Wards affected:
All Wards

ITEM 18

CABINET

9 NOVEMBER 2015

REVENUE AND CAPITAL BUDGET MONITORING REPORT - TO END OF OCTOBER 2015

Responsible Cabinet Member:	Councillor Middleton, Cabinet member for Resources and Commercialism
Report Sponsors:	Tim Hannam (Corporate Director, Resources) Tel: (01908) 252756 Nicole Jones (Service Director, Finance and Resources) Tel: (01908) 252079

Executive Summary:
This report advises Cabinet of the forecast outturn position for the General Fund; Housing Revenue Account (HRA) and Dedicated Schools Grant.

The General Fund revenue forecast outturn is an overspend of £1.577m, after the use of £3.672m of one-off resources, (a decrease in the overspend of £0.030m since P6).

The Dedicated Schools Grant is reporting a forecast underspend of (£0.248m) against budget (an increase in the underspend of £0.115m since P6). The Housing Revenue Account is reporting a £nil forecast position.

The Capital Programme has spend approval of £131.827m. At the end of October the forecast outturn is £132.265m, an overall variation of £0.438m against the latest spend approval. This figure includes forecast re-phasing of £0.144m bringing the position to a net overspend of £0.582m.

1. Recommendation(s)

1.1 That the forecast outturn position of £1.577m and the management actions currently underway to mitigate this position be noted.

1.2 That the forecast outturn for the 2015/16 Capital Programme, and the management actions underway to address the overspend on the A421 scheme be noted.

2. Corporate Leadership Team (CLT) view on Outturn Position

2.1 CLT are concerned about the forecast overspend, management actions continue to be implemented to minimise the overspend in the current year and reduce the impact on the 2016/17 Budget. However the increasing demands for children's social care placements and temporary accommodation as a result of homelessness are creating substantial challenges for the Council.

2.2 The Council has made good progress in implementing budget savings with 45% (£10.411m) of the savings being achieved to date and 46% (£10.462m) are forecast to be achieved by the end of 2015/16. The remaining 9% (£1.844m) of savings will either be achieved in future years or mitigated within the service areas. This shows a strong position in terms of delivery, but the major issue is the growth in demand pressures during the current financial year.

2.3 CLT will reduce discretionary spending and will seek to implement 2016/17 savings during the current financial year (if appropriate) in order to reduce this forecast overspend over the next few months.

3. General Fund Revenue Outturn Monitor

Table 1 below shows the provisional revenue outturn figures as at the end of October 2015 as an overspend of £1.577m against the budget.

Table 1: Outturn as at October 2015

	Budget £m	Forecast Outturn £m	Projected Variation £m	Movement from P6 £m
Adult Social Care & Health	60.479	60.346	(0.133)	(0.133)
Children's Services	49.919	50.835	0.916	0.277
Public Health	10.930	10.930	0.000	0.000
Total People	***121.328***	***122.111***	***0.783***	***0.144***
Housing & Community	1.158	1.532	0.374	(0.013)
Planning	1.160	1.161	0.001	0.001
Public Realm	33.417	33.463	0.046	(0.057)
Community Facilities	7.197	7.338	0.141	0.000
Total Place	***42.932***	***43.494***	***0.562***	***(0.069)***
Total Resources	***6.078***	***6.374***	***0.296***	***(0.041)***
Total Corporate Core	**0.836**	**0.837**	**0.001**	**(0.004)**
Net Operating Expenditure	***171.174***	***172.816***	***1.642***	**0.030**
Debt Financing	18.608	18.608	0.000	0.000
Sustainability Items, levies and one off pressures	12.214	12.214	0.000	0.000
Asset Rentals	(15.483)	(15.483)	0.000	0.000
Outturn position	**186.513**	**188.155**	**1.642**	**0.030**
Less Resources available	**(186.513)**	**(186.578)**	**(0.065)**	**0.000**
Net (under)/overspend	**0.000**	**1.577**	**1.577**	**0.030**

Main movements since P6

3.1 Adult Social Care are reporting a movement of (£0.133m) which is mainly due to an increase in the forecast underspend on Learning Disability clients supported at home (£0.201m) as a result of fewer client numbers than previously anticipated, as a result of a greater move to direct payments.

3.2 Children's Services are reporting a movement of £0.277m since period 6. The key variations include:

- The External Placements overspend has increased by £0.127m in month. £0.057m relates to three children that were anticipated to return home by the end of October 2015 but are now forecast to remain in placement until the end of the financial year and £0.070m reduction in forecast health income due to changes in the existing placement of a young person, thereby no longer qualifying for health support.

