

BUSINESS SUPPORT

OVERVIEW & SCRUTINY COMMITTEE

23 AUGUST 2018

REVENUE BUDGET MONITORING 2018/19 – QUARTER 1

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Summary

This report presents the results of the Council's revenue budget monitoring for Quarter 1 of the 2018/19 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 22 February 2018, the Council set a budget requirement of £290.677million for 2018/19. The budget was based on a total Council Tax increase of 5.994% which comprises 2.994%, just below the referendum limit imposed by Central Government, plus an additional 3% allowable under new arrangements to address adult social care pressures. Since then, the Council has agreed to increase the revenue budget by £422,500 to fund development of a Master Plan for the Innovation Park Medway. The revised revenue budget is now £291.099million.
- 2.2 This report presents the results of the quarter 1 revenue budget monitoring, summarising reports that have been considered by directorate management teams based on returns submitted by individual budget managers. This report is the first produced under the revised monitoring process and presents forecasts jointly agreed by service managers and accountants. The report seeks to provide a clearer picture of the activity driving the variances and the measures in place and proposed management action to mitigate them. In preparing these forecasts, budget managers have taken 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 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 Revenue Budget Position 2018/19

3.1 It can be seen from Table 1 that, after proposed management action, the forecast outturn for 2018/19 represents an adverse forecast variance of £4.861million. Management action plans are being formulated by directorate management teams and it is anticipated that this figure will be reduced further as the year progresses.

Table 1: Monitoring Summary

Directorate	Budget 2018/19 £000s	Q1 Forecast variance £000s	Proposed action £000s	Q1 Adjusted variance £000s
Children and Adult Services:	205,031	3,753	(1,484)	2,269
Regeneration, Culture, Environment and Transformation	54,330	4,085	(1,838)	2,157
Business Support Department	7,863	214	0	214
Public Health	13,690	0		0
Interest & Financing	9,189	76	0	76
Levies	1,260	145	0	145
Medway Norse Joint Venture	(263)	0	0	0
Budget Requirement	291,099	8,273	(3,322)	4,861
<i>Funded by:</i>				
Dedicated Schools Grant	(86,312)	0	0	0
Other School Specific Grants	(4,476)	0	0	0
Education Services Grant	0	0	0	0
Revenue Support Grant	0	0	0	0
Business Rate Share	(60,094)	0	0	0
New Homes Bonus	(2,512)	0	0	0
Council Tax	(114,663)	0	0	0
Public Health Grant	(17,217)	0	0	0
Specific Grants	(5,775)	0	0	0
Use of Reserves	(50)	0	0	0
Total Available Funding	(291,099)	0	0	0
Net Forecast Variance	0	8,273	(3,322)	4,861

4. Children and Adults Services (C&A) (Appendix 1)

4.1 The directorate is forecasting an adverse variance of £2.269million.

Table 2: C&A Summary

	Budget 2018/19 £000's	Q1 Forecast variance £000's	Proposed action £000's	Q1 Adjusted variance £000's
Adult Social Care	62,299	738	(365)	373
Children's Services	66,185	1,899	(1,119)	780
Director	2,124	483	0	483
Directorate Management Team	488	36	0	36
Partnership Commissioning	29,882	672	0	672
Schools Retained Funding and Grants	44,052	(75)	0	(75)
Children and Adult Services Total	205,030	3,753	(1,484)	2,269

4.2 Adult Social Care (ASC) – adverse variance of £373,000

4.2.1 The ASC improvement programme is currently forecasting to under-deliver against the budgeted level of £2.526million by £237,000.

4.2.2 There is a £214,000 underspend due to the use of improved Better Care Fund to offset additional and continuing placement pressures.

4.2.3 Unbudgeted payments to WALT and wHoo Cares (£129,000) included within the forecast may well be mitigated as the expected benefits of the preventative work these organisations undertake are realised; an evaluation of the impact is planned for later in 2018/19.

