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To: CABINET – 15 July 2013

Subject:

## **REVENUE & CAPITAL BUDGET MONITORING EXCEPTION REPORT 2013-14**

Classification: **Unrestricted**

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### **1. Summary**

- 1.1 This is the first exception report for 2013-14. This report reflects the position for each of the directorates based on the major issues arising from the 2012-13 outturn, which is also on the agenda for this meeting. These are issues which were either not addressed in the 2013-14 budget build because they came to light after the 2013-14 budget was set or they are a continuation of pressures/savings that were addressed in the budget but only up to demand levels as at November/December time, when the 2013-14 budget was calculated.
- 1.2 The report provides initial forecasts for both the revenue and capital budgets.
- 1.3 Corporate Board and Cabinet are asked to note these initial forecasts. In the light of further government funding reductions in the short to medium term, it is essential that a balanced position is achieved in 2013-14, as any residual pressures rolled forward into 2014-15 will only compound an already challenging 2014-15 budget position.

### **2. Recommendations:**

**Cabinet** is asked to:

- 2.1 **Note** the initial forecast revenue budget monitoring position for 2013-14 and capital budget monitoring position for 2013-14 to 2015-16.
- 2.2 **Agree** the transfer to reserves of additional one-off funding received from government since the budget was set, at the appropriate time.
- 2.3 **Agree** that within the Enterprise and Environment capital programme £0.300m is vired from Non TSG Land and Part 1 Claims to Major Scheme Preliminary Design (see paragraph 5.4).

### **3. Introduction:**

- 3.1 This is the first exception report for 2013-14. This report reflects the position for each of the directorates, where the initial revenue forecast for the year reflects an overall small underspend of -£0.348m for the authority. This is a very promising position at this stage of the year especially considering a £95m savings requirement, however it does include £3.202m of additional Government funding notified since the budget was set.
- 3.2 The forecasts show the vast majority of the £95m savings are on track to be delivered; this is a promising position at this stage of the year. The intention remains that where delivery proves to be unlikely, equivalent savings elsewhere within the relevant portfolio will be made as appropriate.

- 3.3 The net -£0.348m forecast underspend shown in table 1 below reflects pressures within the Asylum Service and SEN Home to School Transport, reflecting a continuation of the issues experienced in 2012-13, a pressure on general road maintenance as a result of the impact of the prolonged winter conditions on the state of our road network, together with a pressure on weed control. There is also a pressure on the Corporate Landlord budget, as a result of delays in moving out of some leasehold properties. These pressures are offset by additional income from the Kent 16+ travel card, lower than budgeted volumes of waste, and underspending on the Financing Items budgets, predominately as a result of additional Government funding awarded since the 2013-14 budget was set.
- 3.4 Details of issues faced within the capital programme are provided in section 5.

#### **4. 2013-14 REVENUE MONITORING POSITION**

- 4.1 A summary of the major forecast revenue pressures and savings, excluding schools, is shown in table 1 below:

**Table 1: 2013-14 Revenue Pressures and Savings:**

<b>Directorate</b>	<b>£m</b>	<b>Pressure/Saving</b>
Education, Learning & Skills	+0.800	+£1.3m pressure on SEN Home to School Transport offset by -£0.5m on Home to College Transport.  A pressure on the Dedicated Schools Grant budget will need to be managed within the overall scope of the grant.
Families & Social Care – Specialist Children’s Services (SCS)	0	Increased demand for services experienced in the latter part of 2012-13 after the 2013-14 budget was calculated, is being offset by savings identified within the service, additional income and £1.5m of the rolled forward underspend from 2012-13.
Families & Social Care - (SCS) Asylum	+0.377	+£2.452m costs of Unaccompanied Asylum Seeking Children and 18+ care leavers exceeding the grant payable, including costs which we are unable to claim for as they are ineligible under the current grant rules, together with reduced staffing & infrastructure costs. However, we expect to invoice the Home Office for £2.075m of these costs, above the grant levels.
Families & Social Care - Adults	0	It is currently assumed that all of the transformation savings will be delivered, but work continues with our efficiency partner in developing the transformation plans.
Enterprise & Environment	+1.930	+£2.5m continuation of the find and fix programme of pot hole repairs as a result of the impact of the prolonged hard winter.  +£0.180m additional weed control as a result of an anticipated wet summer.  -£0.750m to reflect current lower waste tonnage than budgeted, partly offset by higher than budgeted price increases.
Customer & Communities	0	Although a breakeven position is forecast, there is an unquantified potential underspend on the Social Fund based on current take up, however future take up is hard to predict.