- There is a forecast overspend in the Leaving Care budget of £0.185m due to more young people turning 18 in high cost residential placements now accessing the leaving care budget. These placements are more expensive than originally budgeted, as previously the leaving care budget would have been accessed by young people in lower cost in-house placements.

Significant revenue variances against revised budget at P7

3.3 Adult Social Care & Health is reporting an underspend of (£0.133m) compared to budget. The key variations include:

- An estimated underspend of (£0.284m) for Manor House based on current care needs, however, this may vary due to changes in the complex and developing client circumstances.
- The Integrated Equipment Service is forecast to overspend by £0.095m. This is due to additional demand on the service.
- The Joint Commissioning service is unlikely to achieve its additional contribution from Health of £0.150m. Work is underway to determine how this can be mitigated and the forecast outturn position will be updated in future reporting.
- There is currently an underspend of (£0.408m) within Older People & Physical Disability Integrated Services. The main variations are in Physical Disabilities: External Support at Home which shows both a reduction in spend due to savings in placement costs (£0.488m) and a reduction in associated income of £0.214m; Direct Payments for Physical Disability clients are forecast to be underspent by (£0.175m) due to contributions from Health .
- Older People Community Support Service area has an overspend of £0.315m. Within this, staffing represents £0.249m and is due to the cost of covering shifts with casual and relief staff to ensure safe service delivery.

3.4 Children's Services are forecasting an overspend of £0.916m (£2.025m before the use of one-off resources) against budget. The key variations including the position reported in paragraph 3.2 above are:

- External placements are currently forecasting an overspend of £1.756m. This is due to a significant increase in the overall number of children in care (from 305 as at December 2014 to 354 as at September 2015) due to unavoidable child protection activity and an increase in unaccompanied asylum seeking children who consequently cannot all be placed in in-house local placements. As at September 2015, there are 23 unaccompanied asylum seeking children in external placements. The forecast overspend will be partly offset by a drawdown from demand led reserve (£1.300m) but creates an ongoing cost in future.

- There are a number of work streams underway to look at reducing the cost pressures including:
    - Increasing adolescent foster care provision
    - Looking at the range and availability of supported lodgings
    - Developing intensive support for older adolescent Children in Care (CiC)
    - Oversee “step down” plans for a small target group of CiC
    - Reviewing CiC placement commissioning arrangements
    - Considering the future arrangements of CiC placement services.
- There is a pressure on home to school transport of £0.858m. This is mainly due to an increase in the requirements of SEN eligible children. This pressure has been partially offset by a contribution from the Children’s Demand Led Reserve (£0.725m). A number of management actions are in place to look for ways to reduce costs in future. This includes reviewing the efficiency of routes, reviewing eligibility criteria as well as considering opportunities to reduce costs by promotion of mileage to parents as an alternative option to using contracted transport routes, offering ‘personal budgets’ or discounted bus passes to parents to accompany their children to school.

- Fostering and Adoption (within Corporate Parenting) is forecast to overspend by £0.259m. This is mainly due to higher than originally budgeted fostering maintenance payments due to case law and legislative changes around Family and Friends carers and staying put arrangements.

- There is a forecast overspend in the Leaving Care budget of £0.185m due to more young people turning 18 in high cost residential placements now accessing the leaving care budget. These placements are more expensive than originally budgeted, as previously the leaving care budget would have been accessed by young people in lower cost in-house placements.

3.5 Housing and Community are forecasting a net overspend of £0.375m against budget, made up of a gross variance of £1.590m offset by (£1.215m) from demand-led reserves. This pressure is the result of a continuing increase in homeless acceptances and fewer void council properties into which homeless families can be rehoused. A number of approaches are being progressed to provide alternative accommodation, including the Real Lettings investment; leasing properties and a private sector letting scheme. These approaches are expected to reduce the financial impact in future years.

3.6 The Community Facilities overspend of £0.141m is largely due to £0.118m resulting from delays in awarding the Leisure Contract(s) and delays in transfers of facilities under the Community Asset Transfer Programme.

3.7 Resources are reporting an overspend of £0.296m against budget. This is due to:

- Property – the forecast assumes that £0.356m of the savings target for the SMART Property Project will not be achieved this year. Various savings across the service are mitigating this.
- These are offset by an underspend of (£0.100m) in Revenues and Benefits as a result of increased recovery of housing benefit overpayments.
- Legal –is forecasting an overspend of £0.150m due to use of locums to cover vacant posts and payment of market supplements. Further work on the forecast use of locums and the mix of posts in the establishment is underway.

