

## **CABINET**

**11 FEBRUARY 2014**

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

Portfolio Holder: Councillor Alan Jarrett, Finance Portfolio  
Report from: Mick Hayward, Chief Finance Officer  
Author: Kevin Woolmer, Finance Manager, BSD and RCC  
Phil Watts, Finance Manager, Children and Adults

#### **Summary**

This report details the revenue budget forecasts as at the end of Quarter 3 (April to December 2013).

#### **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 £352.029 million.
- 2.2. This is the third quarterly 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 year's 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 attached at Appendix 1.

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

3.1 It can be seen from Table 1 that, including the management action agreed by directorate management teams, the forecast outturn for 2013/2014 is estimated at £3.3 million. Additional management action plans are being formulated and together with the impact of the moratorium, it is anticipated that this figure will reduce further by year end.

**Table 1: Quarter 3 Summary**

Directorate	Budget 2013/2014 £000s	Forecast variance £000s	Proposed action £000s	Adjusted variance £000s	Q2 Variance £000s
Children and Adult Services:					
- DSG and School Specific Spend	138,230	580	0	580	620
- General Fund Services	118,267	3,493	(250)	3,243	3,290
Regeneration, Community and Culture	58,999	433	(233)	200	484
Business Support Department	9,741	(806)	(50)	(856)	(84)
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	(671)	671	0	671	671
Medway Norse Joint Venture Co.	(263)	0	0	0	0
Use of Reserves	(970)	0	0	0	0
<b>Budget Requirement</b>	<b>352,029</b>	<b>4,379</b>	<b>(533)</b>	<b>3,846</b>	<b>4,989</b>
<i>Funded by:</i>					
Dedicated Schools Grant	(138,228)	(580)	0	(580)	(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	(7,636)	0	0	0	0
<b>Total Available Funding</b>	<b>(352,029)</b>	<b>(580)</b>	<b>0</b>	<b>(580)</b>	<b>(620)</b>
<b>Net Forecast Variance</b>	<b>0</b>	<b>3,799</b>	<b>(533)</b>	<b>3,266</b>	<b>4,369</b>

#### **4. Children and Adults Services**

4.1 The directorate is currently forecasting a £3.5 million overspend against its general fund budgets, the principal reasons for which are as follows:

- The predicted overspend within the Children's Care Division, is still in excess of £2.0 million;
- 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:

- Colleagues within Category Management continue to negotiate with providers to reduce expenditure on high cost placements, however these savings are not yet reflected in the directorate forecasts;
- Similar work needs to take place with SEN transport providers and this is in the hands of the Transport Procurement Unit;
- The management team have enforced the moratorium on expenditure and it is anticipated that this will reduce the forecast spend by at least £250,000.

4.3 The forecasts still do not yet reflect the management action agreed by the directorate management team last quarter, to address and minimise the overspending in Children's Social Care, but it is anticipated that this will manifest itself in a reduced final outturn.

#### **5 Regeneration, Community and Culture**

5.1 The directorate is forecasting an overspend of £200,000 after management action. The original forecasts from budget managers reported a forecast overspend of £433,000 with the principal reasons being:-

- Housing Solutions are forecasting an increased overspend of £146,000 as a result of higher than budgeted temporary accommodation costs. This is £63,000 higher than Q1 & Q2 forecasts and is as a result of increased homelessness. Savings identified in Housing & Regeneration via the Council wide moratorium on recruitment and supplies and services spend offset the £63,000 increase.
- Development Management is still forecasting a shortfall of £92,000 in fee income due to the poor economic climate;
- As reported in Q2, 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.
- Events, Arts & Theatres are forecasting an overspend of £193,000 due to shortfalls in income which is in line with Q1 & Q2 forecasts.
- Front Line Services had identified £189,000 of savings across Services since Q2 but this has been set aside to offset the pressure on Waste Services. The forecast is therefore currently to budget.

5.2 Consideration by the RCC DMT has identified the following revisions and management actions to reduce the deficit of £433,000 to £200,000. However the Directorate are still seeking to explore further management action and are committed to achieving a break even position by the end of the year:

5.3 Housing & Regeneration:

- £31,000 will be found by not recruiting to posts that are due to become vacant between January and March 2014.
- Reducing the proposed Physical Regeneration carry forward to 2014/15 by £74,000.

5.3.1 The above reduces the forecast overspend via management action down from £249,000 to £144,000

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 £108,000 savings target;
- £20,000 has been identified from savings from Arts.

5.4.1 This will reduce the forecast overspend on Leisure & Culture from £256,000 to £128,000.

## **6. Business Support**

6.1 At Quarter 3 the department is forecasting the following variations against the 2013/14 budget:-

- Departmental budgets £856,000 underspend (Q2 £84,000 underspend). Managers forecasts aggregated to an underspend of £806,000 plus a further saving of £50,000 identified as a result of delays to the BfL programme in Adult Education.
- Better for Less Programme £671,000 overspend as a result of delays to the programme (unchanged from Q2)
- Medway Norse trading surplus £263,000 (unchanged from Q2)

6.2 The following are the main factors behind the forecast £856,000 underspend on departmental budgets:-

- The Corporate Services Division is forecasting an overspend of £147,000, an improvement of £399,000 against the previous quarter. Although there is a pressure of £732,000 from unrealised category management savings targets, this has been offset by forecast savings on Asset & Property Management £334,000, Category Management staffing costs £152,000 and Legal staffing costs £117,000.
- The Finance Division is forecasting an underspend of £784,000 largely as a result of non-requirement for the Discretionary Rate Relief budget of £251,000, vacancies in Financial Management £190,000, additional grant & fee income on the Revenues & Benefits Service £135,000 and savings on corporate contingencies £150,000.
- Numerous savings have been identified across the remaining three divisions to achieve the following underspends:-
  - Democracy & Customer First £88,000

- Communications, Performance & Partnerships £20,000
- Organisational Services £112,000

## **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 £408,000 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 expected to achieve an income surplus of £1,191,000, which is a favourable variance of £132,300 although this is less than the £246,000 favourable variance reported in Q2.
- 14.2 The transfer of £2.0m from the HRA reserves using urgency provisions to general fund reserves has been factored into forecasts.

