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| + By: | Cabinet Member for Finance, John Simmonds<br>Corporate Director of Finance, Andy Wood<br>Corporate Directors |
| To: | **CABINET – 5th February 2018** |
| Subject: | **REVENUE & CAPITAL BUDGET MONITORING – NOVEMBER 2017-18** |
| Classification: | Unrestricted |

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## 1. SUMMARY

1.1 This report provides the budget monitoring position up to 30 November 2017-18 for both revenue and capital budgets.

1.2 The format of this report is:
- This covering summary report which provides a high level financial summary and highlights only the most significant issues, as determined by Corporate Directors.
- Appendix 1 – a high level breakdown of the directorate monitoring positions;

1.3 Cabinet is asked to note the forecast revenue and capital monitoring position. In the light of further government funding reductions in the short to medium term, it is essential that a balanced revenue position is achieved in 2017-18, as any residual pressures rolled forward into 2018-19 will only compound an already extremely challenging 2018-19 budget position. The forecast revenue pressure of £6.884m (after Corporate Director adjustments), increasing to £8.383m including roll forward requirements, is very clearly a concern and needs managing down to a balance position.

1.4 The forecast revenue pressure prior to roll forward requirements showed an improvement of £1.428m from the previous reported position. However, the inclusion of the roll forwards means that the pressure has increased by £0.071m, with Specialist Children's Services increasing by £0.792m. It is very concerning that the revenue position is still showing a significant pressure with only four months remaining in this financial year to manage the position down to breakeven.

1.5 There is a reported variance of -£52.893m on the 2017-18 capital budget (excluding schools and PFI). This is a movement of -£13.149m from the previous month and is made up of +£1.878m real movement and -£15.027m rephasing movement.

## 2. RECOMMENDATIONS

**Cabinet** is asked to:

i) **Note** the forecast revenue budget monitoring position for 2017-18 and capital budget monitoring position for 2017-18 to 2019-20, and that the forecast pressure on the revenue budget needs to be eliminated as we move into the final third of the year.

## 3. SUMMARISED REVENUE MONITORING POSITION

3.1 Overall the net projected revenue variance for the Council after Corporate Directors adjustments is £6.884m. After allowing for roll forward requirements the positon increases to £8.383m. Details of the Corporate Director adjustments and roll forwards requirements are provided below in sections 3.4 and 4. respectively. This forecast position, after roll forward requirements, represents a movement of £0.070m from the October monitoring position. The main reasons for the movement this month are provided in section 3.3 below.

Work is ongoing to identify and implement options to eliminate the residual £8.383m forecast pressure. The position by directorate, together with the movement from the last report, is shown in table 1 below.

