

BUSINESS SUPPORT OVERVIEW AND SCRUTINY COMMITTEE

8 OCTOBER 2015

REVENUE BUDGET MONITORING 2015/16 – ROUND 1

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Summary

This report details the revenue budget forecasts as at the end of June 2015.

This report also highlights the major financial risks remaining in respect of the 2015/16 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.
- 1.2. The Overview and Scrutiny Committee has the responsibility to scrutinise performance and the budget strategy.

2. Background

- 2.1. At its meeting on 26 February 2015, the Council set a budget requirement of £318.4m for 2015/16, whilst Council Tax was increased by 1.995%, just below the referendum limit imposed by Central Government.
- 2.2. This represents the first quarter 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 contains a summary of the forecast position reflecting the individual directorate monitoring summaries attached at Appendices 1 - 4. 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 2015/16

- 3.1 It can be seen from Table 1 that, after agreed management action, the forecast outturn for 2015/16 is estimated at £4.7m. Further management action plans

are being formulated by directorate management teams and it is anticipated that this figure will be mitigated further as the year progresses.

Table 1: Monitoring Summary

Directorate	Budget 2015/16 £000s	Forecast variance £000s	Proposed action £000s	Adjusted variance £000s
Children and Adult Services:				
- Children's	33,292.0	2,734.0	(1,480.0)	1,254.0
- Adults	64,692.0	2,771.0	(1,250.0)	1,521.0
- Inclusion & Schools related budgets	131,155.6	1,163.0	(400.0)	763.0
Regeneration, Community and Culture	58,180.3	866.0	(373.9)	492.1
Business Support Department	6,692.7	1,876.8	(1,210.8)	666.0
Public Health	13,698.5	0.0	0.0	0.0
Interest & Financing	13,244.0	0.0	0.0	0.0
Levies	1,038.5	(2.7)	0.0	(2.7)
Better for Less	(450.0)	0.0	0.0	0.0
Medway Norse Joint Venture	(263.0)	0.0	0.0	0.0
Category Management Savings	(1,800.0)	0.0	0.0	0.0
Budget Requirement	319,480.6	9,408.2	(4,714.7)	4,693.5
<i>Funded by:</i>				
Dedicated Schools Grant	(106,744.6)	0.0	0.0	0.0
Formula Grant	(38,784.0)	0.0	0.0	0.0
Business Rate Share	(45,866.0)	0.0	0.0	0.0
Council Tax	(95,250.0)	0.0	0.0	0.0
Public Health Grant	(16,802.0)	0.0	0.0	0.0
Specific Grants	(14,884.0)	0.0	0.0	0.0
Use of Reserves	(1,150.0)	0.0	0.0	0.0
Total Available Funding	(319,480.6)	0.0	0.0	0.0
Net Forecast Variance	0	9,408.2	(4,714.7)	4,693.5

4. Children and Adult Services (Appendix 1)

4.1 The directorate originally forecast a £6.7m overspend against its general fund budgets, however, after agreeing a range of management actions the adjusted forecast is an over spend of £3.54m. Appendix 1 shows a breakdown per service area.

4.2 The chief reasons for the continued pressure against Children's social care services are as follows:

- Major pressures on placements are still the biggest cost driver for the service. The demand pressures are still rising not only in terms of volumes but also in complexity of need and consequent related cost

- The service is still recruiting to the base level of funded posts and using agency cover to manage workloads
- There are some indications that we are seeing pressures from families who have no recourse to public funds being supported by children's social care. Action will be taken to quantify this over the next period so focused actions can be taken if this proves to be the case

- 4.2.1 A plan of management action totalling £1,480k has been formulated to reduce the Children's Care overspend from £2,734k to £1,254k
- There is action to reduce the external placements overspend by £1,380k through renegotiation with providers, review of 16+ plus placements to move to supported accommodation, moving a cohort of children from IFA to in house placements and residential step down/migration
 - In addition there is targeted management action to reduce the cost of Internal placements by £100k through conversion of long term internal fostering placements to Special Guardianship Orders

4.3 For Adult Social Care services the major variances are as follows:

- 4.3.1 There is continued pressure in relation to working age adults with disability or mental health problems and with complex needs, where we have statutory responsibilities to provide support and care. Within the Mental Health service several of these placements have been for individuals who have significant forensic histories and require high levels of supervision and support.
- 4.3.2 Disability Services are forecasting an overspend of £3m mainly due to new/increasing care packages in supported living services and on residential there is continued pressure from new placements and transitional clients
- 4.3.3 A plan of management action totalling £1.25m has been formulated to reduce the Deputy Director overspend from £2,771k to £1,521k. A focused review across mental health services, and a range of care package spending reviews forms the majority of the actions deployed to mitigate the forecast along with reducing spend on agency cover.

