

**BUSINESS SUPPORT**  
**OVERVIEW & SCRUTINY COMMITTEE**

**26 OCTOBER 2017**

**REVENUE BUDGET MONITORING 2017/18 – QUARTER 1**

Report from: Phil Watts, Chief Finance Officer

Author: Katey Arrowsmith, Head of Finance Strategy

**Summary**

This report presents the results of the Council's revenue budget monitoring for Quarter 1 of the 2017/18 financial year.

**1. Budget and Policy Framework**

1.1. Cabinet are responsible for ensuring that income and expenditure remain within the budget approved by Council.

**2. Background**

2.1. At its meeting on 23 February 2017, the Council set a budget requirement of £294m for 2017/18. The budget was based on a total Council Tax increase of 4.995% which comprises 1.995%, just below the referendum limit imposed by Central Government, plus an additional 3% allowable under new arrangements to address adult social care pressures. As such the total increase was 4.995%.

2.2. This report presents the results of the Q1 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, items of growth or savings agreed as part of the budget build, 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 2017/18

- 3.1. It can be seen from Table 1 that, after agreed management action, the forecast outturn for 2017/18 is estimated at £1.909m. 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**

<b>Directorate</b>	<b>Budget 2017/18 £000s</b>	<b>Forecast variance £000s</b>	<b>Proposed action £000s</b>	<b>Adjusted variance £000s</b>
Children and Adult Services:	218,628	519	200	319
- <i>Adult Social Care</i>	65,089	(498)	0	(498)
- <i>Children's Social Care</i>	87,321	430	0	430
- <i>Directors office</i>	2,705	531	200	331
- <i>Partnership commissioning</i>	6,676	(168)	0	(168)
- <i>Schools related expenditure</i>	56,837	224	0	224
Regeneration, Culture, Environment and Transformation	53,733	960	173	787
Business Support Department	6,000	1,046	529	517
Public Health	14,390	0	0	0
Interest & Financing	9,127	207	0	207
Levies	1,113	79	0	79
Digital Transformation	(1,304)	0	0	0
Medway Norse Joint Venture	(263)	0	0	0
<b>Budget Requirement</b>	<b>301,424</b>	<b>2,811</b>	<b>902</b>	<b>1,909</b>
<i>Funded by:</i>				
Dedicated Schools Grant	(94,962)	0	0	0
Other School Specific Grants	(5,742)	0	0	0
Education Services Grant	(1,370)	0	0	0
Revenue Support Grant	(18,848)	0	0	0
Business Rate Share	(46,302)	0	0	0
New Homes Bonus	(5,367)	0	0	0
Council Tax	(106,148)	0	0	0
Public Health Grant	(17,671)	0	0	0
Specific Grants	(4,965)	0	0	0

Use of Reserves	(50)	0	0	0
<b>Total Available Funding</b>	<b>(301,424)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Forecast Variance</b>	<b>0</b>	<b>2,811</b>	<b>902</b>	<b>1,909</b>

#### 4. Children and Adults Services (Appendix 1)

- 4.1. The directorate originally forecast a £520,000 overspend against its general fund budgets, however, after agreeing a range of management actions the adjusted forecast is an overspend of £320,000. Appendix 1 shows a breakdown per service area.
- 4.2. The main areas of pressure, and management actions agreed to mitigate these are as follows:
- **Adult Social Care** – Subsequent to the budget being agreed by Council, the Chancellor announced a further £2bn of additional funding for social care, of which Medway Council was allocated £3.9million in 2017/18. This grant is to be spent on adult social care and will be deployed in accordance with the grant conditions. It is intended to fund the burgeoning costs of adult social care for a growing number of people with increasingly complex needs, including supporting more people to be discharged from hospital when they are ready, and stabilising the social care provider market. The division is forecasting an underspend of £498,000, primarily due to:
    - Disability Services are forecast to underspend by £963,000; while there is an overspend forecast on Supported Living due to increased client numbers, this is offset by underspends forecast on residential/nursing care and on direct payments.
    - Staffing within the Long Term Teams is currently forecasting an underspend of £328,000 following the restructure within the service.
    - Mental Health Services are forecast to overspend by £418,000 which is primarily caused by additional and costly transfers from Children’s Services and also costly discharges from long term placements from out of borough hospitals.
    - Older People services are forecast to overspend by £183,000; while this is largely due to a forecast overspend on residential/nursing care due to increases in client numbers, there is also an overspend forecast on Homecare due to price increases.
    - Children with Disabilities are forecasting an overspend of £154,000 due to an overspends on direct payments, Parklands and Aut Even.
  - **Children Services** – The division is reporting a £430,000 overspend, this is due to:
    - A forecast overspend of £696,000 on Psychology and SEN, driven by an overspend on SEN Transport. A Member-led working group has been established and is working on solutions around policy change, procurement and processes to mitigate this pressure. A resources panel is being set up chaired by the Head of Children’s Commissioning to agree any spend, which is built upon the successful Access To Resources Panel in Children’s Services which has driven down spend on external placements. The commissioning of SEN transport is moving from Medway Norse to Commissioning and the budget responsibility will be moving from SEN to Commissioning.
    - There is a forecast overspend on Section 17 expenditure of £152,000 largely relating to cost of housing intentionally homeless families, and a forecast overspend relating to No recourse to Public Funds (NRPF) of £186,000 based on the current and expected payments for housing and allowances. Relocation has

