

BUSINESS SUPPORT

OVERVIEW AND SCRUTINY COMMITTEE

12 APRIL 2018

REVENUE BUDGET MONITORING 2017/18 – QUARTER 3

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Summary

This report presents the results of the Council's revenue budget monitoring for Quarter 3 of the 2017/18 financial year.

1. Budget and Policy Framework

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

2. Background

- 2.1. At its meeting on 7 February 2017, the Council set a budget requirement of £294million for 2017/18. The budget was based on a total Council Tax increase of 4.994% which comprises 1.994%, just below the referendum limit imposed by Central Government, plus an additional 3% allowable under new arrangements to address adult social care pressures.
- 2.2. This report presents the results of the Quarter 3 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 year's 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 an estimated overspend of £653,000. 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	Q3 Forecast variance £000s	Proposed action £000s	Q3 Adjusted variance £000s	Q2 Forecast variance £000s
Children and Adult Services:	213,238	205	(600)	(395)	272
- Children's Services	80,873	(493)	0	(493)	394
- Adult Social Care	64,998	713	(600)	113	(288)
- Director's Office	2,705	524	0	524	373
- Partnership Commissioning	11,339	412	0	412	(412)
- Schools Related Expenditure	53,323	(950)	0	(950)	205
Regeneration, Culture, Environment and Transformation	52,185	804	(400)	404	378
Business Support Department	6,424	474	0	474	725
Public Health	14,390	0	0	0	0
Interest & Financing	9,197	65		65	53
Levies	1,113	104		104	79
Medway Norse Joint Venture	(263)	1		1	0
Budget Requirement	296,284	1,653	(1,000)	653	1,507
<i>Funded by:</i>					
Dedicated Schools Grant	(90,937)	0	0	0	0
Other School Specific Grants	(4,626)	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	(296,284)	0	0	0	0
Net Forecast Variance	0	1,653	(1,000)	653	1,507

4. Children and Adults Services (Appendix 1)

- 4.1. The directorate originally forecast an overspend of £205,000, however a range of management actions identified totaling £600,000 results in a projected underspend of £395,000. 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 – The division is currently forecasting an overspend of £113,000. This overspend position assumes the use of around £2.8million of iBCF funding to offset additional in year pressures relating to an increase in placement costs and uplifts to providers, in accordance with the conditions of the grant. The forecast also continues to assume the delivery of £600,000 of management action based on further implementation of the Three Conversations model, additional review activity and reducing agency costs within adult social care staffing teams.

The 2017/18 forecast overspend is principally due to:

- A £268,000 overspend around children with disabilities due to an increase in direct payments of £101,000 and a combined overspend on Aut Even and Parklands of £167,000 due to increased staffing following the Ofsted inspection.
- A forecast underspend of £330,000 on services for adults with disabilities, representing a worsening since Quarter 2. There are also significant variances on individual headings reflecting a shift in spend to more supported living offset by reductions on residential and nursing care and on direct payments.
- The staffing/agency forecast has increased by £115,000 since the Quarter 2 monitoring due to additional agency costs across the service following implementation of the restructure. However, the director still expects £100,000 of management action to be delivered.
- Mental Health Services are forecast to overspend by £261,000, primarily due to an overspend on residential and nursing of £302,000 caused by additional and particularly costly transfers from Children's Services.
- Older People services are forecast to underspend by £111,000. Residential and nursing care is forecast to overspend by £457,000 due to a combination of an increase in client numbers and assumed level of annual price increases which are offset by additional client contributions and the use of iBCF. This is offset by an underspend on Homecare of £597,000, due to additional client income, the use of iBCF and the assumed impact of new ways of working. The Older People forecasts are £77,000 higher than at Quarter 2 due to an increase in homecare forecast due to impact of processing backdated invoices.

Children's Services – There is a net forecast underspend of £493,000 across the division principally due to an underspend on internal and external placements across the division and a movement of £800,000 from the previous rounds forecast again due to 11 fewer residential placements than forecast last time.

Director – There is a forecast overspend of £415,000 primarily due to an overspend of £388,000 on Quality Assurance and Safeguarding relating to continued use of agency staff to cover vacant posts.

Directorate Management Team – There is a forecast overspend of £109,000, mainly due to the use of agency staffing to cover the vacant Assistant Director post and the loss of Clinical Commissioning Group (GGC) grant funding.

Partnership Commissioning – There is a forecast overspend of £412,000, primarily due to a forecast overspend on Special Educational Needs and Disabilities (SEND) transport of £901,000 resulting from the increase in the statutory age. This is partially offset by a forecast underspend of £192,000 on mainstream transport due to the reduction on the purchase price of the yearly bus pass cost.

Schools Retained Funding & Grants – There is a forecast overspend of £155,000 mainly due to the write off of Byron school academy conversion debt of £76,000 and the redundancy costs related to the Bligh Federation restructure of £85,000.

