

CABINET

13 JANUARY 2015

REVENUE BUDGET MONITORING 2014/2015 – ROUND 2

Portfolio Holder: Councillor Alan Jarrett (Finance Portfolio)
Report from: Mick Hayward, Chief Finance Officer
Author: Phil Watts, Chief Finance Officer Designate

Summary

This report details the revenue budget forecasts as at the end of November 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. Medway Council is currently working to a revenue budget requirement of £346.9 million.
- 2.2. This report represents the second round of monitoring to be reported to Cabinet. It summarises reports that have been considered by directorate management teams, based on returns submitted by individual budget managers during November 2014. 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 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 £2.052 million. This is a significant improvement on the Round 1 forecast of £4.244 million over spent but clearly there is still much to do, and in response to this the Chief Executive issued a moratorium notice on 5 December 2014.

Table 1: Monitoring Summary

Directorate	Budget 2014/2015 £000s	Forecast variance £000s	Proposed action £000s	Adjusted variance £000s	Round 1 variance £000s
Children and Adult Services:					
- DSG and School Specific Spend	130,538	0	0	0	0
- General Fund services	117,586	2,406	0	2,406	3,411
Regeneration, Community and Culture	60,312	8	0	8	712
Business Support Department	8,011	510	(330)	180	48
Public Health	12,815	0	0	0	0
Interest & Financing	14,243	(1,000)	0	(1,000)	0
Levies	879	54	0	54	73
Better for Less	(404)	404	0	404	0
Medway Norse Joint Venture	(263)	0	0	0	0
Budget Requirement	343,718	2,382	0	2,052	4,244
<i>Funded by:</i>					
Dedicated Schools Grant	(130,538)	0	0	0	0
Formula Grant	(52,392)	0	0	0	0
Business Rate Share	(44,916)	0	0	0	0
Council Tax	(91,285)	0	0	0	0
Public Health Grant	(14,280)	0	0	0	0
Specific Grants	(9,207)	0	0	0	0
Use of Reserves	(1,100)	0	0	0	0
Total Available Funding	(343,718)	0	0	0	0
Net Forecast Variance	0	2,382	0	2,052	4,244

4. Children and Adult Services

- 4.1 The directorate is currently forecasting a £2.4 million overspend against its General Fund budgets, a favourable movement of £1.0 million since round 1. It has not been possible to forecast the impact of further management action.
- 4.2 The Children's Care division is forecasting an overspend of £3.3 million, the principal causes of which are outlined below:
- There is a £2.0 million pressure against the Looked After Children's external placements budget, a £568,000 overspend on Internal Fostering placements and a forecast overspend of £341,000 on Adoption and Special Guardianship placements. The activity driving the adverse movement on placement costs is detailed in **Table 2**.
 - There is a forecast overspend of £2.3m on Children's Care staffing. 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.
 - The Director has proposed drawing down £1.9m from directorate reserves to help offset the overspend on placement costs.
- 4.3 There is a forecast underspend of £590,000 within the Deputy Director for Children and Adults division:
- Forecast underspend on Local Welfare Provision Scheme of £569,000
 - Forecast underspend on Voluntary Sector placements of £637,000, mainly due to drawing down of reserves in respect of Carers expenditure.
 - The use of £379,000 of reablement reserves to fund agreed spend
 - £125,000 of unbudgeted income in respect of Care Act preparations.
 - £287,000 overspend in relation to the Children's Review Service.
 - £280,000 overspend in relation to Deprivation of Liberty Safeguards (DoLS) due to significant increase in demand following Supreme Court Judgements.
 - Forecast underspend on Older people services of £987,000 (excluding Client income)
 - Forecast underspend on Older people staffing of £255,000 owing to number of vacancies throughout the year.
 - Overspend on Disability Service placements of £1.6m and further detail can be seen in **Table 3**.
 - Forecast overspend of £134,000 relating to S17 payments for children with Disabilities
 - A forecast underspend of £179,000 relating to ASC transport, owing to a reduction in the number of routes following the outsourcing of day care.
 - A £523,000 shortfall in client income is predicted, this is being investigated further and action is being taken to understand and address this shortfall.

