

## **BUSINESS SUPPORT**

**5 DECEMBER 2013**

### **REVENUE BUDGET MONITORING 2013/2014**

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#### **Summary**

This report details the revenue budget forecasts as at the end of Quarter 2 (April to September 2013) and highlights the major financial risks remaining in respect of the 2013/2014 General Fund revenue budget.

#### **1. Budget and Policy Framework**

- 1.1. It is the responsibility of Cabinet to ensure that income and expenditure remains within the budget approved by Council.

#### **2. Background**

- 2.1. At its meeting on 21 February 2013, the Council set a budget requirement of £348.511 million for 2013/2014, whilst Council Tax was increased by 1.99%, just below the cap imposed by Central Government. Subsequent increases to DSG have increased the budget requirement to £352.028 million.
- 2.2. This is the second quarter's monitoring report, summarising reports that have been considered by directorate management teams, based on returns submitted by individual budget managers. In preparing their returns, budget managers have been asked to take account of last years outturn, actual income and expenditure for the year to date and, most importantly, their knowledge of commitments and service requirements anticipated for the remainder of the financial year.
- 2.3. Table 1 below contains a summary of the forecast position with further detail at divisional level, prior to management action, included at Appendix 1.

### 3. Summary Revenue Budget Position 2013/2014

3.1 It can be seen from Table 1 that, including the management action reported by RCC and BSD, the forecast outturn for 2013/2014 is estimated at £4.4 million. Management action plans are being formulated and it is anticipated that this figure will come down as the year progresses.

**Table 1: Quarter 2 Summary**

Directorate	Budget 2013/2014 £000s	Forecast variance £000s	Proposed action £000s	Adjusted variance £000s	Q1 Variance £000s
Children and Adult Services:					
- DSG and School Specific Spend	138,229	620	0	620	620
- General Fund Services	118,272	4,017	(727)	3,290	3,600
Regeneration, Community and Culture	58,999	1,064	(580)	484	549
Business Support Department	9,661	111	(195)	(84)	207
Public Health	12,925	0	0	0	0
Interest & Financing	14,892	0	0	0	0
Levies	879	8	0	8	8
Better for Less	(596)	671	0	671	212
Medway Norse Joint Venture Co.	(263)	0	0	0	0
Use of Reserves	(970)	0	0	0	0
<b>Budget Requirement</b>	<b>352,028</b>	<b>6,491</b>	<b>(1,502)</b>	<b>4,989</b>	<b>5,196</b>
<i>Funded by:</i>					
Dedicated Schools Grant	(138,228)	(620)	0	(620)	(620)
Revenue Support Grant	(63,311)	0	0	0	0
Business rate share	(42,119)	0	0	0	0
Council Tax	(87,565)	0	0	0	0
Public Health Grant	(13,170)	0	0	0	0
Specific Grants	(7,635)	0	0	0	0
<b>Total Available Funding</b>	<b>(352,028)</b>	<b>(620)</b>	<b>0</b>	<b>(620)</b>	<b>(620)</b>
<b>Net Forecast Variance</b>	<b>0</b>	<b>5,871</b>	<b>(1,502)</b>	<b>4,369</b>	<b>4,576</b>

## 4. Children and Adult Services

4.1 The directorate is currently forecasting a £3.3 million overspend against its general fund budgets, the principal reasons for which are as follows:

- The predicted overspend within the Children's Care Division, has increased to £2.3 million, principally because of the need to place a young person in secure accommodation for a short period of time;
- The SEN transport budget continues to predict a £1.2 million overspend.

4.2 Management action has been identified to reduce the predicted overspend and this is outlined below:

- The new *ring-fenced* Adoption Reform Grant (Part B) was allocated to the division during the early part of the year to deliver improvements in adoption practice, however the *non-ringfenced* Part A grant, which amounts to £476,731, remains unallocated and it is proposed that this be used to reduced the forecast overspend against Children's Care budgets and in particular adoption services;
- The monitoring does not yet reflect delivery of the 'high cost placements' savings target, but meetings are scheduled with providers to explain to them the Council's financial situation and the need to reduce all placement costs by 10%. If this is implemented for January 2014, it should save circa £150,000;
- A similar conversation is presently taking place with SEN transport providers and a 10% reduction in total hired transport costs, would save approximately £100,000 during the final quarter of the year.