4.2.4 Disability Services is forecast to overspend by £427,000, driven by:

- Residential/Nursing forecast is a £247,000 overspend. The budget build assumed 299 packages, however there are now 297 packages. However, there has been an increase in the average weekly cost of a package from £1,154 to £1,176. Although there has not been an overall increase in packages, there has been an increase in Learning Disability placements offset by a decrease in the number of Physical Disability placements.
- Direct payments are forecast to overspend by £259,000. The budget build assumed 426 packages, however there are now 436 packages. There has also been an increase in the average weekly cost of a package from £292 to £304.
- Supported living forecast overspend of £78,000. The budget build assumed 158 packages, however there are now 165 packages. There has also been an increase in the average weekly cost of a package from £792 to £897.
- Homecare forecast is a £335,000 underspend. The budget build assumed 240 packages, however there are now 247 packages. However, there has been a decrease in the average weekly cost of a package from £155 to £125.
- Daycare forecast is a £172,000 overspend. The budget build assumed 97 packages, however there are now 100 packages. There has also been an increase in the average weekly cost of a package from £241 to £267.

- 4.2.5 Mental Health Services are forecast to overspend by £34,000. The overall number of residential placements has remained the same as budgeted at 81 although the average weekly cost of those placements has reduced from £658 to £632 which has the effect of producing a forecast underspend of £113,000. There is however, a forecast overspend on direct payments of £70,000, where there has been an increase in numbers of packages from the budgeted number of 23 to 25 and also an increase in the cost of the average cost of a weekly package from £113 to £157. There is also a forecast overspend on supported living placements of £114,000, where there has been an increase in numbers of packages from the budgeted number of 63 to 66 and also an increase in the cost of the average cost of a weekly package from £216 to £236.
- 4.2.6 The Older Persons Service is currently forecasting an underspend of £211,000. The primary reason is a combined forecast underspend of £207,000 on Residential and Nursing Placements. The budget build assumed 380 residential placements and 207 nursing placements. However, there are currently only 364 residential and 190 nursing, due to attrition since budget build. There is a risk that placements and so spend could increase again if pressure from delayed discharges were to increase in the future, but this risk continues to be managed by the panel.
- 4.2.7 There is a combined forecast overspend on staffing of £151,000; it is planned that this overspend will be mitigated by management action to reduce the number of agency staff covering vacant posts. This will be a combination of recruiting to vacant posts and reviewing ways of working to free up staff time to reduce the need for current levels of agency cover.
- 4.3 **Children's Services – adverse variance of £780,000**
- 4.3.1 A £471,000 overspend on placements including IFA, special guardianship, residential, internal and external placements of which, 50% is being driven by increases in provider packages and 50% by the increase in demand for placements and complexity of need. Management action to review, and where possible, step-down provider packages is anticipated to result in a £300,000 reduction in this pressure.
- 4.3.2 There is a £453,000 overspend forecast on preventative measures to avoid children being brought into care. £339,000 is being spent on no recourse to public funds and £114,000 on section 17 payments. One child on one of these preventive schemes is approximately half the cost Medway would pay if the child had to be taken into care.
- 4.3.3 There is a £658,000 overspend forecast on staffing due to the continued use of agency staffing to cover vacant posts and the recruitment of 10 additional social workers posts above the approved structure. The current staffing ratio is 62% permanent and 38% agency staffing.
- 4.3.4 A £151,000 overspend on Aut Even has arisen because the additional staffing levels employed to ensure the Aut Even building was compliant with Ofsted criteria has not been reduced for when the service moves into the parklands building from September. Management action to reduce the management staffing levels to that agreed as part of the Aut Even / Parklands business transfer will deliver £195,000 savings, offsetting this overspend.
- 4.3.5 The £624,000 draw down from earmarked reserves is shown as a management action.

4.4 **Director – adverse variance of £483,000** – this results from the continued use of seven members of agency staff to cover four vacant Independent Review Officer (IRO) posts and one other post due to a long term absence.

4.5 **Partnership Commissioning – adverse variance of £672,000**

4.5.1 Special Educational Needs (SEN) Transport are forecast to overspend by £698,000, with 1,056 pupils being transported across 91 routes. The overspend position is driven by three key areas:

- A bad debt provision for the 16-19 parent contributions estimated at £177,000;
- The new September reception year which will increase the transport cost by approx. £200,000 based on previous year's spending patterns;
- A savings target of £220,000 from repackaged routes built into the budget has not yet been realised.

4.5.2 Service managers of both the mainstream and SEN transport areas will not be able to identify potential management actions this early in the year to reduce this overspend until after the transport arrangements have been confirmed for the new September reception year pupils.