Table 2: Children's Care Placement Costs

Cost Centre	Service Area	Round 1					Round 3					Variances		
		Budget £000	No of clients	No of Weeks	Forecast £000	Variance £000	Budget £000	No of clients	No of Weeks	Forecast £000	Variance £000	Client Movement Round 1 to 3	Weeks Movement Round 1 to 3	NET Movement Round 1 to 3 £000
CE93F	IFA - Placement Costs	3,458	80	3,983	4,084	626	3,458	87	4,235	4,120	662	7	252	36
CE93F	IFA - Contributions from Reserves	0	n/a	n/a	0	0	0	n/a	n/a	(662)	(662)	n/a	n/a	(662)
CE93R	Residential	3,281	27	1,599	3,991	710	3,281	26	1,721	4,373	1,092	(1)	122	382
CE93R	Residential - SEN	0	0		0	0	0	9		194	194	9		194
CE93R	Residential - Management Action	0	n/a	n/a	(500)	(500)	0	n/a	n/a	0	0	n/a	n/a	500
CE93R	Residential - Contributions from Reserves	0	n/a	n/a	0	0	0	n/a	n/a	(1,092)	(1,092)	n/a	n/a	(1,092)
CE94J	Secure Accomodation - Justice	39	0	0	(65)	(104)	39	0	0	(66)	(105)	0	0	(1)
CE94W	Secure Accomodation - Welfare	42	2	31	165	123	42	0	60	373	332	(2)	29	208
CB15M	Foster Payments	3,765	214		4,095	330	3,765	224		4,332	567	10		237
CB15M	Foster Payments - Contribution from Reserves	0	n/a	n/a	0	0	0	n/a	n/a	(122)	(122)	n/a	n/a	(122)
CB25M	Special Guardianship	909	98		982	73	909	100		1,006	97	2		24
CA64M	Adoption Allowances	629	96		798	169	629	100		871	242	4		73
CB00M	Residence Orders	199	34		206	7	199	34		193	(6)	0		(13)
Total		12,321	551	5,613	13,756	1,435	12,321	580	6,016	13,520	1,199	29	403	(236)

Table 3: Disability Placement Costs

Cost Centre	Service Area	Round 1				Round 3				Variances	
		Budget £000	No of clients	Forecast £000	Variance £000	Budget £000	No of clients	Forecast £000	Variance £000	Clients Movement Round 1 to 3	NET Movement Round 1 to 3 £000
JB50N	Learning Disability Residential	14,713	218	14,710	(3)	14,713	218	14,877	164	0	167
JC50N	Learning Disability Nursing	865	15	944	79	865	11	755	(110)	(4)	(189)
JG50N	Learning Disability Direct Payment	3,401	191	3,371	(30)	3,401	195	3,486	85	4	115
JN50N	Learning Disability Day care	1,091	61	1,020	(71)	1,091	74	1,112	21	13	92
JS50N	Learning Disability Supported Living	2,793	69	3,408	615	2,793	77	3,711	918	8	303
PB40N	Physical Disability Residential	3,063	62	3,132	69	3,063	63	3,220	157	1	88
PC40N	Physical Disability Nursing Care	1,171	29	1,293	122	1,171	31	1,368	197	2	75
PF40N	Physical Disability Home Care	1,491	-	1,349	(142)	1,491	-	1,691	200	-	342
Total		28,588	645	29,227	639	28,588	669	30,220	1,632	24	993

- 4.4 There is a forecast underspend of £1,259,000 within the Inclusion and School Improvement Division:
- £259,000 anticipated savings on two year old nursery places
 - £135,000 non-nursery education payments
 - £203,000 due to staff vacancies within school challenge and improvement service
 - £682,000 reduced SEN placements/ top-up costs.
- 4.5 This is a favourable movement of £1,411,000 when compared to the round 1 forecast mainly due:
- £360,000 anticipated reduction in two year old nursery places and non-nursery education payments;
 - £74,000 reduction in the youth and YOT forecasts due to more robust forecasting;
 - £112,000 reduction to the school challenge and improvement forecasts as a result of delayed recruitment to vacant posts;
 - £704,000 reduction to the SEN forecasts due to extensive work undertaken by both the SEN and finance teams to produce accurate databases for high needs places and top ups on a per pupil basis. The SEN forecasts now contain all SEN and social care 38 week placement costs.
- 4.6 With the exception of Early Years, £939,000 of this underspend (see 4.4) will be transferred to the DSG reserve.

