

Item No: 1	Classification: OPEN	Date: 30 November 2005	Meeting Name: Regeneration & Resources Scrutiny Sub-Committee
Report Title:		Revenue Monitoring (Provisional Period 7) 2005/06	
Ward(s) or Group affected:		All Wards	
From:		Finance Director	

RECOMMENDATIONS

1. The Committee is invited to comment on the current revenue monitoring position for the General Fund and Housing Revenue Account as reported.

BACKGROUND INFORMATION

2. On 11 October 2005, the Executive received a report that included the revenue monitoring position for the 2005/06 financial year as at period 5. This forecast the projected financial position to the year end as follows:
 - an overall forecast net underspend of £2.1m on the General Fund;
 - an overall forecast net deficit of £4.4m on the Housing Revenue Account.
3. The Executive noted the projected outturn positions for the General Fund and Housing Revenue Account for the year to 31st March 2006. It was noted that the favourable position allowed for funds to be set aside for the costs of essential structural repairs on the Peckham Pulse swimming pool. This would be subject to a report from the Environment and Leisure Department prior to the release of any funds, detailing proposed works, budgets and timetables.
4. This report offers an updated provisional position as at Period 7 (October 2005).

KEY ISSUES FOR CONSIDERATION

5. Appendix A shows a summary of the projected outturn position on General Fund and Housing Revenue Account for 2005/06. This current forecast projects a financial position to the year end as follows:
 - an overall forecast net underspend of £1.9m on the General Fund;
 - an overall forecast net deficit of £3.6m on the Housing Revenue Account.
6. There has been a small movement in the net outturn for the General Fund arising primarily as a result of the need to report the emerging cost pressures on Social Care budgets. These and other pressures on service budgets are offset by the windfall variation reported for Housing Benefits Administration and Subsidy and by increased interest earnings. Overall, the budget is expected to deliver on target and management actions continue to address opportunities to improve this position.

7. The position on the HRA has improved by almost £1m since August as the management actions reported at that time have started to take effect. However a significant deficit is still forecast at this time and further action continues to take place to improve the position further.

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Finance Director
Report Author	Simon Hughes, Assistant Finance Director
Version	Final
Dated	22 November 2005

APPENDIX A

Budget Monitoring Report: Summary for the General Fund and Housing Revenue Account as at 31 October 2005 (Provisional)

DEPARTMENT	EXPENDITURE		INCOME		NET EXP/ INCOME		Variance	
	Full Year Budget £'000	Full Year Forecast £'000	Full Year Budget £'000	Full Year Forecast £'000	Full Year Budget £'000	Full Year Forecast £'000	Forecast less Bgt £'000	as % of Budget %
Education (inc Every Child Matters)	259,445	259,717	-54,294	-55,107	205,151	204,610	-541	-0.3%
Children's Social Care	57,696	60,462	-16,850	-18,642	40,846	41,820	974	2.4%
Adults Social Care and Support	122,201	132,400	-33,762	-43,463	88,439	88,937	498	0.6%
Environment and Leisure	95,215	96,295	-31,305	-31,779	63,910	64,516	606	0.9%
Regeneration	37,278	38,739	-20,081	-21,451	17,197	17,288	91	0.5%
Housing General Fund	234,801	232,846	-205,690	-205,986	29,111	26,860	-2,251	-7.7%
Strategic Services	64,845	66,063	-58,072	-58,561	6,773	7,502	529	7.8%
Total for Services	871,481	886,522	-420,054	-434,989	451,427	451,533	-94	0.0%
Corporate Budgets	6,305	6,305	-6,119	-6,119	186	186	0	0.0%
Strategic Financing	124,924	124,947	-140,665	-142,497	-15,741	-17,550	-1,809	11.5%
General Fund Total	1,002,710	1,017,774	-566,838	-583,605	435,872	434,169	-1,903	-0.4%
Housing Revenue Account	258,885	262,507	-258,885	-258,912	0	3,595	3,595	-

Summary:

At the end of September, the General Fund is forecast to be net £1.9m under budget at the end of the financial year. This includes a number of variances both favourable and unfavourable. The main variances are as follows:

- The Education Service is projecting a favourable outturn of approximately £540k. This includes projected increases in government income of £200k and SEN underspend of £500k relating to the management and containment of SEN contingency and economies and efficiencies arising from a repricing in SEN transport. Costs pressures are emerging to support the Every Child Matters agenda relating to management and operational costs for building up the infrastructure around the children's trust agenda. The full year implications of these costs are currently being assessed and will need to be accounted for within the current budget setting framework for the 2006/07. New transitional costs are centred around underpinning the management structure of the trust and developing the commissioning strategies. Wherever possible these will be contained within existing budgets.
- Cost pressures in social care of £974k for Children's Social Care and £498k for Adults Social Care arising from increased demand and inflation on contracted services. Management action is in place to contain these cost pressures within existing budgets as far as is possible, but it is felt prudent at this time to report the extent of the underlying pressure. This is especially relevant in the context of current issues surrounding the proposed changes in the Formula Spending Share for Children's Services. Options are being considered for the release of earmarked Social Services provisions to offset these pressures. However, the ability to do this is not clear at this time and there will remain a base pressure in 2006/07. The priority remains to contain the pressure within budget as far as is possible and it is expected that the position will improve through the second half of the year.
- The projected Environment and Leisure revenue overspend includes specifically the current year revenue impact of the Peckham Pulse of £360k for 2005/06 (latest estimates of capital costs total £1.95m) and cost pressures on Leisure Management amounting to approximately £200k. The Executive noted on 11 October that, of the total projected General Fund underspend, £1.2m be set aside for essential structural repairs at Peckham Pulse subject to further reports from the Director of Environment and Leisure and ultimately the outcome of legal proceedings. Management action continues within the Department to contain the cost pressures and to reduce the overall adverse variation.
- The net favourable variation of £2.2m for the Housing General Fund is arising from a favourable position emerging on benefit administration costs and subsidy income as a result of improved performance. Subsidy remains subject to audit and is a one-off event in 2005/06 only. Provision has been made in the accounts for changes in regulations regarding Housing Benefits subsidy and the budgets for 2006/07 and beyond will need to take full account of the impact of these changes which at this time seem unlikely to work in the Council's favour.

- Additional net interest earnings of £1.9m have been recorded in Strategic Financing arising principally from general increases in cash balances and reprofiling of capital programme projects from 2004/05. It is hoped to sustain this level of income through into 2006/07 subject to interest rates and continued levels of cash balances. These balances are expected to start reducing in 2007/08 which will apply pressure back on other budgets at that time. An earmarked reserve has been set aside in the accounts for 2004/05 that may be used to dampen any impact over a number of years.
- The unfavourable variation of in Strategic Services is arising principally from increased demand for internal and external legal support from services across the Council, including corporate issues. A fundamental review is underway to address the position, especially through a review of charging rates, the flexibility within block charging agreements and cost-recovery procedures for the service. While the review is underway, management action continues to draw costs back within budget; some progress is being made.

The Housing Revenue Account is forecast to be £3.6m over budget, an improvement since the period 5 forecast (£4.5m overspend) reflecting ongoing management action to bring the budget back into balance by the end of this financial year. Considerable pressures remain on the HRA into 2006/07 and these are being reviewed closely by the Housing Department.