Directorate	£m	Pressure/Saving
Business Strategy & Support	+0.250	Changes to assumed timelines for moving out of some leasehold properties as a result of service pressures throughout the Council.
BSS - Financing Items	-3.705	-£3.202m changes to Government funding levels since the budget was set; -£0.190m carbon reduction energy efficiency scheme in line with 2012-13 outturn; -£0.313m review of local authority subscriptions and other financing items budgets
<b>Total</b>	<b>-0.348</b>	

#### **4.2 Education, Libraries & Skills Directorate:**

The initial forecast for the directorate indicates a pressure of £0.8m which relates to Transport Services.

- 4.2.1 +£1.3m SEN Home to School Transport – this is a continuation of the pressure experienced in 2012-13, where the number of children travelling continues to be consistently higher than the budgeted number, although there are also a number of other factors which contribute to the overall cost of the provision of transport, such as distance travelled and type of travel.
- 4.2.2 -£0.5m Home to College Transport – once again this is a continuation of the position experienced in 2012-13 and is due mainly to increased income from the Kent 16+ card which was successfully launched in September 2012.
- 4.2.3 Mainstream Home to School Transport – although early indications suggest that there will be an underspend on this budget, the full year effect of both transport policy changes and falling rolls in the secondary sector will not be available until the autumn, after the start of the 2013-14 academic year. It is therefore considered too early to forecast this with any certainty.
- 4.2.4 The ELS Directorate Management Team are reviewing the 2012-13 outturn position to identify ways of managing any residual pressure and an update will be provided in the quarter 1 report to Cabinet in September.
- 4.2.5 Dedicated Schools Grant (DSG) – there is a pressure on the DSG funded budget, particularly on Independent Special School placements and School Redundancy payments. These pressures will need to be reviewed and dealt with within the overall scope of the grant/DSG reserve.

#### **4.3 Families & Social Care Directorate:**

- 4.3.1 The initial forecast for Families and Social Care indicates a breakeven position (excluding Asylum). It should be recognised however that Finance staff, alongside performance colleagues and budget managers, are also currently reviewing all cash limits and affordable levels of activity in light of the 2012-13 outturn and any changing trends in activity that have become apparent since the 2013-14 budget was set, together with reviewing the allocation of budgets savings to individual budgets to reflect the latest service transformation plans. As a result of this exercise, requests for virement or for realignment of gross and income cash limits will be submitted as part of the first full monitoring report to Cabinet in September.

Some of the assumptions within this breakeven position are outlined below:

### 4.3.2 Specialist Children's Services:

4.3.2.1 Although additional funding was provided in the 2013-14 budget to address the increased demand for these services, this was based on the position as at November/December 2012, the time at which the 2013-14 was calculated. Since then, demand has continued to increase leading to an underlying pressure of £9.5m for 2013-14. The service has however identified further savings and extra income totalling £8m, leaving a pressure of £1.5m which is to be addressed by use of part of the rolled forward underspending from 2012-13. Assuming the allocation of this roll forward is approved by Cabinet, (which is a recommendation in the 2012-13 outturn report, which is also on the agenda for this meeting of Cabinet), then this will put the service into a balanced position and they will then be expected to manage the financial year within allocated cash limits. Should any further pressures arise in year, the service is expected to identify compensating savings to offset these.