4.4 Inclusion, Improvement and schools related (£763k overspend)

- 4.4.1 This area of the budget comprises school related services for both the general fund and the Dedicated Schools Grant (DSG).
- 4.4.2 The table below identifies how the forecast adverse variance encompasses the planned DSG contribution to reserves (£1.034m).

Table 2 – DSG Analysis

SERVICE AREA	<u>Current Budget</u> £000's	<u>Forecast Outturn</u> £000's	<u>Forecast Over/(Under)</u> £000's	<u>Net transfer (from)/to the DSG reserve</u>	<u>General Fund Over/(Under)</u>
DIRECTORATE MANAGEMENT TEAM	642	653	11	(35)	(24)
Total DIRECTORATE MANAGEMENT TEAM	642	653	11	(35)	(24)
INCLUSION & SCHOOL IMPROVEMENT :					
EARLY YEARS	20,364	20,307	(57)	33	(24)
YOUTH SERVICE	2,611	2,613	2	0	2
INCLUSION MANAGEMENT TEAM	505	672	167	(67)	100
SCHOOL CHALLENGE & IMPROVEMENT	995	894	(102)	0	(102)
HEALTH & INCLUSIONS	696	878	182	(26)	156
PSYCHOLOGY & SEN	27,934	26,309	(1,625)	1,135	(490)
SEN TRANSPORT	4,509	5,363	855	0	855
Total INCLUSION & SCHOOL IMPROVEMENT	57,614	57,036	(577)	1,075	498
PARTNERSHIP COMMISSIONING :					
COMMISSIONING MANAGEMENT TEAM	221	192	(28)	0	(28)
BUSINESS SUPPORT & COMMISSIONING	2,669	2,664	(6)	0	(6)
SCH ORGANISATION & STUDENT SERVICES	1,747	1,846	99	(9)	90
SCH SERV, QUALITY & COMMISSION	264	250	(15)	0	(15)
Total PARTNERSHIP COMMISSIONING	4,902	4,952	50	(9)	41
SCH RETAINED FUNDING & GRANTS :					
FINANCE PROVISIONS	493	493	0	0	0
HR PROVISIONS	311	556	245	3	248
SCHOOL GRANTS	67,193	67,193	0	0	0
Total SCH RETAINED FUNDING & GRANTS	67,997	68,243	245	3	248
Total	131,155	130,884	(271)	1,034	763

4.4.3 SEN transport is forecast to overspend by £855k this year which is an increase of £450k above the 2014/15 overspend of £373k as levels of service demand increase. Much work is on-going across the council to contain spend; new contracts have been let at more economic rates. As these savings are delivered future forecasts will reflect the changes, however, the savings have already been taken within the budgeted £1.8m Category Management target.

4.4.4 Optimisation of DSG usage is a constant consideration and the decision has been made to no longer charge an element of the 38 week residential placement cost to the social care budget. However, this will initially be capped at £400k contingent on other DSG pressures and commitments being managed.

4.4.5 Schools Retained Funding & Grants (£245k overspend – HR Provisions): The budget for school staff redundancies is expected to overspend by £245k due to increased retirement costs. These are historic costs which were agreed some years ago and hence are a cost to the general fund. It is clear that future redundancy costs will be met from within schools delegated budgets.

5. Regeneration, Community and Culture (Appendix 2)

- 5.1 The Directorate is forecasting a budget pressure of £492k after management action. The original forecasts from Divisional Service Managers reported a forecast overspend of £866k. Members are asked to note:
- Vacancy factor pressures of £83k in Frontline Services and £110k in Housing & Regeneration
 - £250k pressure in Housing in respect of Temporary Accommodation (B&B costs)
 - CCTV pressure £70k due to delay in implementing alternative delivery model
 - Events, Arts and Theatres pressure of £176k including £67k pressure for Corn Exchange due to underachievement of income from bar takings and £72k for casual staffing in Theatres
 - Greenspaces pressure of £71k due to not yet being able to achieve £74k of the Tree Surgery £100k savings target agreed by Council.
 - £50k pressure in Town Centre Markets due to historic under-achievement of income
 - £50k pressure in Economic Development due to initial costs of Lodge Hill enquiry
- 5.2 Consideration by the RCC DMT has identified the following revisions and management actions to reduce the deficit by £374k to £492k:
- Anticipate achievement of the £193k vacancy factor;
 - Savings in Front Line Services of £56k from additional income from Major Projects work in line with 2014/15 outturn, £30k of additional income from Traffic Management from 3rd party road works and £14k of additional income from CCTV to be achieved via new contracts;
 - Savings of £50k by reducing forecast spend on Theatre staffing and by increasing income from ticket sale;
 - Increase income forecast by £30k from Leisure and Sports

6. Business Support (Appendix 3)

- 6.1 The Round 1 forecast by budget managers represents a mitigated over spend of £666k, following management action. The table below summarises the divisional forecasts.