#### **15. Conclusions**

- 15.1 The position forecast by directorate management teams, during the second quarter represents an overspend of £3.3 million for non-DSG Services, a £1.1 million 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 and legal implications**

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

#### **17. Recommendation**

- 17.1. Cabinet are requested to note the forecast position following the third round of quarterly revenue monitoring for 2013/2014 and are recommended to instruct Directors to come forward with further proposals for management action to reduce the potential deficit.

#### **18. Suggested reasons for decision**

- 18.1 Cabinet has the responsibility to ensure effective budgetary control to contain expenditure within the approved limits set by Council. Where a budget overspend is forecast, Cabinet supported by the corporate management team must identify measures to remove any excess expenditure.

#### **Lead officer contacts**

Kevin Woolmer, Finance Manager, Gun Wharf, Tel (01634) 332151,  
e-mail [kevin.woolmer@medway.gov.uk](mailto:kevin.woolmer@medway.gov.uk)

Phil Watts, Finance Manager, Gun Wharf, Tel (01634) 331196  
e-mail [phil.watts@medway.gov.uk](mailto:phil.watts@medway.gov.uk)

## **Background Papers**

Revenue budget approved by Council 21 February 2013

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

Revenue Monitoring Report Q1 to Cabinet 6 August 2013

<http://democracy.medway.gov.uk/mgIssueHistoryHome.aspx?IId=10783>

Revenue Monitoring Report Q2 to Cabinet 29 October 2013

<http://democracy.medway.gov.uk/mgIssueHistoryHome.aspx?IId=11108>





## GENERAL FUND REVENUE MONITORING - 2013/2014 Quarter 3

Assistant Director	Expenditure				Income				Net
	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	Forecast Variance £000's
<b>Children and Adult Services</b>									
Adult Social Care	89,022	50,338	87,415	(1,607)	(20,369)	(7,755)	(19,045)	1,324	(284)
Children's Care	30,691	17,788	33,342	2,651	(896)	(753)	(1,509)	(613)	2,038
Directorate Management Team	990	683	1,152	162	(52)	(37)	(50)	2	164
Commissioning	5,915	3,343	6,099	184	(1,325)	(610)	(1,341)	(16)	168
Inclusion and School Improvement	42,779	22,887	44,049	1,270	(5,787)	(2,650)	(6,049)	(262)	1,008
Schools Retained Funding and Grants	8,859	10,899	9,645	786	(426)	(4,546)	(926)	(500)	286
Schools Delegated Funding	107,093	55,882	107,093	(0)	0	0	0	0	(0)
Transfer to DSG Reserve	0	0	693	693	0	0	0	0	693
	<b>285,350</b>	<b>161,820</b>	<b>289,488</b>	<b>4,138</b>	<b>(28,855)</b>	<b>(16,351)</b>	<b>(28,920)</b>	<b>(65)</b>	<b>4,073</b>
<b>Regeneration, Community and Culture</b>									
Front Line Services	49,215	43,406	50,455	1,240	(13,633)	(6,635)	(14,873)	(1,240)	0
Housing, Development and Transport	10,619	7,854	13,773	3,154	(2,997)	(2,352)	(5,902)	(2,905)	249
Leisure and Culture	22,649	15,107	23,176	527	(7,796)	(5,226)	(8,067)	(271)	257
Directorate Support	974	379	910	(64)	(30)	(32)	(39)	(9)	(73)
	<b>83,456</b>	<b>66,746</b>	<b>88,314</b>	<b>4,858</b>	<b>(24,456)</b>	<b>(14,245)</b>	<b>(28,881)</b>	<b>(4,425)</b>	<b>433</b>
<b>Business Support Department</b>									
Corporate Services	13,520	7,014	13,833	313	(14,490)	(5,930)	(14,656)	(166)	147
Financial Services	119,611	66,927	120,672	1,061	(110,346)	(66,004)	(112,191)	(1,845)	(784)
Democracy and Customer First	10,855	7,104	10,902	47	(8,784)	(7,307)	(8,978)	(194)	(147)
Communications, Performance and Partnership	4,825	3,423	5,228	403	(5,052)	(4,470)	(5,415)	(363)	40
Organisational Services	12,420	8,149	12,646	226	(12,961)	(10,102)	(13,249)	(288)	(62)
	<b>161,231</b>	<b>92,617</b>	<b>163,281</b>	<b>2,050</b>	<b>(151,633)</b>	<b>(93,813)</b>	<b>(154,489)</b>	<b>(2,856)</b>	<b>(806)</b>
<b>Director of Public Health</b>	<b>13,017</b>	<b>5,756</b>	<b>13,053</b>	<b>36</b>	<b>(92)</b>	<b>(114)</b>	<b>(128)</b>	<b>(36)</b>	<b>(0)</b>
<b>Interest and Financing</b>	<b>19,788</b>	<b>4,496</b>	<b>19,788</b>	<b>0</b>	<b>(4,896)</b>	<b>(237)</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>561,924</b>	<b>331,661</b>	<b>573,685</b>	<b>11,761</b>	<b>(209,964)</b>	<b>(124,770)</b>	<b>(217,346)</b>	<b>(7,382)</b>	<b>4,379</b>