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## 2018/19 Revenue Financial Performance: Month Seven

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<b>Committee considering report:</b>	Overview and Scrutiny Management Commission
<b>Date of Committee:</b>	15 January 2019
<b>Portfolio Member:</b>	Councillor Anthony Chadley
<b>Date Portfolio Member agreed report:</b>	20 December 2018
<b>Report Author:</b>	Melanie Ellis
<b>Forward Plan Ref:</b>	n/a

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### 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 £1.8m 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. £1.5m 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 Seven forecast is an overspend of £1.8m, which is 1.5% of the net budget. The forecast overspend has increased by £546k from last month's forecast, largely due to Adult Social Care pressures increasing in short term services £175k, learning disability £174k and Birchwood care home £141k.

### 4.3 Summary Revenue Forecast

	Current Net Budget	Forecast (under)/over spend			Change from Last Month
		Quarter One	Quarter Two	Month Seven	
	£000	£000	£000	£000	£000
Adult Social Care	42,804	2,388	1,640	2,053	413
Children & Family Services	15,983	220	657	799	142
Corporate Director -	152	8	8	(5)	(13)
Education DSG funded	(444)	0	0	0	0
Education	8,961	152	(1)	0	1
Public Health & Wellbeing	253	0	0	0	0
<b>Communities</b>	<b>67,709</b>	<b>2,768</b>	<b>2,303</b>	<b>2,847</b>	<b>544</b>
Corporate Director - Environment	179	0	0	0	0
Development & Planning	2,831	(114)	(232)	(230)	2
Public Protection & Culture	4,060	47	70	70	0
Transport & Countryside	23,877	70	(171)	(171)	0
<b>Economy and Environment</b>	<b>30,947</b>	<b>3</b>	<b>(333)</b>	<b>(331)</b>	<b>2</b>
Chief Executive	791	0	(75)	(75)	0
Commissioning	932	0	(46)	(46)	0
Customer Services & ICT	3,035	(3)	(104)	(104)	0
Finance & Property	3,199	(260)	(314)	(309)	5
Human Resources	1,472	0	(52)	(57)	(5)
Legal Services	1,066	0	(36)	(36)	0
Strategic Support	2,344	(17)	(40)	(40)	0
<b>Resources</b>	<b>12,839</b>	<b>(280)</b>	<b>(667)</b>	<b>(667)</b>	<b>0</b>
Capital Financing	10,465	0	0	0	0
Movement through Reserves	(3,251)	0	0	0	0
Risk Management	768	(1,200)	0	0	0
<b>Capital Financing &amp; Risk Management</b>	<b>7,982</b>	<b>(1,200)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>119,477</b>	<b>1,291</b>	<b>1,303</b>	<b>1,849</b>	<b>546</b>

NB. Rounding differences may apply to nearest £k.

4.4 The overspend and increase from last month is within the Communities Directorate, forecasting an overspend of £2.8m (4%) against a net budget of £67.7m. The services forecasting overspend positions are Adult Social Care £2.1m and Children and Family Services £799k.

4.5 The main driver of the overspend is Adult Social Care. 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. The service 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. Further pressures have arisen in short term services £175k, learning disability £174k and improving Birchwood Care Home £141k (staffing costs).

- 4.6 A further £799k overspend relates to Children and Family Services where £500k of the forecast overspend is due to pressure in Child Care Lawyers. This is in part attributable to an unmet savings target and in part to an increase in complex cases. The demand led placement budgets are reporting an overspend of £279k mainly in Independent Fostering Agencies' and Special Guardianship cost centres.
- 4.7 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. Adult Social Care has been tasked with identifying £500k mitigation strategies. Children & Family Services and the Education Service, have been tasked with identifying £200k each. A further £500k target was allocated to the Resources and Economy & Environment Directorates. £2m has now been identified and reported within the Directorates forecasts. £1077k mitigation has been found within services with the remaining £949k forecast to be achieved by year end. The forecast overspend of £1.8m takes into account £2m of mitigating action to be delivered by services during the remainder of the current financial year. Prior to any mitigation, the Council would be forecasting an overspend position of £3.8m.
- 4.8 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 £1.5m and could be used to support the financial position. The forecast is before any use of the risk reserves.
- 4.9 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 forecast is before any use of this budget provision.
- 4.10 The Council's forecast position of £1.8m 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 (£1.5m). Deployment of these options would bring the year in under budget.
- 4.11 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 Seven £372k of risks are Red (7%), £777k Amber (15%) and £4.1m Green (78%).

4.12 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 £567k 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 £428k.

## **5. Proposal**

5.1 To note the forecast position.

## **6. Conclusion**

6.1 The Council is facing an in year overspend of £1.8m against a net revenue budget of £119.4 million, which is 1.5% of the net budget. The main driver of this is a £2.1m 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 position to an underspend. 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.

## **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