Table 2 BSD Summary

BSD Services	Current Budget	Final Forecast	Forecast Variance £000's
Assistant Director	£000's	£000's	£000's
Legal, Contracts & Property	(847)	(526)	321
Chief Finance Officer	6,971	7,156	185
Democracy & Customer Contact	1,602	1,521	(81)
Communications, Performance & Partnerships	(35)	(35)	0
Organisational Services	(999)	(758)	241
TOTAL	6,692	7,358	666

6.2 Legal, Contracts & Property

- 6.2.1 The division is currently forecasting an over spend of £321k principally due to:-
- Legal Services are forecasting an over spend of £321k; £255k is as a result of management action to recruit four Permanent Lawyers and three Paralegals to replace four Locums at a similar cost. While £75k is for maternity cover agencies and a short spell of interim cover for the head of legal

6.3 Chief Finance Officer

- 6.3.1 The division is currently forecasting an over spend of £185k against the Revenues and Benefits section, largely as a consequence of the increase in identified overpayments arising from claimant error, attracting a 40% penalty on subsidy received.
- This increase can be attributed to the on-going 'Real-Time Information' benefit record matching exercise between Her Majesty's Revenue and Customs and the Department for works and pensions;
 - Whilst a loss of 40% subsidy is forecast, the overpayments to which this is attributed are recoverable, however this may take months and years to fully recover;
 - It is worth noting, this is a very volatile budget area where a slight movement in error rates could change the position by a significant amount and it is too early in the year to project an accurate forecast.

6.4 Democracy and Customer First: (£81k under spend – mainly due to staff vacancies)

6.5 Communication, Performance & Partnership: (breakeven)

6.6 Organisational Services: (£241k over spend)

- 6.6.1 The division is currently forecasting an over spend of £241k and this is in respect of the Medway Adult Community Learning Service (MACLS), principally resulting from a reduction in grant funding and a consequent reduction in recovery of charges and course fees. The grant income is forecast to drop by £220k which places additional pressure on the service. We are also facing a claw back of £82k plus a further reduction from September of £167k as part of the July budget statement. However a reorganisation will mitigate some of these reductions and we are continuing with management action.

6.7 Undistributed Budgets – The following budgets do not form part of a specific department so are flagged up within BSD for reporting purposes. Below lists the current reported position:

- **Digitalisation and BFL Savings** – The savings target is forecast to be achieved, however, there is a risk of slippage
- **Interest and Financing** – Breakeven reported
- **Levies** - Small underspend of £2.7k reported
- **Medway Norse (Profit Share)** – Breakeven reported
- **Category management savings** - The actual realised saving is £571k per 'saving tracker' as at July 2015. Management are reporting the full saving will be achieved

8. Public Health (Appendix 4)

8.1 The Public Health Grant receivable for 2015-2016 is £16.820m, the budget across the council is detailed below:-

Directorate	£m
Public Health	13.698
RCC	1.130
C&A	1.660
BSD	0.332
Total	16.820

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

- At this stage managers are forecasting a contribution to the reserve of £31k, mainly as a result of vacancy savings, however, there is a forecast drawdown on reserve of £245k to fund planned programmes
- The total of Public Health reserves stands at £4.453m
- Finally, a recent announcement by the Chancellor requests that the Department of Health deliver in-year savings of £200m from the public health grant (equivalent to a 6.2% reduction). For Medway this represents approx. £1.042m.

9. Planned Use of Reserves

9.1 The agreed budget utilises £1.15m to fund various revenue and capital projects. £1.0m is to be funded from the South Medway Development Fund and the other £100k from the Public Health Reserve.

10. Housing Revenue Account

10.1 The Housing Revenue Account (HRA) is showing a projected outturn of £1.2m surplus, which is a favourable position of £229k when compared to the budgeted projected surplus of £986k.

10.2 The service is mindful of recent government announcements to reduce rent charges by 1% year on year for four years. Work has been initiated to review the impact on the 30 year business plan.

11. Conclusions

11.1. The first round of monitoring returns received from budget managers predicted a potential overspend of £9.4m for non-DSG services, although planned management action should reduce this to £4.7m. 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.

12. Financial and legal implications

12.1. The financial implications are set out in the body of the report. There are no legal implications within this report.

13. Cabinet

- 13.1. Cabinet considered the report on 25 August and noted the result of the first round of revenue monitoring for 2015/16 and agreed the proposed management action.

14. Recommendations

- 14.1. Members of the Overview and Scrutiny Committee are invited to note and comment on the forecast outturn position and proposed management actions following round 1 of the quarterly revenue monitoring for 2015/16.

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Background papers

Capital budget approved by Council 26 February 2015

<http://democracy.medway.gov.uk/ieListDocuments.aspx?CId=122&MId=2974&Ver=4>

Appendices:

- Appendix 1 – Children and Adult Services
- Appendix 2 – Regeneration, Community and Culture
- Appendix 3 – Business Support
- Appendix 4 – Public Health