
2018/19 Revenue Financial Performance: Month Five

Committee considering report:	Overview and Scrutiny Management Commission
Date of Committee:	9 October 2018
Portfolio Member:	Councillor Anthony Chadley
Date Portfolio Member agreed report:	4 October 2018
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Forward Plan Ref:	n/a

1. Purpose of the Report

- 1.1 To inform Members of the latest revenue financial performance for 2018/19.

2. Recommendations

- 2.1 To note the report, and in particular the continued challenge of managing pressures in Adult Social Care, which are shared nationally, and the mitigation that is proposed in year to reduce the current end of year projection.

3. Implications

3.1 Financial:

The current financial forecast is an overspend of £1.9m against a net revenue budget £119.4m. This figure includes a number of mitigation strategies, notably the in year reduction of expenditure, where appropriate, across the Council, and in particular in Adult Social Care. Members will be aware that risk reserves were agreed for a number of Services, including Adult Social Care, as part of this year's Budget setting. £1.2m of these risk reserves could be used to mitigate further the forecast overspend but this has not yet been deployed and is not included in the forecast. At the same time there is a £768k risk management budget which could be utilised to help mitigate further the current forecast overspend. This has also not been deployed at this time. Taken together both would have a significant mitigating effect.

3.2 Policy: n/a

3.3 Personnel: n/a

3.4 Legal: n/a

3.5 Risk Management: n/a

3.6 Property: n/a

3.7 Other: n/a

4. Other options considered

4.1 N/a – factual report for information.

Executive Summary

- 4.2 The financial performance reports provided to Members throughout the financial year report the forecast under or over spend against the Council's 2018/19 approved revenue budget of £119.4m. The Month Five forecast is an overspend of £1.9m, which is 1.6% of the net budget. The forecast overspend has increased by £634k from Month Four. The main increases are £165k in Adult Social Care commissioning, £200k in Children and Family Services as a result of increased expenditure on childcare lawyers attributable to an increase in complex cases, and £118k in Transport and Countryside largely due to pressures in car parking income.

Directorate Summary	Current Net Budget	Forecast (under)/over spend			Change from Last Month
		Quarter One	Month Four	Month Five	
	£000	£000	£000	£000	£000
Communities	67,709	2,768	2,768	3,181	413
Economy and Environment	30,909	3	3	146	143
Resources	12,827	(280)	(280)	(362)	(82)
Capital Financing	7,982	(1,200)	(1,200)	(1,040)	160
Total	119,427	1,291	1,291	1,925	634

NB. Rounding differences may apply to nearest £k. Quarter One and Month Four are both using Month Four data, due to the late reporting of Q1.

- 4.3 The forecast overspend of £1.9m takes into account £1.2m of mitigating action to be delivered by services during the remainder of the current financial year.
- 4.4 The main driver of the forecast overspend position is the Communities Directorate which is forecasting an overspend, prior to in-year mitigating action, of £3.2m (4.7%) against a net budget of £67.7m
- 4.5 £2.5m of this sum relates to Adult Social Care Service which is facing increasing financial pressures on demand led, externally commissioned, placement budgets, over and above the modelled assumptions that formed the basis of budget setting. In addition, a number of risks, which are provided for in the service specific risk reserve, have materialised. Local Authorities nationally are facing significant financial challenges relating to the funding of Adult Social Care budgets, increasing demand on services and rising costs of commissioning care. Our position, as with other Local Authorities across the country, highlights the urgent need for a national review of funding for Adult Social Care.
- 4.6 The Adult Social Care service is taking a range of mitigation measures and the expectation is that these will deliver a reduction of £500k in the forecast overspend. £85k of mitigation is factored into the service overspend position of £2.5m, with the remaining target reflected in the council's Month Five forecast of £2m.
- 4.7 Over and above the Adult Social Care in-year measures, a decision has been taken corporately to slow expenditure in the remainder of the current financial year as a corporate response to the Adult Social Care overspend. Children & Family Services and the Education Service which are currently forecasting an overspend position totalling £620k, have been tasked with identifying mitigation strategies of £200k. The £200k of mitigation is not reflected in the service's forecast but are reflected in

the Council's Month Five overspend position. A further £500k mitigation target has been allocated to corporate services.

