

**BUSINESS SUPPORT OVERVIEW
AND SCRUTINY COMMITTEE
13 APRIL 2017**

REVENUE BUDGET MONITORING 2016/2017 – QUARTER 3

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Summary

This report details the revenue budget forecasts based on expenditure to the end of December 2016.

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. This Committee has responsibility for the regular monitoring of budgets and the capital programme.

2. Background

2.1. At its meeting on 25 February 2016, the Council set a budget requirement of £322.6m for 2016/17, whilst Council Tax was increased by 1.995%, just below the referendum limit imposed by Central Government, plus an additional 2.0% allowable under new arrangements to address adult social care pressures.

2.2. This represents the revenue budget monitoring for the third quarter, summarising reports that have been considered by directorate management teams, based on returns submitted by individual budget managers. In preparing their returns, budget managers would be expected to take account of last year's outturn, management action agreed during previous monitoring cycles, 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 represents 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 of the Revenue Budget Position for 2016/2017

- 3.1 It can be seen from Table 1 that, even taking into account the management action agreed during the previous quarter, the forecast overspend for 2016/17 is almost £1.8m. Urgent action has been implemented by directorate management teams and it is anticipated that this forecast will be reduced further by year end.

Table 1: Quarter 3 Monitoring Summary

Directorate	Budget 2016/17 £000s	Forecast variance £000s	Proposed action £000s	Adjusted variance £000s	Previous Quarter £000s
Children and Adult Services:					
- Children's	35,163	1,393	(218)	1,175	1,044
- Adults	65,157	1,280	(231)	1,049	991
- Inclusion, Schools related budgets and Management	123,780	721	(199)	522	486
Regeneration, Culture, Environment and Transformation	56,165	(751)	(70)	(821)	(818)
Business Support Department	6,834	(597)	(19)	(616)	(603)
Public Health	15,136	0	0	0	0
Interest and Financing	9,618	(192)	0	(192)	(30)
Levies	1,039	74	0	74	74
Digital Transformation	(388)	388	0	388	218
Medway Norse Joint Venture	(263)	0	0	0	0
Budget Requirement	312,240	2,316	(737)	1,579	1,363
<i>Funded by:</i>					
Dedicated Schools Grant	(101,413)	0	0	0	0
Formula Grant	(28,374)	0	0	0	0
Business Rate Share	(43,035)	0	0	0	0
Council Tax	(102,799)	0	0	0	0
Public Health Grant	(18,118)	0	0	0	0
Specific Grants	(15,487)	199	0	199	0
Use of Reserves	(3,015)	0	0	0	0
Total Available Funding	(312,240)	199	0	199	0
Net Forecast Variance	0	2,515	(737)	1,778	1,363

4. Children and Adult Services (Appendix 1)

- 4.1 The directorate forecast a £2.7m overspend against its general fund budgets and whilst this included the impact of a range of management actions that were discussed at CMT and agreed during the subsequent discussions with portfolio holders, it still represented an increase from the £2.5m overspend reported in quarter 2. Appendix 1 shows a breakdown for each service area.
- 4.2 Children's Care forecast a net overspend of around £1,393,000, an increase of £349,000 from quarter 2. This is largely explained by the increase in external placement costs due to a combination of a reduction in the management action

previously thought to be achievable, in part due to court imposed levels of supervision. Additional residential placements and an increase in mother and baby placement costs due to additional placements and longer stays in placements. In some cases the placements were extended due to changes in court practice to avoid the separation of a child from a parent. The other significant movements from quarter 2 were an increase in Section 17 costs of £104,000. In January 2017 Children's Services and Housing commenced a pilot joint approach to assessments of families at risk of presenting as homeless, in order to create a more efficient and cost effective response to the increasing level of demand in this area. Finally there was also a £114,000 reduction in predicted legal costs.

Management action was implemented to reduce the projected overspend by a further £218,000, this represents the use of a provision made in previous years in respect of expected additional connected carers payments which is no longer required to be held as a provision.

- 4.3 Adult Social Care forecast an overspend of £891,000, an increase of £181,000 from quarter 2. There had been an increase to the community equipment forecast of £260,000, largely representing the Council's share of a £500,000 projected overspend on the new MICES contract. This was due to higher than anticipated activity and issues with the pricing schedule currently in use.

Management action was implemented to reduce the projected overspend by a further £231,000, this included:

- £50,000 from our share of the agreement now in place that £100,000 of the MICES overspend would be funded from BCF slippage, therefore reducing the liability to the CCG and the Council, the remaining pressure of £400,000 was split 50/50;
- £89,000 through the recharge of two Occupational Therapists against the Disabled Facilities Grant capital budget;
- £75,000 from the ceasing of agency Social Worker posts;
- £17,000 from the ceasing of an agency Team Manager post.

