

CABINET

30 SEPTEMBER 2014

REVENUE BUDGET MONITORING 2014/2015 – ROUND 1

Portfolio Holder: Councillor Alan Jarrett (Finance Portfolio)

Report from: Mick Hayward, Chief Finance Officer

Author: Phil Watts, Head of Finance Strategy

Summary

This report details the revenue budget forecasts as at the end of July 2014.

This report also highlights the major financial risks remaining in respect of the 2014/2015 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 20 February 2014, the Council set a budget requirement of £331.431 million for 2014/2015, whilst Council Tax was increased by 1.995%, just below the cap imposed by Central Government.
- 2.2. This represents the first round of revenue budget monitoring, 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 a more detailed information by division included at Appendix 1. The narrative below seeks to explain the pressures being faced and the corrective management action proposed by directorate management teams.

3. Summary Revenue Budget Position 2014/2015

- 3.1 It can be seen from Table 1 that, after agreed management action, the forecast outturn for 2014/2015 is estimated at £4.2 million. Further management action plans are being formulated by directorate management teams and it is anticipated that this figure will come down as the year progresses.

Table 1: Monitoring Summary

Directorate	Budget 2014/2015 £000s	Forecast variance £000s	Proposed action £000s	Adjusted variance £000s
Children and Adult Services:				
- DSG and School Specific Spend	133,678	0	0	0
- General Fund services	117,586	4,358	(947)	3,411
Regeneration, Community and Culture	60,313	1,012	(300)	712
Business Support Department	8,009	615	(567)	48
Public Health	12,815	0	0	0
Interest & Financing	14,243	0	0	0
Levies	879	73	0	73
Better for Less	(404)	0	0	0
Medway Norse Joint Venture	(263)	0	0	0
Budget Requirement	346,858	6,058	(1,814)	4,244
<i>Funded by:</i>				
Dedicated Schools Grant	(133,678)	0	0	0
Formula Grant	(52,392)	0	0	0
Business Rate Share	(44,916)	0	0	0
Council Tax	(91,285)	0	0	0
Public Health Grant	(14,280)	0	0	0
Specific Grants	(9,207)	0	0	0
Use of Reserves	(1,100)	0	0	0
Total Available Funding	(346,858)	0	0	0
Net Forecast Variance	0	6,058	(1,814)	4,244

4. Children and Adult Services

- 4.1 The directorate is currently forecasting a £4.4 million overspend against its general fund budgets, prior to agreeing management action.

- 4.2 The principal reason for this is a predicted overspend of £4.4 million within the Children's Care division, largely as a result of a £1.8 million pressure against the looked after children's placements budget. However, in addition to having to employ agency staff to cover the high level of vacancies within the service, there has also been a need to employ agency staff in excess of the funded establishment in order to support the improvement programme following an inadequate rating in January 2013 and to meet the escalation in caseloads arising from the implementation of more robust processes to safeguard children.
- 4.3 The directorate has agreed a management action plan to address and minimize the overspend and this is summarized below:
- A reduction of £587,000 on Children's care budgets comprised of recruitment of permanent team managers through use of 'Golden Hello' payments, restructure of administrative functions within the service, review of High cost placements, introduction of the Access and Resources Team and Panel, access to CCG continuing healthcare funding for placements and recharging eligible costs to the DSG;
 - A reduction of £204,000 on Adult Social Care comprised of drawing down uncommitted grant income from reserves and a reduction in ASC transport costs;
 - A reduction of £156,000 to the Inclusion and School Improvement forecast as the overspend, which is caused by the increased numbers of permanently excluded pupils, is eligible to be met from the high needs block Dedicated Schools Grant.