- 4.8 Taken together it is anticipated that mitigation strategies will be able to deliver a £1.2m reduction to current £3.1m corporate overspend position, reducing the Month Five forecast to an over spend of £1.9m. £200k mitigation has now been identified within services with the remaining £1m anticipated in year savings being forecast against Capital Financing and Risk Management. Once services have identified and quantified mitigation strategies, this balance will be allocated to services and reflected in the services budget monitoring forecasts.
- 4.9 In response to the volatility of some of the Council's budgets, service specific risk reserves have been established. The levels of these reserves are informed by the level of risks in the service risk registers. Named risks that have arisen so far in 2018/19 amount to £1.2m and could be used to support the financial position. The Month Five forecast is before any use of the risk reserves.

Risk Reserve Summary	Reserve Balance 1.4.2018	Change to level of Reserve	Current Reserve Balance	Risks arising 2018/19	Potential Risk Reserve balance 31.03.2019
Service	£000	£000	£000	£000	£000
Adult Social Care	881	719	1,600	-716	884
Children & Family Services	38	377	415	-330	85
Education	0	279	279	-130	149
Leisure	0	50	50	0	50
Libraries	0	90	90	0	90
Transport & Countryside	0	75	75	-73	2
Legal Services	50	0	50	0	50
Total	969	1,590	2,559	-1,249	1,310

- 4.10 The 2018/19 budget was set with a risk management budget of £768k. As per the Medium Term Financial Strategy and Revenue Budget approved by Council, this budget was built because the Council was facing a number of risks that could arise in 2018/19 but could not be quantified at the time of budget setting. These included increase in demand for services over and above budget assumptions, inflationary pressures, income risks and risk to delivery of savings plans. This budget could be released to support the financial position. The Month Five forecast is before any use of this budget provision.
- 4.11 The Council's Month Five forecast position of £1.9m overspend, is after forecasting the impact of a corporate mitigation measures to stop non-essential spend, but before release of the risk management budget (£768k) and before use of available risk reserves (£1.2m). Deployment of these options would bring the forecast in online.
- 4.12 The budget for 2018/19 was set with a savings and income generation programme of £5.2m. The programme is monitored on a monthly basis using the RAG system. The Council set a revenue budget of £119.4m for 2018/19. At Month Five £372k of risks are Red (7%), £577k Amber (11%) and £4.3m Green (82%).
- 4.13 The Council created a Transformation Reserve of £1m in order to ensure that the Council has the resources to pursue transformation plans outlined in the MTFs and to invest in strategies that will bring future benefits to the organisation. £566k was allocated in 2017/18 and £212k in 2018/19. Council approval was given to increase

the Transformation Reserve in 2018/19 by £561k, as part of the Strategy for use of Capital Receipts. The reserve currently stands at £783k.

5. Proposal

- 5.1 To note the forecast position.

6. Conclusion

- 6.1 The Council is facing an in year overspend of £1.9m against a net revenue budget of £119.4 m, which is 1.6% of the net budget. The main driver of this is a £2.5m overspend in Adult Social Care. The Council has responded to the financial position and has put in place measures to mitigate the overspend, and identified budgets that could be released to bring the forecast overspend down further. These measures will be monitored through the remainder of the year. The Council has an excellent track record of managing the savings programme and minimising budget over spends, but if the forecast over spend remains at year end, it will impact on our reserves.

7. Appendices

- 7.1 Appendix A – Supporting Information
- 7.2 Appendix B – Summary Revenue Forecast 2018/19
- 7.3 Appendix C – Savings and Income Generation Programme Risk Items