4.3 The directorate management team have also agreed in principle further management action to address and minimise the overspend in Children's Social Care, but they have not applied any financial targets at this stage:

- A reconciliation of all budget lines to ensure projections for placements of looked after children and staffing are as accurate as possible and not over-stated;
- Work with our commissioners, business team and operational staff to reduce the high number of children placed in independent fostering agencies, by developing our in-house foster care capacity and more effectively managing and leveraging the market;
- An urgent review of our adoption charges for POLA children in Medway in line with the more than doubling of charge by other local authorities from £13,000 to £27,000;
- undertaking a whole scale restructure of the Children's Social Care Division (due for formal consultation in August 2013) in conjunction with a robust recruitment strategy, connected to our Improvement Plan to ensure more effective and efficient ways of working, improve demand management and reduce the reliance on agency staff in the medium to longer term.

## 5 Regeneration Community & Culture

5.1 The directorate is forecasting an overspend of £484,000 after management action. The original forecasts from budget managers reported a forecast overspend of £1.064m with the principle reasons being:-

- Parking Services are forecast to overspend by £51,000, an adverse change of £171,000 since Q1 due to staff sickness and reduced income from bus lane enforcement;
- Economic Development includes a pressure of £100,000 in respect of the Innovation Centre, principally due to less than budgeted broadband & rental income and exceptional one-off costs;
- Development Management is forecasting a shortfall of £83,000 in fee income due to the poor economic climate;
- Housing Solutions are forecasting an overspend of £83,000 as a result of higher than budgeted temporary accommodation costs offset by savings from the prevention budgets. This is in line with Q1 forecast after management action;
- Retendering of the Housing Related Support contract has been delayed and will cost the service £100,000 in the current year as savings targets will not be met.
- Leisure & Sports are forecasting an overspend of £247,000 primarily due to costs incurred on activities post transfer to Medway Norse.
- Events, Arts & Theatres are forecasting overspends of £96,000, £27,000 and £56,000 respectively mainly due to shortfalls in income to budget which is in line with Q1 forecast after management action.

5.2 Consideration by the Regeneration, Community and Culture DMT has identified the following revisions and management actions to reduce the deficit of £1.064m to £484,000. However the Directorate are seeking to explore further management action and are committed to achieving a break even position by the end of the year:

5.2.1 Front Line Services:

- Savings of £50,000 to be found from Highways Service
- Recruitment of staff will increase parking income by £50,000.

5.2.2 This leaves a forecast underspend of £4,000 in Frontline Services

5.3 Housing & Regeneration:

- £100,000 Innovation Centre forecast overspend to be reduced to £40,000 by increasing rental income forecast to 100% and assuming that Norse will repay £22,000 that has been paid for transferred activities.
- Forecasting a higher level of court costs awarded and income from public enquiry costs of £50,000
- Reducing General Fund Housing forecast by £30,000 via savings from supplies and services

5.3.1 The above reduces the forecast overspend via management action down from £377,000 to £237,000

#### 5.4 Leisure & Culture:

- Vacancy factor will be achieved by a freeze on recruitment for the remainder of the financial year in order to meet the £100,000 savings target;
- Issues regarding the transition to Medway Norse are currently under discussion but represent £214,000 of the overspend reported;
- Medway Leisure has identified a further £60,000 of management action savings.

5.4.1 This will reduce the forecast overspend on Leisure & Culture from £608,000 to £268,000 .

### 6. Business Support

6.1 The directorate is forecasting an overspend of £587,000 (net of Better for Less, Medway Norse & BSD) against its net revenue budget of £8.8m. The principal reasons for this are as follows:

- Delays to the Better for Less (BfL) implementation programme are anticipated to create a pressure of £671,000.
- The Corporate Services Division is forecasting an overspend of £546,000 largely as a result of unidentified Category Management savings of £732,000 offset by vacancy savings of £70,000 and a saving of £100,000 against the Carbon Reduction Tax.
- The Finance Division is forecasting an underspend of £602,000 largely as a result of net vacancy savings of £287,000 and the non-requirement for the Discretionary Rate Relief budget of £251,000 that now forms part of the Business Rate Share distribution.
- Overall the directorate is forecasting salary savings of £781,000 reduced to £232,000 after allowing for a vacancy saving target of £549,000.

