supply Teachers	120	0
Buckie Day Care Project	-	30
Other	<u>-</u>	<u>63</u>
	873	277
	=====	=====
Projected Variance	596	
	=====	

The projected variance previously reported was an overspend of £520,000. The Vacancy Management target is now projected to be met. Out of Area Placements have increased by £25,000. Central Supply Teaching costs are projected to increase by £120,000. This is due to an increasing volume of maternity leave and a higher volume of excess teachers due to falling school rolls. The Buckie Day Care project is now projecting an underspend of £30,000.

5.3 Social Work

	<b>Overspend £000s</b>	<b>Underspend £000s</b>
<u>Children's Services</u>		
Out of Area Placements	375	-
Refund in Service Level Agreements	-	200
Fostering Fees	60	-
<u>Community Care</u>		
Community Care Income	-	100
Training	-	190
Community Support Workers (Pension and NI)	-	100
Vacancy Management	-	75
OT Adaptations	-	60
Running costs of New Residential Facility	<u>-</u>	<u>576</u>
	435	1,301
	===	=====
Projected Variance		866
		=====

The projected variance previously reported was an underspend of £756,000. Out of Area Placements have increased by £25,000. A further £100,000 refund in Service Level Agreements has been negotiated. The Home Care Service was previously estimated to underspend; the revised forecast is to spend on budget. Staff vacancies have increased from £40,000 to £75,000. Occupational Therapy Adaptations are to be met from the Care and Repair Budget in General Services Housing and will therefore underspend.

#### 5.4 General Services Housing

	<b>Overspend £000s</b>	<b>Underspend £000s</b>
Homeless Accommodation	75	-
Travelling People	7	-
Supporting People Infrastructure	-	25
Building Services Contribution	<u>-</u>	<u>40</u>
	82	65
	=====	=====
Projected Variance	17	14
	===	===

The previously reported variance was an underspend of £14,000. Building Services contribution is now estimated at £40,000, and additional costs for Travelling People have been incurred.

#### 5.5 Environmental Services

	<b>Overspend £000s</b>	<b>Underspend £000s</b>
<u>Development Services</u>		
Planning Application and Building Warrant Fees	-	160
Match Funding Projects - Slippage from 2006/07 (funded from reserves)	110	-
Development Plan Local Enquiry	30	
<u>Direct Services</u>		
Landfill Tax	75	-
Income (mainly Waste Management)	280	
Transportation Revenue Support	170	
Waste Management Overtime		240
Property Services Agency Staff savings		70
Fuel Costs	140	
Emergency Flood Prevention Works	30	
Fleet Services		38

Environmental Services Savings

Procurement	244	
Trading Standards Shared Services	50	
Cleaning Service Best Value Review	100	
Gas Collection at Dallachy – delayed until 2008/09	<u>146</u>	<u>          </u>
	1,375	508
	=====	=====
Projected Variance	867	
	=====	

The projected variance previously reported was an overspend of £1.2 million. The most significant movement is on the Catering/Cleaning service where an overspend of £300,000 was previously projected.

5.6 Policy & Resources

	Overspend £000s	Underspend £000s
Income		80
CCTV and Anti-Social Behaviour (Funded from Reserves)	115	
Vacancy (above target)		20
Other	<u>          </u>	<u>      7</u>
	115	107
	=====	=====
Variance	8	
	==	

5.7 The balance on the provision for Contingencies and Inflation at the year end is estimated to be £1 Million. This arises primarily from reductions in Devolved School budgets due to falling school rolls, and to the saving on the insurance contract referred to in paragraph 4.8.

5.7 The Council has been notified of expected redetermination of Revenue Support Grant, itemised in **APPENDIX 4**. It is estimated that the cost of increasing grants to pre-school providers to £1,550 per child will be £189,000, leaving a balance of £77,000. Other redeterminations will be fully allocated, but expenditure relating to NOSLA and Shared Services Review is expected in 2008/09.

The 0.5% pay increase (for teaching staff) December 2007 – March 2008 is to be funded by the Scottish Government. As yet, there has been no notification of how this will be funded.

5.8 The number of Band D equivalents at 30th September slightly exceeded the estimate made when the budget was set. Increased income of £80,000 is anticipated.

- 5.9 Trading Operations are anticipated to make surpluses in line with the budget.
- 5.10 The net effect of additional income and anticipated variance from departmental budgets is a projected underspend of £1,059,000.
- 5.11 A report is to be provided to the Environmental Services Committee in relation to the anticipated out-turn for Transportation Revenue Support.

## **6. SUMMARY OF IMPLICATIONS**

### **(a) Corporate Development Plan/Community Plan/Service Improvement Plan**

This Report is consistent with the Corporate Development Plan commitment to Sound Management of Resources.

### **(b) Policy and Legal**

There are no Policy and Legal implications.

### **(c) Resources (Financial, Risks, Staffing and Property)**

The financial implications are highlighted within the report. There are no risks or staffing and property implications arising from this report.

### **(d) Consultations**

Consultation concerning Revenue Budget Monitoring is an ongoing process with Budget Managers across the Council.

## **7. CONCLUSION**

- 7.1 The Revenue Budget shows an underspend to date. The main concern for the Council in terms of expenditure matching the Budget is the requirement for Out of Area Placements.
- 7.2 The Council has approved expenditure from reserves of £2.2m and of this amount it is anticipated that £534,000 will be spent in the year, including the £309,000 allocation for Modernising Government. All other things being equal there would be an outturn deficit of £534,000 for the year. However at present a number of variances are anticipated and the larger items are included in the summary below:

£000s

<b>Spending from Reserves (not allocated to budgets)</b>	<b>(225)</b>
<b>DSM Adjustments</b>	<b>655</b>
<b>Increased income</b>	<b>160</b>
<b>Reduction in Service Level Agreements</b>	<b>200</b>
<b>Insurance</b>	<b>260</b>
<b>Social Work Training</b>	<b>200</b>
<b>Community Care</b>	<b>840</b>
<b>Job Evaluation Appeals</b>	<b>(250)</b>
<b>Out of Area Placements</b>	<b>(750)</b>
<b>Procurement Efficiencies</b>	<b>(500)</b>
<b>Additional Government Grant</b>	<b><u>470</u></b>
<b>Anticipated Surplus</b>	<b><u>1,060</u></b>
<b>Deduct spending from Reserves (allocated to budgets)</b>	<b>(309)</b>
<b>Anticipated increase in Reserves</b>	<b>751</b>
	<b>====</b>

An amount of £470,000 from the increase in reserves relates to two efficiency review projects for which funding has been received in advance from the Scottish Government. The net increase in usable reserves will therefore be £281,000

- 7.3 The movement in variances from the estimated outturn reported in December 2007 is significant in a number of areas. The Accountancy Section will highlight these movements to Departments and this will be followed up once the year end results are available to assist in assessing the reliability of current budget management arrangements.

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Background Papers:

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