3.2 Table 1a: Directorate **revenue** position

| Directorate | | Budget | Net Forecast Variance * | Corporate Director adjustment | Revised Net Variance | Last Reported position | Movement |
|---|---|---|---|---|---|---|---|
| | | £m | £m | £m | £m | £m | £m |
| Children, Young People & Education - Education & Young People | | 58.766 | 0.409 | -0.389 | 0.020 | 1.527 | -1.506 |
| Children, Young People & Education - Specialist Children's Services | | 112.732 | 3.404 | | 3.404 | 2.613 | 0.792 |
| Children, Young People & Education - Asylum | | 0.550 | 4.162 | -0.150 | 4.012 | 4.012 | 0.000 |
| *Sub Total Children, Young People & Education* | | *172.048* | *7.976* | *-0.539* | *7.437* | *8.152* | *-0.715* |
| Adult Social Care & Health - Disabled Children Services | | 20.754 | 0.051 | | 0.051 | 0.246 | -0.196 |
| Adult Social Care & Health - Adults | | 396.364 | 1.256 | -1.189 | 0.067 | 0.148 | -0.080 |
| *Sub Total Adult Social Care & Health* | | *417.118* | *1.307* | *-1.189* | *0.118* | *0.395* | *-0.277* |
| Growth, Environment & Transport | | 166.705 | 1.174 | -0.650 | 0.524 | 0.761 | -0.237 |
| Strategic & Corporate Services - Excluding Public Health | | 72.932 | 0.267 | | 0.267 | 0.466 | -0.199 |
| Strategic & Corporate Services - Public Health | | 0.000 | 0.000 | | 0.000 | 0.000 | 0.000 |
| *Sub Total Strategic & Corporate Services* | | *72.932* | *0.267* | *0.000* | *0.267* | *0.466* | *-0.199* |
| Financing Items | | 109.252 | -1.066 | -0.395 | -1.461 | -1.461 | 0.000 |
| **TOTAL (excl Schools)** | | **938.054** | **9.657** | **-2.773** | **6.884** | **8.313** | **-1.428** |
| *Schools (CYP&E Directorate)* | | *0.000* | *26.292* | | *26.292* | *27.905* | *-1.613* |
| **TOTAL** | | **938.054** | **35.949** | **-2.773** | **33.176** | **36.219** | **-3.041** |
| | | | | | | | |
| **Variance from above (excl schools)** | | | | | **6.884** | 8.313 | -1.428 |
| Roll forwards | - committed | | | | 0.000 | | 0.000 |
| | - re-phased | | | | 1.499 | | 1.499 |
| | - bids | | | | 0.000 | | 0.000 |
| Total roll forward requirements | | | | | 1.499 | 0.000 | 1.499 |
| **(-ve Uncommitted balance / (+ve) Deficit** | | | | | **8.383** | 8.313 | 0.071 |

* the variances reflected in appendix 1 will feature in this column

Table 1b: Directorate **revenue** position after roll forwards:

| Directorate | Variance | Roll Forwards | | Revised Variance | Corporate Director adjustment | Variance after roll fwds & CD adj |
|---|---|---|---|---|---|---|
| | | committed | un-committed | | | |
| | £m | £m | £m | £m | £m | £m |
| Children, Young People & Education - Education & Young People | 0.409 | | 1.499 | 1.908 | -0.389 | 1.519 |
| Children, Young People & Education - Specialist Children's Services | 3.404 | | | 3.404 | | 3.404 |
| Children, Young People & Education - Asylum | 4.162 | | | 4.162 | -0.150 | 4.012 |
| *Sub Total Children, Young People & Education* | *7.976* | *0.000* | *1.499* | *9.475* | *-0.539* | *8.936* |
| Adult Health & Social Care - Disabled Children Services | 0.051 | | | 0.051 | | 0.051 |
| Adult Health & Social Care - Adults | 1.256 | | | 1.256 | -1.189 | 0.067 |
| *Sub Total Adult Health & Social Care* | *1.307* | *0.000* | *0.000* | *1.307* | *-1.189* | *0.118* |
| Growth, Environment & Transport | 1.174 | | | 1.174 | -0.650 | 0.524 |
| Strategic & Corporate Services - Excluding Public Health | 0.267 | | | 0.267 | | 0.267 |
| Strategic & Corporate Services - Public Health | 0.000 | | | 0.000 | | 0.000 |
| *Sub Total Strategic & Corporate Services* | *0.267* | *0.000* | *0.000* | *0.267* | *0.000* | *0.267* |
| Financing Items | -1.066 | | | -1.066 | -0.395 | -1.461 |
| **TOTAL (excl Schools)** | **9.657** | **0.000** | **1.499** | **11.156** | **-2.773** | **8.383** |

3.3 The main reasons for the movement of -£1.428m before roll forward requirements and +£0.071m after roll forward requirements, are:

3.3.1 Children, Young People and Education – Education & Young People's Services:

The movement in the forecast variance (excluding schools and before roll forward requirements but after Corporate Director adjustments) shows a reduction of -£1.506m since the October monitoring position. The most significant movements being:

- -£1.499m reduction in Early Help and Preventative Services reflecting the expected underspend on the Tackling Troubled Families Grant of -£1.379m, and delays in implementation of the new Early Years and Preventative Services single system of -£0.120m. Both are to be requested as roll forwards.
- -£0.182m reduction in Other Services for Young People & School Related Services, resulting from a reduction in external professional advice and an increase in income generated by the School Improvement Service.
- +£0.151m increase in Youth and Offending Services, following increased demand for secure accommodation along with a further reduction in the expected income from outdoor education facilities.