5. Regeneration, Community and Culture

- 5.1. The directorate is forecasting an overspend of £712,000 after management action. The original forecasts from divisional service managers reported a forecast overspend of £1.012m. CMT are asked to note:
- Housing Solutions was forecast to overspend by £585,000 due to higher than budgeted costs for temporary accommodation;
 - Housing Regeneration Support has a pressure of £107,000 primarily due to vacancy factor of £77,000;
 - Events, Arts and Theatres is forecasting an overspend of £200,000 of which £90,000 relates to theatres staffing;
- 5.2. Consideration by the RCC DMT has identified the following revisions and management actions to reduce the deficit by £300,000 to £712,000:
- Reduction of £200,000 in Homelessness Prevention expenditure within Housing and Regeneration. This budget had been earmarked to address the risk of homelessness on a case by case basis. Management's decision not to spend this funding may increase the risk of homelessness;
 - Additional measures totalling £100,000 within Leisure and Culture, across arts, events and theatres, including action to reduce staffing costs in theatres;
 - The directorate management team is working on a management action plan that it is confident will deliver a breakeven by year end.

6. Business Support

- 6.1. The department is forecasting an overspend of £615,000 against its net revenue budget of £8.0 million.
- 6.2. There are no major variations to be highlighted apart from Land Charges where an overspend of £131,000 is forecast due to potential refunds and interest payments.
- 6.3. The balance of the variation can be attributed to the non- achievement of vacancy saving targets. This variation will reduce throughout the year as vacancies arise and historically these targets have been achieved and often exceeded. Accordingly management action has been included for £567,000 being the aggregate of vacancy provisions across the five divisions.

7. Public Health

- 7.1 The Public Health Grant receivable for 2014-2015 is £14.280m, the relative spend for which is distributed across services as follows:

Directorate	£m
Public Health	12.815
RCC	0.579
C&A	0.886
	14.280

- 7.2 As the grant is ring-fenced, the net underspend is transferred into the Public Health Reserve for investment in future financial years. The predicted transfer is likely to increase significantly as the year progresses, particularly from savings on discretionary budgets where programmes are yet to be agreed.

8. Interest & Financing

- 8.1. No significant changes have arisen to the assumptions used in preparing the 2014/15 budget for interest and financing. Therefore no variation is forecast at this stage, although it is anticipated that any movement for the remainder of this financial year is likely to be favourable.

9. Levies

- 9.1 Coroner Service is forecasting an overspend of £73,000. From 1 January 2014, responsibility for this service transferred from Kent Police to Kent County Council. The forecast is based on 2013/14 outturn but will be reviewed following a meeting to be held with KCC regarding finances.

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. Specific Grants

11.1. These are as follows:

Grant 14/15	£000s
Community Right to Bid / Challenge	16
Council Tax New Burdens	145
Lead local Flood Authorities	77
Local Reform & Community Voices	180
Education Support	3,206
New Homes Bonus	5,582
Total	9,207

12. Planned Use of Reserves

12.1 The agreed budget utilises £500,000 from the Redundancy Reserve to fund pay and grade related costs and £600,000 from the Collection Fund Surplus for service improvements.

13. Housing Revenue Account

13.1 The Housing Revenue Account (HRA) is showing a projected outturn of £1,121,000 surplus, which is a favourable position of £300,000 when compared to the budgeted surplus of £821,000.

14. Conclusions

14.1. The first round of monitoring returns from budget managers predicted a potential overspend of £6.1 million for non-DSG services, although planned management action should reduce this to £4.2 million. The first round is generally the most pessimistic forecast of the year and directorate management teams will continue to identify measures to contain expenditure within the overall budget.

15. Financial and legal implications

15.1. These are set out in the body of the report.

16. Recommendations

16.1. Cabinet is requested to note the forecast position from the first round of 2014/15 revenue monitoring and are recommended to instruct Directors to come forward with further proposals for management action to reduce the potential deficit.