- lowered the cost of long-term NRPF families. Further work is being undertaken with colleagues from Housing to review the costs of placing families with NRPF.
  - Early Help, Youth and Inclusion is forecasting to overspend by £687,000; this primarily relates to the delay in the review and restructuring of youth services.
  - These pressures are mitigated by forecast underspends on both external and internal placements due to a net reduction in placements of £660,000 and, as a result the service is holding vacancies due to this reduction in demand and therefore forecasting an underspend on salary savings of £434,000.
- **Director's office** – There is a forecast overspend of £331,000 on Quality Assurance and Safeguarding relating to continued use of agency staff to cover vacant posts, although it should be noted that expenditure has reduced significantly from the previous year.
  - **Partnership Commissioning** – This division is reporting an underspend of £168,000 mainly because of the number of vacant posts (10) within the division due to difficulties recruiting to these posts.
  - **Schools related expenditure** – There is a forecast overspend on the general fund element of the budget of £224,000, mainly due to the:
    - Write off of Byron school academy conversion debt totalling £76,000;
    - Bligh Federation restructure, redundancy costs totalling £85,000;
    - Low take up and withdrawal of the maternity SLA service totalling £68,000.

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

- 5.1. The original budget manager forecasts presented to the Departmental Management Team projected an overspend of £1.217m, but due to a range of management action and revisions to forecasts the overspend was reduced by £300,000 before being reported to Corporate Management Team. Since the Corporate Management Team meeting, a further £130,000 of management action has been identified, so the Directorate is now projecting a forecast overspend of £787,000.
- 5.2. The main areas of pressure, and management actions agreed to mitigate these are as follows:
- **Frontline services** – The division is currently forecasting an overspend of £257,000. In order to address these pressures, managers in Front Line Services are exploring mitigation measures across all services including capping discretionary spend, prioritising income recovery etc. There is also an emphasis on budget monitoring monthly to maintain a focus on the reduction of pressures and optimising opportunities as they present themselves. The overspend is principally due to:
    - Parking Services are forecasting an overspend of £414,000 due to a range of pressures including £200,000 underachievement of income from off street pay and display compared to the target value, £160,000 pressure as the volume of PCN's is lower than anticipated, NNDR pressure of £77,000 caused by an unexpected increase in the rateable value of car parks and £60,000 unbudgeted security costs. These are partially offset by increased income from residents parking permits and from on-street visitor vouchers.
    - Integrated Transport is reporting an overspend of £105,000 due mainly to a forecast £283,000 under-recovery of income from traffic management, principally in

relation to under-recovery of permit scheme income and FPN income, which is being addressed by a review of the billing and recovery process. This is partly offset by vacancy savings of £135,000.

- These pressures are partially mitigated by a forecast underspend of £171,000 on Registration and Bereavement services as there is not the need to draw down the budgeted provision from revenue to reserves.
- **Physical & Cultural Regeneration** – The Division is currently forecasting an overspend of £596,000 principally due to:
  - Sports, Leisure, Tourism & Heritage are forecasting an overspend of £252,000 due to projected shortfalls in income on Leisure, however proactive management action has identified savings from Medway Sport, Heritage sites and Tourism has mitigated some of this pressure.
  - Strategic Housing is forecast to overspend by £119,000 as a result of a £251,000 pressure on temporary accommodation offset by underspends elsewhere within the service. Although work continues to prevent and reduce homelessness, there are likely to be as many households requiring temporary accommodation this year as at year end 2016/17.
  - Regeneration Delivery are forecasting an overspend of £91,000 due mainly to a projected shortfall in income at the Innovation Centre Medway as a result of units becoming vacant.

## 6. Housing Revenue Account

- 6.1. The Housing Revenue Account (HRA) is forecasting a surplus of £803,000 (£582,000 in excess of the budgeted surplus of £220,000) due to savings from a reduction in the level of voids, savings from interest payments and a modest increase in rental income.
- 6.2. The anticipated bad debt provision requirement at the end of the current financial year is £503,000.