6.2 The transfer of facility management responsibilities to Medway Norse has been reflected in the quarter 2 figures and the anticipated profit of £263,000 is shown in the summary table and is expected to be met.

### 7. Public Health

7.1. The budget for Public Health is a ring-fenced sum and the forecast is therefore for a zero variation. The detailed forecasts reflect a predicted underspend of £449,000 during the year, which would be transferred into a ring-fenced reserve to fund future Public Health related expenditure. However there is still significant uncertainty about the costs of some new Public Health responsibilities. In particular those relating to prescribing and dispensing costs and genito urinary medicine services where adequate invoicing arrangements are yet to be established by the providers. Therefore there is the possibility that the current forecast level of transfer to reserves may be subject to some movement.

## **8. Interest & Financing**

- 8.1 Interest rates continue to be at an all-time low and the euro crisis and financial market nervousness continues. Against this backdrop in 2012/13 Interest and Finance returned a surplus against budget of some £1.068 million. In anticipation that markets remain static Council took the decision in February to utilise this surplus to offset budget pressures elsewhere and specifically to bring to an end the repayment of borrowing costs by highways that enabled additional highways spending of £480,000 pa. As a consequence 2013/14 will be challenging given that some of the higher rate deposits held in 2012/13 will drop out. At this stage a forecast of break-even is given.

## **9. Levies**

- 9.1 Levies are currently forecasting a small overspend.

## **10. Dedicated Schools Grant**

- 10.1 This grant is ring fenced to school services and any increase/decrease is matched by a compensating change in schools budgets/contingencies.

## **11. Council Tax Freeze Grant**

- 11.1 Medway Council rejected the offer of a further freeze grant for 2013/14.

## **12. Specific Grants**

- 12.1 This line includes the Education Services Grant (£3.6 million), the New Homes Bonus (£3.6 million) and some other smaller grants.

## **13. Planned Use of Reserves**

- 13.1 Council agreed to use £970,000 from the reserves to fund one-off initiatives as follows:
- Children's Social Care Improvement Plan - £350,000;
  - Medway's Sporting Legacy - £245,000;
  - One-off bonus payment to staff - £300,000;
  - Transitional payment to Medway Youth Trust - £75,000.

## **14. Housing Revenue Account**

- 14.1 The Housing Revenue Account is forecasting a surplus of £246,000. This is mainly due to staff savings.
- 14.2 The transfer of £2.0m from the HRA reserves using urgency provisions to general fund reserves has been factored into the quarter 2 forecasts.

## **15. Conclusions**

- 15.1 The position forecast by directorate management teams, during the second quarter represents an overspend of £4.4 million for non-DSG Services, a £200,000 favourable movement relative to the previous quarter, however directorate management teams will continue to seek to identify measures to contain expenditure within the overall budget.

## **16. Financial, risk management and legal implications**

- 16.1. These are set out in the body of the report.

## **17. Recommendation**

- 17.1. Members are invited to comment on the forecast outturn position for 2013/2014 and any proposed management action to reduce the potential deficit.