#### 4.3.2.2 Asylum:

There is a potential pressure of £2.452m on this service which is made up as follows:

- +£1.076m of costs of Unaccompanied Asylum Seeking Children (under 18) exceeding the grant payable;
- +£0.112m of costs for Unaccompanied Asylum Seeking Children (Under 18) for who we are unable to claim for as they are ineligible under the current grant claim rules;
- +£0.878m of costs of Care Leavers (Over 18 year olds) exceeding the grant payable;
- +£0.296m for the first 25 Care Leavers that the authority is required to cover the costs of, of which £0.280m is covered by cash limit - leaving a +£0.016m pressure;
- +£0.948m of costs relating to Care Leavers who have all rights of appeal exhausted;
- +£0.522m of costs relating to other former unaccompanied young people who we are ineligible to claim for;
- offset by -£1.100m of gateway grant that is not required to fund infrastructure costs, which we are assuming can offset the other costs above which are not covered by the per capita grant allocations;
- We are proposing to invoice the Home Office for up to £2.075m of the ineligible costs outlined above, **which if paid will leave a shortfall of just +£0.377m.**
- The Service are also currently working on a management action plan to bring some of the costs down, which we anticipate to be able to confirm within the 1st quarterly detailed monitoring report.

### 4.3.3 Adult Social Care:

A breakeven position is currently forecast. The service was allocated a significant level of transformation savings (totalling £18.8m) within the 2013-14 budget. Work is continuing on the development of these transformation plans with our new efficiency partner and further updates on the progress towards the delivery of these savings will be given in future monitoring reports throughout the financial year.

## 4.4 Enterprise & Environment:

The initial forecast indicates a pressure of £1.930m:

- 4.4.1 +£2.500m General Maintenance & Emergency Response – this reflects the need to continue the find and fix programme of repairs to pot holes following the prolonged hard winter, which extended through to March 2013.
- 4.4.2 +£0.180m Tree Maintenance, Grass Cutting & Weed Control – this pressure reflects the anticipated additional weed control activity required as a result of particularly rainy weather expected over the summer months.
- 4.4.3 Freedom Pass – there is a forecast pressure on this budget of £0.8m based on the number of passes and journeys in 2012-13 continuing into 2013-14, due in part to the continued popularity of the scheme and in part to the changes in education transport policy. However, this is expected to be addressed by use of part of the rolled forward underspending from 2012-13, which is a recommendation in the 2012-13 outturn report, that is also on the agenda for this meeting of Cabinet.

4.4.4 The current levels of waste tonnage suggest there could be a significant underspend at the year end, although accurately predicting volumes this early in the year is difficult. At this stage, an underspend of -£0.750m is forecast.

#### **4.5 Customer & Communities:**

Although a balanced position is currently forecast, there is an unquantified issue:

##### **4.5.1 Social Fund (Kent Support & Assistance Service KSAS):**

This pilot scheme commenced in April 2013 following the transfer of responsibility from the Department for Work & Pensions (DWP) to local authorities.

The scheme offered by Kent differs from that previously provided by DWP with cash awards and loans no longer being offered and therefore future demand is difficult to quantify. However, a budget profile has been established based on available funding.

There have been 4,819 applications in the first ten weeks of operation, approximately 100 per working day, with the total of awards made of 1,005. This approval rate may appear low at just over 20%, but it is reflective of inappropriate referrals rather than being as a result of more stringent criteria being applied.

In the first ten weeks, only just over 24% of the available funding to date has been awarded, but at this stage future demand is uncertain and the impact of welfare reform in the autumn is unknown, so it is too early to forecast whether this initial under-allocation of funds will result in an underspend by year-end.

#### **4.6 Business Strategy & Support:**

##### **4.6.1 Property & Infrastructure:**

There is likely to be a net pressure within Property and Infrastructure of approximately £0.250m within the Corporate Landlord area. This is due to some changes to the assumed timelines for moving out of some of our larger leasehold buildings, in line with service pressures that have arisen.

In addition, the revised New Ways of Working programme business case is shortly to be submitted to Project Approval Group (PAG) and if recommended to, and approved by the Leader, will require additional in year revenue investment of approximately £2m, as detailed within the overall business case for the programme, for which funds have yet to be identified.