4. Budget Savings

4.1 The 2015/16 Council budget included (£21.186m) of savings and (£1.531m) savings brought forward from 2014/15, which were also to be delivered. To date 45% (£10.411m) of the savings have been achieved, and of the remaining savings, 46% (£10.462m) are currently forecast to be delivered. The remaining (£1.844m) of savings will either be delayed until 2016/17 or mitigated within the service areas.

Table 2: Budgeted savings

	Budgeted Savings in 2015/16 and residual 2014/15	Savings forecast to be delivered		Forecast to be delivered in 2016/17	Undeliverable Savings
		Green	Amber	Red	
	£m	£m	£m	£m	£m
Total	**(22.717)**	**(17.335)**	**(3.538)**	**(0.812)**	**(1.032)**

4.2 The following significant savings will be delayed or not delivered for the following reasons:

- Housing and Community saving target for the reduction in the use of temporary accommodation £0.480m will not be fully achieved in 2015/16 as the proposed changes to the Allocations Scheme were withdrawn at Cabinet's September meeting.
- Customer Service project savings are unlikely to be achieved in 2015/16, £0.270m. Savings from the current end to end reviews are currently being quantified, but implementation time means the savings are more likely to be achieved in 2016/17.
- SMART property review savings £0.274m are likely to be delivered in 2016/17 as the project needed to be refocused. Savings will be delivered from the better management of properties and facilities and rationalising assets.
- Public Realm saving to deliver the reduction in junior concessionary fares concessions to 'half fare' £0.704m is forecast to be partially achieved in year £0.587m. The remaining saving £0.117m has not been fully realisable due to delayed implementation but will be achieved in 2016/17, where the full year effect of the reduced concessions will take effect.

Impact on General Fund Balance

4.3 If the forecast outturn remains unchanged to the end of the financial year the General Fund balance will be:

Table 3: General Fund Balance 2015/16

	Forecast Outturn £m
General Fund balance at 1st April 2015	**(8.886)**
Contributions to 2015/16 Budget (approved as part of the budget setting process)	0.238
Forecast overspend in 2015/16	1.577
Estimated General Fund Balance at 31st March 2016	**(7.071)**

5. **Dedicated Schools Grant (DSG)**

5.1 The Dedicated Schools Grant is a ring-fenced grant paid to local authorities and largely delegated to schools through their individual school budgets. The Governing bodies of schools are responsible for their income and expenditure and Dedicated Schools Grant is therefore not available to support the Council's General Fund.

5.2 The Dedicated Schools Grant is reporting a forecast underspend of (£0.248m) against budget. This is an increase in underspend of £0.115m since period 6. The surplus will be carried forward to the next financial year.

5.3 The movement since period 6 (£0.115m) is mainly due to no call on the 2 year old trajectory fund.

5.4 Overall the underspend is due to a reduction in Independent School fees and Independent College places based on the number of filled places (£0.680m). This underspend is offset by additional growth fund payments that will be made this financial year due to additional places being agreed £0.419m. This includes the full use of the contingency that was allocated for this purpose.

6. **Housing Revenue Account (HRA)**

6.1 The HRA is reporting a nil outturn variation. This includes £1.144m spend on block improvements and repairs works (mainly external decorations and fire safety), offset by a contribution from the HRA Block Improvement/Regeneration reserves and the Regeneration project costs of £0.340m, offset by a contribution from the Regeneration Reserve.

6.2 The main variations not funded by earmarked reserves are:

- £0.372m overspend on Repairs and Maintenance which is made up of:
  - £0.225m on the demobilisation of the partnering contract with the incumbent contractor due to dilapidations. There will also be an additional pressure of £0.200m in 2016/17. There is also a risk of additional costs relating to the fleet, - the service has established that the worst case scenario will cost £0.156m but work is continuing with the contractor to reduce this.

- o £0.197m legal costs (for both parties) on the disputed asbestos contract. In addition the disputant is likely to claim for damages but it is not possible to estimate a figure at this stage.
- It was estimated when the 2015/16 HRA budget was approved that overhead charges would reduce by £0.238m. However, the relative reductions in other service areas mean that the proportional charge to the HRA has not reduced as originally estimated. The HRA needs to accommodate the full amount. This is been achieved by reducing the contribution to reserves and the revenue contribution to capital.
- The contribution to the provision for bad debts is lower than budgeted (£0.270m) as tenant debt levels continue to remain below budgeted levels as a result of focused work to improve income collection and the delay in rollout of Universal Credit, which is now expected to impact next year rather than this year.
- Additional rent income due to low void levels (£0.125m) (budget assumed 93, actual is running at 60 – however this also impacts on the General Fund need to accommodate people in temporary accommodation).

6.3 The HRA balance at October 2015 is £4.569m. This continues to be in line with the Prudent Minimum HRA level of £4.500m.

