
2018/19 Revenue Financial Performance: Quarter Three

Committee considering report:	Overview and Scrutiny Management Commission on 9 April 2019
Portfolio Member:	Councillor Anthony Chadley
Report Author:	Melanie Ellis
Forward Plan Ref:	EX3563

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.
- 2.2 To approve the release of £609k from the Adult Social Care risk reserve and £203k from the Children and Family Services risk reserve to support the in-year overspend.

3. Implications

3.1 Financial:

The current financial forecast is an overspend of £250k against a net revenue budget £119.4m. The forecast position is after forecasting the impact of a corporate response to stop non-essential spend, releasing £500k of the risk management budget and releasing £812k from available risk reserves (subject to Executive approval).

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 Quarter Three forecast is an overspend of £250k, which is 0.2% of the net budget. The forecast position is after forecasting the impact of a corporate response to stop non-essential spend, releasing £500k of the risk management budget and releasing £812k from available risk reserves (subject to Executive approval).
- 4.3 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. At Quarter Three, £500k of this budget is proposed to be used to support the in-year overspend. The remainder will be returned to reserves.
- 4.4 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. The Quarter Three forecast of £250k, is after the proposed release of £812k from the risk reserves.
- 4.5 Summary Revenue Forecast

	Current Net Budget	Forecast (under)/over spend			Change from Last Quarter
		Quarter One	Quarter Two	Quarter Three	
	£000	£000	£000	£000	£000
Adult Social Care	43,689	2,388	1,640	1,136	(504)
Children & Family Services	16,107	220	657	755	98
Corporate Director -	152	8	8	(1)	(9)
Education DSG funded	(444)	0	0	0	0
Education	8,963	152	(1)	(51)	(50)
Public Health & Wellbeing	252	0	0	0	0
Communities	68,719	2,768	2,303	1,840	(464)
Corporate Director -	179	0	0	0	0
Development & Planning	2,821	(114)	(232)	(236)	(4)
Public Protection & Culture	4,060	47	70	(11)	(81)
Transport & Countryside	23,877	70	(171)	(120)	51
Economy and Environment	30,937	3	(333)	(367)	(34)
Chief Executive	791	0	(75)	(77)	(2)
Commissioning	1,042	0	(46)	(46)	0
Customer Services & ICT	3,035	(3)	(104)	(98)	6
Finance & Property	3,229	(260)	(314)	(303)	11
Human Resources	1,472	0	(52)	(33)	19
Legal Services	1,066	0	(36)	(16)	20
Strategic Support	2,344	(17)	(40)	(40)	0
Resources	12,979	(280)	(667)	(613)	54
Capital Financing	10,476	0	0	(110)	(110)
Movement through Reserves	(4,452)	0	0	0	0
Risk Management	768	(1,200)	0	(500)	(500)
Capital Financing & Risk Management	6,792	(1,200)	0	(610)	(610)
Total	119,427	1,291	1,303	250	(1,054)

NB. Rounding differences may apply to nearest £k.

- 4.6 At Quarter three, the Communities Directorate is forecasting an overspend of £1.8m, with underspends of £367k in Economy and Environment, £613k in Resources, and £610k in Risk Management bringing the overall overspend down to £250k. Two services are forecasting overspends: Adult Social Care £1.1m and Children & Family Services £755k.
- 4.7 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, learning disability and improving Birchwood Care Home (staffing costs). At Quarter Three, it is proposed that £609k be released from the risk reserve.
- 4.8 In Children & Family Services, £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 four complex high court cases. The demand led placement budgets are reporting an overspend of £474k mainly in Residential Care, Independent Fostering Agencies' and Special Guardianship cost centres. At Quarter Three, it is proposed that £203k be released from the service risk reserve.
- 4.9 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 mitigation strategies of £200k each. A further £500k mitigation target was allocated to corporate services. £1.4m has now been identified and reported within the Directorates forecasts. A further £853k has been found from capitalising relevant expenditure.
- 4.10 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 Quarter Three £447k of risks are Red (9%), £689k Amber (13%) and £4.1m Green (78%).
- 4.11 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 £710k 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 £285k.

5. Proposals

- 5.1 To note the forecast position.
- 5.2 To approve the release of £609k from the Adult Social Care risk reserve and £203k from the Children and Family Services risk reserve to support the in-year overspend.

6. Conclusion

- 6.1 The Council is facing an in year overspend of £250k against a net revenue budget of £119.4 million, which is 0.2% of the net budget. The main driver of this is a £1.1m overspend in Adult Social Care and a £755k overspend in Children and Family Services. 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 down. 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 – Data Protection Impact Assessment
- 7.2 Appendix B – Equalities Impact Assessment
- 7.3 Appendix C – Supporting Information
- 7.4 Appendix D – Summary Revenue Forecast 2018/19
- 7.5 Appendix E – Savings and Income Generation Programme Risk Items
- 7.6 Appendix F – Budget Changes
- 7.7 Appendix G – Employee Costs