BUSINESS SUPPORT
OVERVIEW & SCRUTINY COMMITTEE
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REVENUE BUDGET MONITORING 2017/18 - QUARTER 2

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Summary

This report presents the results of the Council's revenue budget monitoring for Q2 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. This Committee has responsibility for the regular monitoring of budgets and the capital programme.

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 Q2 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 £1.507million. 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 2017/18** **£000s**	**Q2 Forecast variance** **£000s**	**Proposed action** **£000s**	**Q2 Adjusted variance** **£000s**	**Q1 Forecast variance** **£000s**
Children and Adult Services:	213,677	1,296	(994)	272	319
- *Children's Services*	85,212	473	(79)	394	430
- *Adult Social Care*	65,089	392	(680)	(288)	(498)
- *Director's Office*	2,705	508	(135)	373	331
- *Partnership Commissioning*	6,937	(312)	(100)	(412)	(168)
- *Schools Related Expenditure*	53,734	205	0	205	224
Regeneration, Culture, Environment and Transformation	53,538	524	(146)	378	787
Business Support Department	5,909	955	(230)	725	517
Public Health	14,390	0	0	0	0
Interest & Financing	9,197	53	0	53	207
Levies	1,113	79	0	79	79
Digital Transformation	(1,087)	0	0	0	0
Medway Norse Joint Venture	(263)	0	0	0	0
Budget Requirement	**296,474**	**2,877**	**(1,370)**	**1,507**	**1,909**
Funded by:					
Dedicated Schools Grant	(90,937)	0	0	0	0
Other School Specific Grants	(4,816)	0	0	0	0
Education Services Grant	(1,370)	0	0	0	0
Revenue Support Grant	(18,848)	0	0	0	0
Business Rate Share	(46,302)	0	0	0	0
New Homes Bonus	(5,367)	0	0	0	0
Council Tax	(106,148)	0	0	0	0
Public Health Grant	(17,671)	0	0	0	0
Specific Grants	(4,965)	0	0	0	0
Use of Reserves	(50)	0	0	0	0
Total Available Funding	**(296,474)**	**0**	**0**	**0**	**0**
Net Forecast Variance	**0**	**2,877**	**(1,370)**	**1,507**	**1,909**

4. Children and Adults Services (Appendix 1)

4.1. The directorate originally forecast an overspend of £1.266million against its general fund budgets, however, after agreeing management action totaling £994,000, the adjusted forecast is an overspend of £272,000. 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:

4.2.1. **Adult Social Care** – The division is currently forecasting an underspend of £288,000, principally due to:

- There is a £297,000 overspend around Children with Disabilities due to an overspend on Direct Payments of £101,000 and a combined overspend on Aut Even/Parklands of £197,000. The overspend on Aut Even has increased by £155,000 since the Q1 forecasts due to increased staffing cost following the Ofsted inspection.

- Disability Services are forecast to underspend by £804,000, the forecast on disability services has worsened by £159,000 from quarter 1. Residential/Nursing care is forecast to underspend by £970,000 due to a surplus of client income and the use of iBCF and DSG to offset pressures caused by increasing client numbers, annual price increases. Direct Payments are also forecast to underspend by £287,000; however there is a forecast overspend on Supported Living of £764,000 due largely to increased client numbers.

- The staffing/agency forecast has increased by £230,000 since the Q1 monitoring due to additional agency costs across the service following implementation of the restructure.

- Mental Health Services are forecast to overspend by £389,000, primarily due to an overspend on Residential/Nursing of £395,000 caused by additional and particularly costly transfers from Children's services.

- Older People services are forecast to underspend by £188,000. Residential/Nursing care is forecast to overspend by £565,000 due to a combination of an increase in client numbers and assumed level of annual price increases which are offset by a surplus of client income and the use of iBCF. This is partially offset by an underspend on Homecare of £745,000, due to additional client income, the use of iBCF and the assumed impact of new ways of working.