5. Regeneration, Community and Culture

- 5.1. The Directorate is now forecast to overspend by £8,000, a £704,000 improvement on Round 1 forecast. Members are asked to note that:
- Integrated Transport is reporting an overspend of £111,000 due to an increase in adults concessionary fares usage;
 - Highways Services are reporting an underspend of £63,000 as a result of improved income forecasts from capital works;
 - Waste Services is currently forecasting an underspend of £65,000 due to a reduction in waste going to landfill.
 - Housing Solutions is expected to overspend by £355,000 due to higher than budgeted costs of £740,000 for Temporary Accommodation which is partially offset by savings of £385,000 from the Prevention Budget. Staff vacancies across Housing totalling £159,000 further offset the pressure from Temporary Accommodation;
 - Economic Development: Pressure of £50,000 due to income targets not being met at Strood and Gillingham Markets.
 - Development Management pressure of £91,000 due to income targets not being met. This is partly offset by a reported underspend in Planning Policy & Design of £26,000;
 - Physical Regeneration is forecasting an underspend of £123,000. £60,000 is an anticipated underspend from the Flood and Coast Protection budget and £58,000 of savings have been identified by capitalising salaries to the HCA program and;
 - Events, Arts and Theatres is forecasting an overspend of £123,000 of which £71,000 relates to Theatres and £52,000 relates to Arts & Events.

6. Business Support

- 6.1. The department is forecasting an overspend of £180,000 against its net revenue budget of £8.0 million, after management action and this is a slight deterioration against the Round 1 position.
- 6.2. The major budget pressures are due to:
- The non-realisation of category management savings target to the value of £566,000 (£245,000 being with Human resources). Though category management have negotiated significant cost reductions during the year, these have represented non-cashable savings or savings that reduce overspent contract values.
 - Adult Education has forecast an over spending of £330,000 largely from reduced income levels. Management Action is expected to return this to a break-even position;
 - Legal services have forecast an overspend of £90,000 attributable to additional child care lawyers to deal with the increased children's care workload referred to above and also agency staff covering permanent roles while the service restructured to meet Star Chamber savings target.
 - The budget provision for one-off staff payments, whilst spent across services and shown in forecasts, is shown in Business Support as an underspend of £473,000.

7. Public Health

- 7.1 The Public Health Grant receivable for 2014/15 is £14.280 million, 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

As the grant is ring-fenced, any underspends are offset by contributions to the Public Health Reserve for investment in future financial years.

- 7.2 At this stage managers are forecasting a contribution to the reserve of £720,000, mainly as a result of vacancy savings. However, this contribution is likely to increase, particularly from savings on contract budgets where programmes are yet to be agreed.

8. Interest & Financing

- 8.1. In preparing the Treasury Mid-Year Review and Strategy the forecasts for the current and next year have been reviewed and there is now confidence that a £1 million surplus can be released to assist in both this and next year's budget formulation. This arises primarily from the cessation of debt repayment for the borrowing undertaken for the formation of the Council in 1998.

9. Levies

- 9.1 The Coroner Service levy is forecasting an overspend of £67,000; as responsibility for this service transferred from Kent Police to Kent County Council, from 1 January 2014. There is an underspend of £12,000 across the other levies. This brings the total forecast overspend for levies to £54,000.

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 2014/15	£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 £1,083,000 surplus, which is a favourable position of £261,000 when compared to the budgeted projected surplus of £821,000

14. Conclusions

- 14.1. The latest round of monitoring returns from budget managers predicted a potential overspend of £2.4 million for non-DSG services, although planned management action should reduce this to £2.1 million. Whilst this represents a £2.2 million improvement on the position previously reported to Members, it still represents a significant overspend at this stage of the year and directorate management teams will need to 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 latest round of 2014/15 revenue monitoring and the declared moratorium in response and is recommended to instruct Directors to ensure that the remaining deficit is removed by the year-end.