4. **Regeneration, Culture, Environment and Transformation (RCET) (Appendix 2)**

5.1 The directorate are forecasting an adverse variance of £2.048million excluding the Corn Exchange.

Table 3: RCET Summary

	Budget 2018/19 £000's	Q1 Forecast variance £000's	Proposed action £000's	Q1 Adjusted variance £000's
Director's Office	694	(42)	0	(42)
Front Line Services	35,756	2,174	(1,538)	635
Physical and Cultural Regeneration	14,168	884	0	884
Transformation	4,158	870	(300)	570
MCG Ltd.	(456)	360	(360)	0
Corn Exchange	10	109	0	109
Regeneration, Culture, Environment & Transformation Total	54,330	4,085	(1,838)	2,157

5.2 **Front Line Services – adverse variance of £635,000**

5.2.1 This variance is principally due to the forecast underachievement of income in Parking Services (£1.5million) and of £615,000 in Integrated Transport.

5.2.2 The income budget from the Full Council approved new on-street controlled parking zones of £500,000 will not be achieved. Penalty charge notices are forecast to underachieve by £421,000 and pay and display a further £103,000. Off-street pay and display income is forecast to underachieve by £245,000 and there is also a pressure of £108,000 for security costs and a pressure of £90,000 due to Business Rates.

- 5.2.3 Integrated Transport is forecasting an adverse variance of £615,000 due mainly to a shortfall in income in Traffic Management of £341,000. Subsidised bus services are forecast to overspend by £169,000.
- 5.2.4 A range of non-recurrent management actions totaling £1.27million have been identified to partially address the pressures confronting the division.
- 5.2.5 Frontline Services are also pursuing the following management actions:
- Internal resources to be deployed into the street permit team to review processes and improve income generation;
 - Links established with the South East street works forum, to assist with bringing about changes to the Medway permit scheme;
 - Moratorium implemented to stop all non-essential spend with immediate effect;
 - Review of all agency and consultancy to be undertaken;
 - All agency staff filled vacant posts in Parking to be recruited to;
 - All capital projects to be reviewed against revenue spend of schemes and maintenance, to identify any opportunities to reduce spend on the general fund.

5.3 Physical and Cultural Regeneration – adverse variance of £884,000

- 5.3.1 Sports, Leisure, Tourism and Heritage are forecasting an adverse variance of £521,000, primarily due to Medway Leisure forecasting a pressure of £556,000 resulting from a shortfall in income of £583,000. Forecast income for 2018/19 is £131,000 higher than actual income received of £3,606,000 in 2017/18.
- 5.3.2 Festivals, Arts, Theatres and Events are forecasting an adverse variance of £441,000. Castle Concert ticket sales underachieved compared to their income budget by £305,000.

5.4 Transformation – adverse variance of £570,000

- 5.4.1 Communications and Marketing are currently forecasting an under recovery of income of £77,000 due to historic pressures relating to staffing above establishment and an overspend on Medway Matters.
- 5.4.2 Organisational Services are forecasting a pressure of £364,000, primarily driven by:
- Income from Teacher Recruitment has reduced due to the expansion of multi-academy trusts leaving a pressure of £130,000.
 - HR schools are reporting a pressure of £217,000 as fewer schools buy into the service. Also, as the team no longer administer the maternity/paternity insurance scheme, there will be no income in relation to this. Last year, income was £15,000. These pressures are partially offset by staff savings of £25,000.
- 5.4.3 Management action includes re-organising HR services to reduce revenue costs and the delivery of savings through the centralisation of training budgets.
- 5.4.4 Customer Contact is showing an adverse variance of £175,000 and Business and Administrative Support is forecasting an adverse variance of £143,000. Transformation savings have been achieved but with a part year effect. The Service are pursuing options to capitalise staff costs and reviewing non-staff budgets as management actions.

5.4.5 Adult Education, Community Interpreters, Corporate Performance and Libraries and Community Hubs are all showing small underspends.

5.4.6 The Assistant Director's support budget is showing an overspend of £72,000. £28,000 relates to transformation savings and £43,000 relates to staffing above establishment.

5.4.7 ICT Development is forecasting an overspend of £71,000. Pressures on income relating to space leased in our data centre and on the Medway Grid for Learning are offset by savings against salaries.