4.2.2. **Children's Services** – The division is reporting a £394,000 overspend:

- SEN Transport are forecasting to overspend by £817,000 due to the increase in the statutory eligibility age; this forecast does not include any additional spend that will result from the September 2017 pupil intake. A revised policy designed to save £70,000 will now not be implemented from September 2017 and this is reflected in this forecast.

- There is a forecast overspend on Section 17 expenditure of £121,000 largely relating to cost of housing intentionally homeless families, and a forecast overspend relating to No recourse to Public Funds (NRPF) based on the current and expected payments for housing and allowances. Relocation has lowered the cost of long-term NRPF families.

- There is a £64,000 forecast overspend on internal placements due to increasing foster placements and a forecast overspend of £151,000 on Special Guardianship and Residence orders, again due to increasing placements.

- Early Help, Youth and Inclusion is forecasting to overspend by £434,000, mainly due to the in-house sourcing of the youth service. A service restructure is underway to mitigate this overspend.

- These pressures are mitigated by forecast underspends of £498,000 on staffing in Social Care and £694,000 on external placements due to a net reduction in client numbers.

- These pressures are further mitigated by forecast underspends on general supplies and services within Early Help and Prevention as well as across the division totaling £150,000.

4.2.3. **Director** – There is a forecast overspend of £373,000 primarily due to an overspend of £353,000 on Quality Assurance and Safeguarding relating to continued use of agency staff to cover vacant posts.

4.2.4. **Partnership Commissioning** – This division is reporting an underspend of £412,000 mainly because of the high number of vacant posts with the division and due to management action to reduce expenditure on short breaks.

4.2.5. **Schools Retained Funding & Grants** – This division is reporting an overspend of £119,000 mainly due to the write off of Byron school academy conversion debt totalling £75,771 and the Bligh Federation restructure, redundancy costs totalling £84,857.

4.2.6. The Directorate will continue to review care packages to ensure they are aligned with client needs and reflect the work of the service to enable people to live more independently, and will continue to proactively manage vacancies to reduce the overspend in the remainder of the year.

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

5.1. The Directorate forecast an overspend of £524,000 however, after agreeing a range of management actions the adjusted forecast is an overspend £378,000. Appendix 2 shows a breakdown per Service area.

5.2. The main areas of pressure, and management actions agreed to mitigate these are as follows:

5.2.1. **Front line services** – The division is currently forecasting an overspend of £85,000, principally due to:

- Parking Services are forecasting an overspend of £499,000 as a result of shortfalls in income on off-street parking and increased costs in Parking Enforcement and Administration relating to the new operating model.

- Bereavement Services are forecasting an overspend of £212,000 due to reductions in capacity resulting from the ongoing capital works.

- These are mitigated by; an underspend on Highways of £205,000 due to a moratorium on spend and the capitalising of Medway tunnel spend, an underspend on Safer Communities of £204,000 due to staff vacancy savings and the impact of the moratorium, and an underspend of £207,000 on Waste Services due to decreased disposal tonnage projections.

5.2.2. **Physical & Cultural Regeneration** – The Division are forecasting an overspend of £394,000 principally due to:

- Sports, Leisure, Tourism & Heritage are reporting an overspend of £238,000. Medway Leisure is forecast to overspend by £376,000 due mainly to a forecast shortfall in income of £311,000 but this has been partially mitigated for by identifying Divisional moratorium savings of £71,000, revising income forecasts up by £44,000 and capitalising £55,000 of salaries and equipment. Deangate is showing a pressure of £73,000.

- Festivals, Arts, Theatres & Events are forecasting an overspend of £282,000. This comprises pressures of £35,000 for festival initiatives including programme sales, £38,000 underachievement of income from Corn Exchange bar sales. Increased costs for Events have led to a pressure of £170,000 due to the unbudgeted costs from counter-terrorism measures, additional security and staffing costs and increased agent, supplier and contractor prices.

- Strategic Housing is currently forecasting an underspend of £16,000 due to staff vacancies across the Division offsetting the £201,000 forecast overspend in Temporary Accommodation.

- Planning are forecasting an underspend of £149,000 due mainly to a more optimistic appraisal of income and in particular planning fees.