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, Chief Finance Officer Designate, Gun Wharf, Tel (01634) 331196
e-mail phil.watts@medway.gov.uk

Revenue budget approved by Council 20 February 2014
<http://democracy.medway.gov.uk/mglIssueHistoryHome.aspx?IId=11659>

2014/15 Revenue Budget Monitoring - Round 2

Appendix 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	31,754	20,333	37,451	5,697	(2,238)	(1,082)	(4,674)	(2,436)	3,261	0	3,261
DEP DIRECTOR - CHILD & ADULTS	87,818	52,308	89,026	1,208	(19,366)	(7,267)	(21,165)	(1,799)	(591)	0	(591)
DIRECTORATE MANAGEMENT TEAM	697	509	845	148	(52)	0	(121)	(69)	79	0	79
INCLUSION & SCHOOL IMPROVEMENT	61,507	31,720	61,201	(306)	(3,081)	(1,594)	(4,033)	(952)	(1,258)	0	(1,258)
PARTNERSHIP COMMISSIONING	7,486	4,449	7,477	(9)	(2,290)	(874)	(2,280)	10	1	0	1
SCH RETAINED FUNDING & GRANTS	86,316	45,447	88,619	2,303	(428)	(2,729)	(2,433)	(2,005)	298	0	298
SCHOOLS	0	(1)	616	616	0	0	0	0	616	0	616
CHILDREN AND ADULT SERVICES	275,578	154,765	285,235	9,657	(27,455)	(13,546)	(34,706)	(7,251)	2,406	0	2,406
DIRECTOR'S OFFICE	1,498	727	1,494	(4)	(993)	(28)	(995)	(2)	(6)	0	(6)
FRONT LINE SERVICES	55,708	28,798	56,575	867	(20,283)	(8,769)	(21,233)	(950)	(83)	0	(83)
HOUSING AND REGENERATION	12,776	7,840	15,210	2,434	(4,186)	(1,655)	(6,571)	(2,385)	49	0	49
LEISURE & CULTURE	23,263	13,437	23,624	361	(7,469)	(5,231)	(7,782)	(313)	48	0	48
REGENERATION, COMMUNITY AND CULTURE	93,245	50,802	96,903	3,658	(32,931)	(15,683)	(36,581)	(3,650)	8	0	8
CENTRAL FINANCE	119,137	78,101	121,255	2,118	(111,294)	(76,633)	(114,006)	(2,712)	(594)	0	(594)
COMMUNICATIONS & IMPROVEMENT	4,742	4,024	5,553	811	(4,755)	(4,620)	(5,572)	(817)	(6)	0	(6)
DEMOCRACY & GOVERNANCE	10,961	8,268	11,559	598	(8,865)	(8,062)	(9,436)	(571)	27	0	27
LEGAL CONTRACTS & PROPERTY	14,089	9,682	14,704	615	(15,330)	(10,231)	(15,407)	(77)	538	0	538
ORGANISATIONAL SERVICES	13,207	9,580	12,984	(223)	(13,882)	(11,131)	(13,114)	768	545	(330)	215
BUSINESS SUPPORT DEPARTMENT	162,136	109,655	166,055	3,919	(154,126)	(110,677)	(157,535)	(3,409)	510	(330)	180
PUBLIC HEALTH	12,876	5,879	13,006	130	(61)	(142)	(191)	(130)	0	0	0
INTEREST & FINANCING	18,182	5,678	17,035	(1,147)	(3,938)	(18)	(3,791)	147	(1,000)	0	(1,000)
LEVIES	911	725	965	54	(32)	(22)	(32)	0	54	0	54
BFL SAVINGS	(404)	0	0	404	0	0	0	0	404	0	404
MEDWAY NORSE	0	0	0	0	(263)	0	(263)	0	0	0	0
DIRECTORATE TOTAL	562,524	327,504	579,199	16,675	(218,807)	(140,088)	(233,100)	(14,293)	2,382	(330)	2,052