17. Suggested reasons for decision

17.1 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 contact

Phil Watts, Head of Finance Strategy, Gun Wharf, Tel (01634) 331196
e-mail phil.watts@medway.gov.uk

Background papers

Revenue budget approved by Council 20 February 2014

<http://democracy.medway.gov.uk/mgIssueHistoryHome.aspx?IId=11659>

2014/15 Revenue Budget Monitoring - Round 1

Assistant Director	Expenditure				Income				Net Forecast Variance £000's	Agreed Management Action £000's	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			
CHILDREN'S CARE	31,802	9,848	35,951	4,149	(2,488)	(550)	(2,263)	225	4,374	(587)	3,787
DEP DIRECTOR - CHILD & ADULTS	87,723	27,017	87,206	(516)	(19,319)	(3,103)	(19,129)	190	(326)	(204)	(530)
DIRECTORATE MANAGEMENT TEAM	697	313	716	19	(52)	0	(52)	0	19	0	19
INCLUSION & SCHOOL IMPROVEMENT	62,699	19,371	63,091	392	(2,562)	(173)	(2,802)	(240)	152	(156)	(4)
PARTNERSHIP COMMISSIONING	7,204	2,505	7,124	(80)	(2,251)	(406)	(2,163)	88	7	0	7
SCH RETAINED FUNDING & GRANTS	88,236	30,682	88,201	(35)	(426)	(2,408)	(290)	136	101	0	101
SCHOOLS	7,975	0	30	30	(7,975)	0	0	0	30	0	30
CHILDREN AND ADULT SERVICES	286,337	89,737	282,319	3,958	(35,073)	(6,641)	(26,699)	399	4,357	(947)	3,411
DIRECTOR'S OFFICE	2,211	533	2,199	(12)	(993)	(17)	(993)	(0)	(12)	0	(12)
FRONT LINE SERVICES	55,334	15,604	55,863	529	(20,283)	(3,983)	(20,739)	(456)	73	0	73
HOUSING AND REGENERATION	12,594	3,862	15,799	3,205	(4,183)	(696)	(6,679)	(2,496)	709	(200)	509
LEISURE & CULTURE	23,102	6,851	23,490	388	(7,469)	(3,150)	(7,616)	(147)	241	(100)	141
REGENERATION, COMMUNITY AND CULTURE	93,241	26,849	97,351	4,110	(32,928)	(7,847)	(36,027)	(3,099)	1,011	(300)	711
CENTRAL FINANCE	119,152	40,061	122,237	3,084	(111,312)	(40,223)	(114,325)	(3,013)	71	(110)	(38)
COMMUNICATIONS & IMPROVEMENT	4,742	2,519	5,277	536	(4,755)	(2,223)	(5,179)	(425)	111	(102)	9
DEMOCRACY & GOVERNANCE	10,975	5,152	11,546	571	(8,865)	(5,300)	(9,378)	(513)	58	(154)	(96)
LEGAL CONTRACTS & PROPERTY	13,827	5,931	14,030	204	(15,330)	(6,314)	(15,336)	(5)	199	(91)	107
ORGANISATIONAL SERVICES	13,207	5,999	13,204	(3)	(13,632)	(5,790)	(13,452)	180	177	(111)	65
BUSINESS SUPPORT DEPARTMENT	161,903	59,663	166,294	4,392	(153,894)	(59,850)	(157,670)	(3,776)	616	(567)	47
PUBLIC HEALTH	12,876	2,521	12,877	1	(61)	(38)	(62)	(1)	(0)	0	0
INTEREST & FINANCING	18,182	2,371	17,930	(252)	(3,938)	(15)	(3,686)	252	0	0	0
LEVIES	911	281	984	73	(33)	(11)	(32)	1	73	0	73
BFL SAVINGS	(404)	0	(404)	0	0	0	0	0	0	0	0
MEDWAY NORSE	0	0	0	0	(263)	0	(263)	0	0	0	0
DIRECTORATE TOTAL	573,046	181,421	577,351	12,282	(226,190)	(74,402)	(224,439)	(6,224)	6,058	(1,814)	4,244