- Regeneration Delivery are forecasting an overspend of £31,000. There is a forecast overspend of £102,000 at the Innovation Centre Medway, mainly due to a £78,000 shortfall in forecast income and ability to reach targets even if fully let, which have been partially offset by moratorium savings across the service.

5.2.3. **Transformation** – The Division forecast an overspend of £137,000 but are now forecasting an underspend of £50,000 with management action of £187,000 that will be identified.

6. Housing Revenue Account

6.1. The Housing Revenue Account (HRA) shows a forecasted surplus of £803,000 for Quarter 2, which is £582,000 above the approved budgeted surplus of £220,000.

Savings have been made reduction in 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 will be £503,000.

7. Business Support (Appendix 3)

7.1. The directorate are forecasting an overspend of £725,000million against the approved revenue budget and an overspend of £132,000 against Undistributed Budgets.

7.2. The main areas of pressure, and management actions agreed to mitigate these are as follows:

7.2.1. **Category Management** – The division has forecast an overspend of £398,000 due, in the main, to the under-achievement of income from charging to capital schemes against a target of £500,000.

7.2.2. **Property & Capital Projects** – The division has forecast an overspend of £667,000:

- Corporate buildings are forecasting an overall overspend of £204,000; this primarily relates to a target of £200,000 in rental income for Gun Wharf which is not considered achievable and a pressure on premises costs, partially offset by savings following the demolition of the Civic Centre Annex in Strood.

- Valuation and Asset Management are forecasting an overspend of £341,000, primarily due to the loss of the tenant in Britton Farm Supermarket. In addition rent from investment properties is forecasting a shortfall of £72,000.

- Design and Capital Projects and Facilities Management teams have been merged and are forecasting an overspend of £123,000 due to underachievement of income from internal charging to capital schemes, fewer Education projects and a reduction in income from the HRA.

7.2.3. **Legal Services** – The division has forecast a saving of £110,000 due to savings on salaries, a re-evaluation of the provision needs for Land Charges and Licensing and increased income including through the new shared service with Gravesham Borough Council.

7.2.4. **Organisational Services** – The division are forecasting an overspend of £116,000. Since Financial Year 2015/2016 to date the total number of HR packages purchased by schools (both maintained and academies) has reduced by 31.2%, which reflects the growth of multi-academy trusts and expands upon a trend that they are increasingly willing to manage their own HR administrative and payroll services. There was a further noticeable decrease in the purchase of packages of 14% at the end of August 2017, immediately prior to the commencement of the new academic year, as we transitioned from the financial year arrangements. Immediate management action has been put into place across the whole of the HR service to ensure that there is no overspend at year end, these actions include a service wide moratorium on any new appointments and a restriction on anything other than essential travel.

7.2.5. **Interest & Financing** – Interest and Finance are forecasting £53,000 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 lower than budgeted returns from Property Funds due to delays in placing these investments.

7.2.6. **Levies** – Increases in the number of deaths requiring coroner investigations and the cessation of police funding for the coroners service have created a pressure £79,000; officers have worked with colleagues at Kent County Council to agree an SLA for the service to improve financial monitoring and forecasting.

8. Public Health (Appendix 4)

8.1. Total grant received as advised by the Department of Health is £17,671million; this is broken down as follows:

C&A	£1,760,000
RCET	£1,107,000
BSD	£721,000
PH	£14,083,000
	£17,671,000

8.2. The Directorate is forecast to breakeven. As the grant is ring-fenced, any under / over spend would be offset by contributions to / from the Public Health Reserve.

9. Planned Use of Reserves

9.1. The agreed budget uses £50,000 to fund various revenue and capital projects.

10. Conclusions

10.1. The second round of monitoring returns received from budget managers has predicted a potential overspend of £1.507million. 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.

11. Financial and legal implications

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

12. Recommendations

12.1. The Committee is asked to note the result of the second round of revenue monitoring for 2017/18 and that Cabinet has agreed the forecast position and proposed management action.

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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/mgAi.aspx?ID=15427