#### **4.7 Financing Items budgets:**

A net underspend of £3.705m is forecast, which is due to:

4.7.1 -£1.491m relating to a refund in respect of formula grant deducted in 2012-13 for the academies funding transfer. The DfE have refunded any local authority where the amount deducted from formula grant was greater than it would have been had the deduction been based on the number of pupils in academies in 2012-13. This is to ensure that the academies funding transfer better reflects the pattern of academy provision across the country.

4.7.2 -£1.391m New Homes Bonus adjustment grant: this is funding that was originally top-sliced by Government from the 2013-14 Local Government Finance Settlement to fund the New Homes Bonus, with a commitment that any funding not used for this purpose would be returned to local authorities.

4.7.3 -£0.320m following notification of final allocations of Education Services grant and Council Tax Freeze grant since the budget was set.

- 4.7.4 All of the additional funding in paragraphs 4.7.1 to 4.7.3 above was unexpected and therefore is not built into our budgets/spending plans anywhere and is largely one-off. In light of the significant savings targets and the pressures highlighted elsewhere within this report, it is proposed that this funding is held centrally to offset any potential shortfall in meeting our £95m savings target this year. If we do achieve a balanced position this year (excluding this funding), which remains our aim, then **Cabinet is asked to agree** that this is transferred to reserves to help offset anticipated funding cuts in 2014-15.
- 4.7.5 -£0.190m anticipated underspend against the carbon reduction commitment energy efficiency scheme in line with the 2012-13 outturn.
- 4.7.6 -£0.313m Other Financing Items budgets – this is largely following a review of local authority subscriptions and other small underspending on items such as levies and centrally held allocations such as transferred services pensions.

## **5. 2013-14 CAPITAL MONITORING POSITION**

- 5.1 The three year capital programme (2013-14 to 2015-16) has an approved budget of £602.107m (excluding schools and PFI). The forecast outturn against this budget is £641.873m giving a variance of +£39.766m. £43.592m of this is due to rephasing as per the 2012-13 outturn report. If agreed, once the cash limits have been updated the revised variance will become -£3.826m. Variances of over £0.100m are detailed below:
- 5.2 **A28 Chart Road (E&E):** Rephasing of -£3.600m from 2013-14 and 2014-15 to 2016-17. The original profiling had been predicted on possible Growing Places funding support that has not materialised. The scheme has been rephased back out of the three year period while alternative funding options are sought.
- 5.3 **Non TSG Land and Part 1 Claims (E&E):** -£0.300m in 2013-14. Contingency for LCA Part 1 settlements has been reduced following a review of the schemes and claims liability. It is requested that this underspend be retained within Highways and Transportation (H&T) for Major Schemes Preliminary Design Fees (see below).
- 5.4 **Major Schemes Preliminary Design (E&E):** +£0.300m. Significant feasibility and development work will be required on scheme priorities which will put the existing budget under pressure. Cabinet is therefore asked to redistribute £0.300m of the underspend on Non TSG Land and Part 1 Claims to reduce this pressure (£0.150m in 2013-14 and £0.150m in 2014-15).
- 5.5 **Kent Scientific Services (C&C):** +£0.135m funded from revenue reserve to replace current instrumentation with a Triple Quadrupole LC/MS system to enable the laboratory to undertake new works areas and generate new income.
- 5.6 The remaining variance of -£0.361m is made up of minor variances (less than £0.100m) on a number of schemes.
- 5.7 **Issues to note**  
**New Ways of Working (BSS Directorate)** - The revised New Ways of Working programme business case is shortly to be submitted to PAG and if approved, will require funding from future years to be brought forward to the current year.

## 6. **RECOMMENDATIONS**

Cabinet is asked to:

- 6.1 **Note** the initial forecast revenue and capital budget monitoring position for 2013-14.
- 6.2 **Agree** the transfer of additional one-off government funding to reserves, at the appropriate time, as detailed in paragraphs 4.7.1 to 4.7.4.
- 6.3 **Agree** that within the Enterprise and Environment capital programme £0.300m is vired from Non TSG Land and Part 1 Claims to Major Scheme Preliminary Design (see paragraph 5.4)

## 7. **BACKGROUND DOCUMENTS**

2012-13 outturn report which is also on the agenda for this meeting.

## 8. **CONTACT DETAILS**

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