## 7. Business Support (Appendix 3)

- 7.1. The directorate originally forecast an overspend of £1.046m against its general fund budgets, however, after agreeing a range of management actions totalling £529,000, the adjusted forecast is an overspend of £517,000. Appendix 3 shows a breakdown per service area.
- 7.2. The main areas of pressure, and management actions agreed to mitigate these are as follows:
  - **Category Management** – The service originally forecast an overspend of £505,000; primarily due to income from charging capital schemes being forecast at just £110,000 compared to a target of £500,000. Difficulties in recruiting to vacant posts has resulted in a further pressure of £76,000 as external agency staff are being used to provide cover at a higher cost. Management actions totalling £200,000 have been identified; work is being done to establish whether a review of “tail-spend” will release some in year savings and this initial work suggests that £100,000 can be saved from training costs (which will be reflected in the HR budgets) and an additional £100,000 from other spend areas across the Council, with further work to identify supplementary savings on-going. It is proposed to apply a differential model of recovering procurement costs from capital projects rather than the current 1% approach. Initial work suggests that an extra £50,000

can be achieved this financial year by charging a differential cost to a project depending on the value of the contract. Additional savings of £50,000 have also been identified within the team.

- **Property & Capital Projects** – Property & Capital Projects originally forecast an overspend of £727,000, though management action totalling £143,000 has brought this projection down to £584,000, primarily due to:
  - Corporate buildings are forecasting an overall overspend of £244,000; this primarily relates to a target of £200,000 in rental income for Gun Wharf which is not considered achievable. Progress is being made to decant from the Civic Centre and seek to reduce revenue costs substantially for the rest of the financial year to offset this unachievable income target. This could save £113,000 part year, subject to agreeing a reduction in the Medway Norse core contract. Any interim costs before demolition will be covered from capital allocations.
  - Valuation and Asset Management are forecasting an overspend of £363,000, primarily due to the loss of the tenant in Britton Farm Supermarket resulting in pressures on NNDR (£103,000), premises operational costs (£26,000) and rental income (£169,000). Work is on-going to seek to re-let Britton Farm and to consider other options for increasing rental income. A review of grant funded works is also taking place to see whether that might increase expected income levels.
  - Design and Capital Projects and Facilities Management teams have been merged and are forecasting an overspend of £121,000. Consideration of additional income streams is taking place. Discussions to bring forward additional fire risk assessment works and a review of grant funded works is taking place to see whether that might increase expected income levels.

## **8. Public Health (Appendix 4)**

- 8.1. The Health and Social Care Act 2012 transferred a range of public health responsibilities from the NHS to unitary and upper tier Local Authorities, In April 2013. In order to discharge these new public health responsibilities, the Department of Health allocates a ring-fenced grant to each local authority. There are specific conditions attached to the use of this grant and councils are subject to an annual assurance process by the Department of Health, to evidence the grant has been spent in line stipulated conditions.
- 8.2. In the Chancellor's Autumn statement of 2016, it was announced the public health ring-fenced grants awarded to local authorities would be reduced by 3.9% each year through to 2020. Medway council received a public health ring-fenced grant of £17,671m for 2017/18. The Public Health Department has put in place robust processes to ensure the Council is able to discharge its statutory public health responsibilities, within this annually reducing grant envelope. Any in year variance is managed through effective management action and where necessary, efficient use of the public health reserve.
- 8.3. In line with the Council's ambition to deliver more effective and efficient public services, the Public Health Department has put in place arrangements whereby a range of public health services and interventions are delivered by other council departments. The breakdown of resources allocated to facilitate this innovative practice is set out as follows:

C&A	£1,760,000
RCET	£1,107,000
BSD	£721,000
PH Core	£14,083,000
<b>TOTAL GRANT</b>	<b>£17,671,000</b>

## **9. Interest & Financing**

9.1. Interest and Finance are forecasting £206,629 overspend, comprising a reduction in external investment income due to a reduced average return as higher rate loans to other Local Authorities are repaid and slightly lower than budgeted returns from Property Funds due to a delay in placing these investments.

## **10. Levies**

10.1. Increases in the number of deaths requiring coroner investigations and the cessation of police funding for the coroners service have created a pressure £79,418; officers are working with colleagues at Kent County Council to agree an SLA for the service to improve financial monitoring and forecasting.

## **11. Transformation**

11.1. The Transformation programme has a target of £1.304m savings in the 2017/18 financial year and the Q1 forecast position is that this budgeted level of saving will be achieved.

## **12. Planned Use of Reserves**

12.1. On 20 February 2014, Council agreed that free Christmas parking would be funded at a cost of £50,000 per annum for five years, funded from reserves. This is the only planned use of reserves in the 2017/18 budget.

## **13. Conclusions**

13.1. The first round of monitoring returns received from budget managers predicted a potential overspend of £1.909m. In previous years the first round has generally been the most pessimistic forecast of the year, and further management action plans are being formulated by directorate management teams; as such it is anticipated that this figure will be mitigated further as the year progresses.

## **14. Financial and legal implications**

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

## **15. Recommendation**

15.1. The Committee are requested to note the result of the first round of revenue monitoring for 2017/18 and to note the forecast position and proposed management action.

**Lead officer contact**

Katey Arrowsmith, Head of Finance Strategy, Gun Wharf, T: 01634 332355

[Katey.arrowsmith@medway.gov.uk](mailto:Katey.arrowsmith@medway.gov.uk)

**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/mgAi.aspx?ID=15427>