- 4.4 A £389,000 overspend is forecast in relation to Quality Assurance and safeguarding based on agency cover for IRO vacancies and in relation to a significant joint investigation with the Police requiring additional LADO support. This represented an increase of £108,000. Unexpected staff absence due to significant health concerns has placed pressure on the service; a permanent appointment was made in January which should reduce this overspend.
- 4.5 The directorate management team continued to overspend by around £271,000 as a result of having to cover vacancies with interim staff at assistant director level.
- 4.6 SEN transport was forecast to overspend by £1.1m and represented an increase of £250,000 from the previous quarter's forecast. The anticipated savings from the re-procurement of some of the lot 2 routes has been realised; however the cost of several other routes increased due to the increase in pupils, which has offset this saving.

5. Regeneration, Culture, Environment and Transformation (Appendix 2)

5.1. The Directorate forecast an underspend of £751,000. The main variances are outlined below:

- Front Line Services reported an underspend of £932,000 largely due to savings from Waste Services, an underspend in Highways Services due to the effects of management action relating to the moratorium on spending and savings from Safer Communities due mainly to staff vacancies.
- The Physical and Cultural Regeneration division forecast an overspend of £488,000. Strategic Housing forecast an overspend of £116,000 due to a £405,000 overspend on temporary accommodation which was in turn partly offset by staff vacancies and projected income gains elsewhere in the service. Festivals, Arts, Theatres and Events forecast an overspend of £221,000 due to pressures in Events. Markets are reporting a forecast underachievement of income of £80,000 and the Innovation Centre forecast a pressure of £68,000.
- The Transformation division forecast an £159,000 underspend due to savings from vacant posts in Customer Contact and Business Administration;
- The original £638,000 digitalisation budgeted savings was partly delivered through a range of measures to reduce print and post and £250,000 of savings have already been captured and transferred from service budgets. A further £223,000 of savings have been identified, however these are already reflected within individual directorate forecasts. They were captured during the 2017/18 budget build.

5.2. Management action of circa £70,000 was planned to seek to achieve a targeted £800,000 underspend across the directorate by year end.

6. Business Support (Appendix 3)

6.1. BSD forecast an underspend of £616,000 including management action.

6.2. Legal, Contracts and Property forecast an overspend of £76,000 due to under-recovery of the 1% levy from capital schemes in Category Management.

6.3. The Finance division reported a £389,000 underspend across all teams, as a result of careful management of vacancies and some more permanent restructuring.

6.4. Having allocated the sum set aside for the pay award across the three directorates, there remained an uncommitted balance of £225,000 which has been used to mitigate the Council's forecast overspend.

7. Public Health (Appendix 4)

7.1 The Public Health Grant for 2016/17 is £18.118m and is allocated across the Council's services as outlined in the table below:

Directorate	£,000
Children and Adults	1,660
Regeneration, Culture, Environment and Transformation	1,130
Business Support Department	678
Public Health	14,650
	18,118

7.2 Following the impact of the in-year grant reduction last year and the further cut in grant funding for 2016/17, it is anticipated that the budget will be spent in full.

8. Interest & Financing

8.1. The interest and financing budgets are forecast to deliver a £192,000 surplus.

9. Levies

9.1 The levy from KCC in respect of the Coroners service has increased following the transfer of Coroners Officers from the Police Force and this is the principal cause of the predicted overspend.

10. Dedicated Schools Grant

10.1. This grant is ring fenced to school services and any decrease as a result of academy transfers is matched by a compensating change in the overall schools budgets or the contingency / growth funding, however significant overspending on SEN placements has resulted on a significant call on the DSG reserve this year.

11. Planned Use of Reserves

11.1. The revenue budget utilises £2.7m of general reserves, primarily to meet the non-recurring cost of an increase to in NDR appeals provision within the Collection Fund.

12. Housing Revenue Account

12.1. The Housing Revenue Account (HRA) showed a projected surplus of £1.4m, representing a favourable variance of £595,000 when compared to the budgeted surplus of £808,000.

13. Conclusions

13.1. This third round of monitoring broadly reflects the management action agreed during quarters 1 and 2, however not all of the management action agreed by the Children and Adults directorate has delivered the targeted savings and there was a requirement for urgent and drastic management action to address the £1.8m pressure forecast this quarter. At the time of writing a definitive outturn figure for 2016/17 is not yet available.

14. Financial and legal implications

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

15. Recommendation

15.1. The Committee is asked to note and comment on the forecasts reported in the third round of revenue monitoring for 2016/2017.

15.2. The Committee is asked to note that Cabinet has instructed officers to identify further management action to ensure a breakdown position is achieved by year end.

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Appendices

Appendix 1 – Children and Adults Services

Appendix 2 – Regeneration, Culture, Environment and Transformation

Appendix 3 – Business Support

Appendix 4 – Public Health

Background papers

Revenue budget approved by Council 23 February 2017

<https://democracy.medway.gov.uk/ieListDocuments.aspx?CId=122&MId=3359&Ver=4>

item 771 refers