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### **Background papers**

Revenue budget approved by Council 21 February 2013

<http://democracy.medway.gov.uk/ieListDocuments.aspx?CIId=122&MIId=2580&Ver=4>

Revenue Monitoring Report Q1 to Cabinet 6 August 2013

<http://democracy.medway.gov.uk/mglIssueHistoryHome.aspx?IIId=10783>

Revenue Monitoring Report Q2 to Cabinet 29 October 2013

<http://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=21735>



## GENERAL FUND REVENUE MONITORING - 2013/2014 Quarter 2

Assistant Director	Expenditure				Income				Net Forecast Variance £000's
	2013/2014 Budget £000's	Actual to date £000's	2013/2014 Forecast £000's	Forecast Variance £000's	2013/2014 Budget £000's	Actual to date £000's	2013/2014 Forecast £000's	Forecast Variance £000's	
<b>Children and Adult Services</b>									
Adult Social Care	89,022	33,418	87,472	(1,550)	(20,369)	(6,204)	(18,818)	1,551	1
Children's Care	30,711	12,430	33,116	2,404	(896)	(381)	(1,007)	(111)	2,294
Partnership Commissioning	6,899	2,971	7,183	284	(1,377)	(502)	(1,362)	16	300
Inclusion and School Improvement	42,726	13,791	43,946	1,220	(5,738)	(1,188)	(5,837)	(99)	1,121
Schools Retained Funding and Grants	8,857	7,278	8,983	126	(426)	(2,407)	(317)	109	235
Schools Delegated Funding	107,093	40,249	107,093	0	0	0	0	0	0
Transfer to DSG Reserve	0	0	687	687	0	0	0	0	687
	<b>285,309</b>	<b>110,137</b>	<b>288,479</b>	<b>3,171</b>	<b>(28,807)</b>	<b>(10,682)</b>	<b>(27,341)</b>	<b>1,466</b>	<b>4,637</b>
<b>Regeneration, Community and Culture</b>									
Front Line Services	50,354	34,234	51,701	1,348	(14,771)	(4,160)	(16,022)	(1,251)	96
Housing, Development and Transport	10,619	5,724	13,559	2,941	(2,997)	(1,206)	(5,561)	(2,563)	377
Leisure and Culture	22,649	12,449	23,430	781	(7,796)	(3,702)	(7,970)	(174)	608
Directorate Support	974	324	972	(1)	(30)	(27)	(45)	(16)	(17)
	<b>84,594</b>	<b>52,731</b>	<b>89,663</b>	<b>5,068</b>	<b>(25,594)</b>	<b>(9,094)</b>	<b>(29,599)</b>	<b>(4,004)</b>	<b>1,064</b>
<b>Business Support Department</b>									
Corporate Services	13,223	5,868	13,621	397	(14,599)	(4,780)	(14,451)	149	546
Financial Services	120,019	49,042	121,283	1,264	(110,346)	(48,980)	(112,214)	(1,868)	(604)
Democracy and Customer First	10,854	5,648	10,997	143	(8,784)	(5,833)	(9,007)	(223)	(80)
Communications, Performance and Partnership	4,888	3,380	5,874	986	(5,052)	(3,180)	(5,955)	(902)	84
Organisational Services	12,419	6,308	12,340	(79)	(12,961)	(7,216)	(12,717)	244	165
	<b>161,403</b>	<b>70,244</b>	<b>164,115</b>	<b>2,712</b>	<b>(151,742)</b>	<b>(69,988)</b>	<b>(154,343)</b>	<b>(2,601)</b>	<b>111</b>
<b>Director of Public Health</b>	<b>13,017</b>	<b>3,335</b>	<b>13,047</b>	<b>30</b>	<b>(92)</b>	<b>(64)</b>	<b>(122)</b>	<b>(30)</b>	<b>(0)</b>
<b>Interest and Financing</b>	<b>19,788</b>	<b>2,997</b>	<b>19,788</b>	<b>0</b>	<b>(4,896)</b>	<b>(158)</b>	<b>(4,896)</b>	<b>0</b>	<b>0</b>
<b>Levies</b>	<b>911</b>	<b>226</b>	<b>919</b>	<b>8</b>	<b>(32)</b>	<b>(10)</b>	<b>(32)</b>	<b>0</b>	<b>8</b>
<b>'Better for Less' Savings Target</b>	<b>(596)</b>	<b>0</b>	<b>75</b>	<b>671</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>671</b>
<b>Medway Norse Joint Venture Co.</b>	<b>(263)</b>	<b>0</b>	<b>(263)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Use of Reserves</b>	<b>(970)</b>	<b>0</b>	<b>(970)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Directorate Total</b>	<b>563,193</b>	<b>239,670</b>	<b>574,853</b>	<b>11,659</b>	<b>(211,163)</b>	<b>(89,997)</b>	<b>(216,333)</b>	<b>(5,169)</b>	<b>6,491</b>