Table 4: HRA Outturn Summary

	2015/16 Budget £'m	**Period 7 £'m**	**Variance £'m**
Uncommitted reserve b/f	(4.569)	(4.569)	0.000
Net (surplus)/deficit in year	0.000	0.000	0.000
Uncommitted reserve c/f	**(4.569)**	**(4.569)**	**0.000**
Prudent Minimum HRA level		[redacted]	

7. Capital

7.1 This report monitors against Spend Approval of £131.827m. At the end of October the forecast outturn is £132.265m, an overall variation of £0.438m against the latest Spend Approval. This figure includes forecast re-phasing of £0.144m bringing the position to a net overspend of £0.582m.

7.2 **Table 5: Summary of capital expenditure as at 30th October 2015**

Directorate	Latest Spend Approval	Forecast Spend as at 30/10/15	Variation Over /(under) Spend Approval
	£m	£m	£m
People	68.490	67.947	(0.543)
Place	56.602	57.622	1.020
Resources	6.735	6.696	(0.039)
Total	**131.827**	**132.265**	**0.438**

7.3 The key overspend is within Public Realm, where the A421 Pinch Point project is forecasting an overspend of £1.693m, this is the only project classed as red within the RAG rating below. A provision has been set aside to cover the forecast overspend, however so that the true overspend is visible, the funding will not be allocated to the project until the final costs are known. The A421 overspend, which equates to 10% of the total resource allocation for the scheme, is mainly due to two main issues; the urgency required to secure the Pinch Point funding and the drainage elements of the scheme. The drainage elements of the scheme were contracted on a contingency basis which once fully designed, utilised the entire contingency. Subsequent unexpected events, outside of MKC control, resulted in significant delays and consequentially additional costs for which no contingency was available.

7.4 A number of compensation events and early warning notices from the contractor have yet to be agreed, together with settlement of various final accounts with utilities. These claims may impact on the final cost of the scheme.

7.5 The Transport Programme has been re-aligned to reduce Resource Allocation and create a provision for the potential overspend of this project. Other work is being investigated to establish if any of the additional costs of the scheme can be recovered from third parties. This is still subject to contract agreement.

7.6 The major forecast underspends are:

- **Knowles Amalgamation 1 Form of Entry**, (£0.269m), final phase of project completed, funding will be used for other education schemes.
- **Brooklands Farm Primary School 2**, (£0.126m), final phase of project, school now open, funding will be used for other education schemes.
- **Conversion of 66/70 High Street, Two Mile Ash**, (£0.165m), based on prices bid through tendering process, started on site September, to complete late December 2015.
- **Window Upgrades,** (£0.361m), majority of leaseholder work has now been agreed, the underspend is due to volume of work being lower than anticipated as a number of leaseholders have already replaced their windows. Also the costs of the work and associated costs of access equipment are lower than originally estimated.

7.7 There are currently no schemes subject to significant re-phasing.

7.8 All schemes have been assessed by Project Managers with regard to their RAG Status in relation to the following key criteria, Time, Cost, Scope and Benefits:

RAG rating	Definition	No of Projects in Category
Green	All key criteria will be achieved. Risks are being actively managed	45
Green/ Amber	One of the key criteria cannot be delivered within tolerance; project risks are being managed.	7
Red/ Amber	Two or three of the key criteria cannot be delivered within tolerance. Risks need to be escalated	0
Red	All four key criteria cannot be delivered without further significant. Risks need to be escalated.	1

8. **Implications**

8.1 Policy

The recommendations of this report are consistent with the Council's Medium Term Financial Plan.

8.2 Resources and Risk

Where significant risks are known they are highlighted in this report.

Capital implications are fully considered throughout the report. Revenue implications as a result of capital schemes are built into the Council's debt financing and other revenue budgets as appropriate through the Medium Term Planning process.

Y	Capital	Y	Revenue	N	Accommodation
N	IT	Y	Medium Term Plan	Y	Asset Management

8.3 Carbon and Energy Management

All capital schemes consider Carbon and Energy Management implications at the capital appraisal stage before they are added to the capital programme. There are no further implications as a result of this report.

8.4 Legal

Legal implications may arise in relation to specific capital schemes or revenue projects. In particular a capital scheme or revenue project may be needed to meet a specific legal requirement. These implications are addressed in the individual project appraisals. There are no significant legal implications arising as a result of this report.

8.5 Other implications

All implications are outlined within the report.

Y	Equalities/Diversity	Y	Sustainability	N	Human Rights
N	E-Government	N	Stakeholders	N	Crime and Disorder
N	Carbon and Energy Management				

Background Papers: 2015/16 Revenue Budget and Capital Programme as approved by Council in February 2015