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

5.1. The Directorate forecast an overspend of £804,000 however, after agreeing a range of management actions totaling £400,000, the adjusted forecast is an overspend £404,000. The forecasts reflect the transfer of Organisational Services from Business Support Department into Regeneration, Culture, Environment and Transformation (RCET), and also the application of £764,000 of Transformation savings targets to RCET codes since the Q2 forecasts. 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:

Front line services – The division is currently forecasting an underspend of £27,000, principally due to:

- Parking Services are forecasting an overspend of £628,000. The additional costs associated with the new operating model for parking enforcement have resulted in a pressure of £416,000 and a further overspend of £86,000 on parking administration, however the new model has generated additional income. Shortfalls in income against target levels for off-street parking are exacerbated by additional unforeseen unbudgeted costs including £98,000 for security provided at the request of the Leader, and £77,000 for Business Rates. This forecast also includes a pressure of £113,000 against the transformation savings targets.
- Bereavement Services are forecasting an overspend of £175,000 due to reductions in capacity resulting from the ongoing capital works leading to a shortfall in income.
- This pressure is mitigated by a range of forecasted underspends including Highways forecasting a £288,000 underspend due to savings from a moratorium on spend and the capitalising of Medway Tunnel spend. Waste Services are forecasting an underspend of £112,000 due

to lower than budgeted waste disposal tonnages. Safer Communities have forecast an underspend of £219,000 due to staff vacancy savings and the impact of the moratorium. Integrated Transport are forecasting an underspend of £101,000 and Greenspaces of £73,000 due to the impact of the moratorium.

Physical & Cultural Regeneration – The division is currently forecasting an overspend of £673,000, principally due to:

- Sports, Leisure, Tourism & Heritage are reporting an overspend of £450,000. Medway Leisure is forecast to overspend by £507,000, due mainly to a forecast shortfall in income of £280,000. Deangate is showing a pressure of £78,000.
- Festivals, Arts, Theatres & Events are forecasting an overspend of £324,000. This comprises pressures relating to the underachievement of income targets and the unbudgeted costs from counter-terrorism measures, additional security and staffing costs and increased agent, supplier and contractor prices. The Corn Exchange is forecasting to overspend by £65,000 primarily due to the underachievement of bar income.
- Strategic Housing is currently forecasting an overspend of £59,000 due to an increase of 40 placements in temporary accommodation during the year, the majority of which have taken place in the last three months.
- Planning are forecasting an underspend of £189,000 due mainly to a more optimistic appraisal of income and in particular planning fees.

Transformation – The division is forecasting a modest overspend, however this comprises a number of significant compensating variances:

- ICT is forecasting an overspend of £267,000 due to unbudgeted expenditure on the network and hardware required to remedy an ICT outage and to improve the resilience of the network to reduce the risk of future significant downtime periods.
- Communications are forecasting an overspend of £181,000 due to historic pressures on salaries, an underachievement of income and a marketing overspend.
- These overspends are mitigated by underspends on Customer Contact and Business and Administrative Support due to staff vacancies and the removal of temporary staff.

There is an underspend of £95,000 forecast on RCET Directorate Support.

6. Housing Revenue Account

- 6.1. The Housing Revenue Account (HRA) forecasts a surplus of £867,000 for Round 3, which is £647,000 above the budgeted surplus of £220,000. Savings have been made through a 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 £532,000.

7. Business Support (Appendix 3)

- 7.1. The Directorate is forecasting an overspend of £474,000 against the approved revenue budget and an overspend of £169,000 against Levies and Interest and Financing.
- 7.2. The main areas of pressure, and management actions agreed to mitigate these are as follows:

Legal, Contracts and Property – The division is forecasting an overspend of £641,000 primarily due to:

- Property & Capital Projects (including Valuation & Asset Management) are forecasting an overspend of £366,000 primarily because the decision to let spare capacity in Gun Wharf was reversed. The loss of the tenant in Britton Farm Supermarket and rent from investment properties results in a shortfall of income of £128,000.
- Category Management are forecasting an overspend of £366,000 due, in the main, to the under-achievement of income from charging to capital schemes against a target of £500,000.
- Legal, Land Charges and Licensing are forecasting a saving of £97,000 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.

Democracy and Governance – The service are forecasting an underspend of £108,000 primarily due to salary and printing cost savings in Democratic Services and salary savings in Members and Elections Support.

Interest and Financing – Interest and Finance are forecasting a pressure of £65,000, 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.

Levies – Increases in the number of deaths requiring coroner investigations and the cessation of police funding for the coroners service have created a pressure £104,000; officers have worked with colleagues at Kent County Council to agree an SLA for the service to improve financial monitoring and forecasting.

Medway Norse profit share – the Council is forecasting to achieve the budgeted rebate in the current financial year.

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:

Directorate	£
Children and Adults	£1,760,000
Regeneration, Culture, Environment and Transformation	£1,107,000
Business Support Department	£721,000
Public Health	£14,083,000
	£17,671,000

8.2. Salaries are forecast to underspend by £38,000. As the grant is ring-fenced, any under/over spend is offset by contributions to / from the Public Health Reserve.

9. Planned Use of Reserves

9.1. The agreed budget uses £50,000 to fund the Cabinet's commitment to free parking over the Christmas period.

10. Conclusions

10.1. The third round of monitoring projects a reduced overspend from the position reported in Q1 and Q2 of £653,000. Further management action plans are being formulated by directorate management teams to reduce this overspend by year end.

11. Risk management

11.1. The Council's revenue monitoring process is designed to help mitigate the risk of overspending against the agreed budget at year-end; this report sets out the areas of potential overspend forecast and the actions identified by management and Members to mitigate these.

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. Recommendation

13.1. The Committee are requested to note the result of the third round of revenue monitoring for 2017/18 and also 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 22 February 2018

<https://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=40469>