5.5 Regeneration, Culture, Environmental & Transformation Directorate Support

5.5.1 There is a forecast underspend of £42,000 due to a vacant post.

5.6 MCG Ltd

5.6.1 The Temp Agency was transferred to MCG Ltd (trading as Ocelot People Solutions) during 2017/18. However, during the transfer process, many of the agency staff were offered permanent contracts and this reduced the levels of income accordingly leaving a pressure of £270,000. Meetings to review this with MCG with a view to agreeing an achievable income target for Ocelot have been taking place, however in the immediate term the shortfall in income will be covered by a one-off dividend from the development and disposal of Aburound House.

5.6.2 The Managing Director has also reported a shortfall of circa £90,000 against the assumptions in the Council's budget for CCTV and Telecare, however there are a number of other revenue streams being explored to mitigate this shortfall.

5. Housing Revenue Account

6.1 The Housing Revenue Account (HRA) forecasts a surplus of £451,000 for quarter 1, which is £260,000 above the approved budgeted surplus of £191,000.

6.2 The anticipated bad debt provision requirement at the end of the current financial year will be £532,000.

6. Business Support (BSD) (Appendix 3)

Table 3: BSD Summary

	Budget 2018/19 £000's	Q1 Forecast variance £000's	Proposed action £000's	Q1 Adjusted variance £000's
Central Finance	2,505	(86)	0	(86)
Corporate Management	1,811	13	0	13
Democracy and Governance	2,133	(73)	0	(73)
Legal, Contracts and Property	1,305	359	0	359
Business Support Total	7,754	213	0	213

7.1 The directorate is forecasting an overspend of £213,000.

7.2 **Central Finance** – the Service is currently forecasting an underspend of £86,000 due to staff vacancies being held within Finance Strategy and Revenues and Benefits.

- 7.3 **Democracy and Governance** – the service is forecasting an underspend of £73,000 due to staff vacancies.
- 7.4 **Legal, Contracts & Property** – the service is currently forecasting an overspend of £359,000. The principal drivers are:
- 7.5 Strategic Property, Capital Projects and Valuation and Asset Management are reporting an overspend of £50,000; the majority of which is since running costs for Kingsley House are in excess of the budget transferred from Riverside One.
- 7.6 Legal Services, Land Charging & Licensing are forecasting an overspend of £197,000. The majority of this is due to a £174,000 Legal (non-shared) Service pressure due to the costs of agency staff filling vacant childcare lawyer posts.
- 7.7 An uplift in the contract payment to Medway Norse results in £112,000 pressure.

7. Public Health (Appendix 4)

- 8.1 Total grant received as advised by the Department of Health is £17.217million; this is broken down as follows:

Children and Adults	£1,871,000
Regeneration, Culture, Environment and Transformation	£910,300
Business Support Department	£745,400
Public Health	£13,690,200
	£17,217,000

- 8.2 Public Health are forecasting a breakeven position. As the grant is ring-fenced, any under/over spend is offset by contributions to / from the Public Health Reserve.

8. Centralised budgets

Table 4: Centralised Costs Summary

	Budget 2018/19 £000's	R1 Forecast variance £000's	Proposed action £000's	R1 Adjusted variance £000's
Interest and Financing	9,298	76	0	76
Levies	1,260	145	0	145
Medway Norse Profit Share	(263)	0	0	0
Centralised Budgets Total	10,295	221	0	221

- 9.1 **Interest and Financing** – Interest and Finance is forecasting a £76,000 overspend. This is essentially the result of a 0.5% increase in interest rates on short term borrowing.
- 9.2 **Levies** – The Coroner's levy is forecast to overspend by £145,000 representing Medway's share of the costs resulting from the implementation of the new Medical Examiner framework. This is clearly a new burden and officers intend to make representations to Central Government.

9.3 **Medway Norse Profit Share** – Norse is expecting to deliver the budgeted profit share in the current financial year.

9. Planned Use of Reserves

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

11. Conclusions

11.1 The first round of monitoring projects an overspend position **of £4.861million** after management action.

12. Financial, risk management 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.

12.2 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.

13. Recommendation

13.1 The Committee is asked to note the result of the first round of revenue monitoring for 2018/19.

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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/mgAi.aspx?ID=18048#mgDocuments>