A Corporate Director adjustment has been made to reflect the following:

- The expectation there will be a general reduction in forecast over the coming months of an additional -£0.389m, in part this will be from efficiency savings within Adult Education and additional income from EduKent Services.

3.3.2 Children, Young People and Education – Specialist Children's Services:

The current forecast variance represents an increase of +£0.792m (after the Corporate Director adjustment) since the October report. The movement from the October report is due to various movements across services, the most significant being an increase in the Children in Care (Looked After Services) forecast of £0.6m. This is mainly as a result of increased placement costs for an individual in Secure Accommodation and an increased number of placements with Independent Fostering Agencies.

3.3.3 Children, Young People and Education – Asylum Services:

There is no forecast movement for the asylum services. We continue to lobby Ministers and officials for full reimbursement.

3.3.4 Adult Social Care and Health

The overall movement for the Directorate since the October monitoring is -£0.277m (after the Corporate Director Adjustment); -£0.080m of which relates to 'Adult Health & Social Care – Adults' and -£0.196m of which relates to 'Adult Health & Social Care – Disabled Children Services (0-18)'.

3.3.5 Adult Social Care and Health – Disabled Children Services:

The pressure on Disabled Children Service has reduced by -£0.196m since the October monitoring report, mainly as a result of a reduction in the anticipated spend on day care services.

3.3.6 Adult Social Care and Health – Adults:

The pressure on 'Adults Social Care – Adults' has decreased since October by -£0.080m. This includes Corporate Director adjustments of -£1.189m to reflect updates received after the submission of forecasts by managers.

The main movements in the variance relate to: an increase in Nursing and Residential Care across all client groups of +£0.880m; an increase in the forecast for domiciliary care, mainly in older people and physical disability of +£0.492m; an increase in Supported Living - Learning Disability – other commissioned supported living arrangements +£0.336m; a reduction in non-residential charging of +£0.205m; an increase in Supported Living Commissioned Services for Physical Disability of +£0.197m and an increase in Adults Social Care Commissioning of +£0.106m. This is offset by: a reduction in Assessment Services – Adults social care staffing of -£0.372m; a reduction in Direct payments across all client groups of -£0.286m; a reduction in Supported Living Older People Commissioned Services of -£0.279m; a reduction in Social Support for Carers – Commissioned Service of -£0.153m; a reduction in Adaptive and Assistive Technology of -£0.148m and a reduction in Directorate & Management Support of -£0.106m (Movements of less than £100k on all other A-Z lines totalled -£0.162m).

3.3.7 Growth, Environment and Transport:

The current forecast outturn is a +£0.524m pressure, which is after the Corporate Director Adjustment of -£0.650m, as set out below. This represents an improvement of -£0.237m since last month.

An increase in Waste Processing costs resulting from additional composted waste and mechanical sweepings, has added +£0.160m to the forecast.

A reduced estimate for the number of Planning Applications being submitted – and therefore a reduced income forecast, is the primary reason for the increased pressure in the Planning & Transport Strategy & Other Related Services (incl. School Crossing Patrols) budget of +£0.113m.

The pressure against the Other Highways Maintenance & Management budget has reduced by a net -£0.124m with increased permit income and reduced street lighting maintenance costs more than offsetting an increase in drainage works.

The Corporate Director adjustment of -£0.650m has increased by a net -£0.130m (last month: -£0.520m) to reflect the additional actions being identified and delivered to try and mitigate net pressure being forecast.

Other small movements make up the balance of -£0.256m; primarily these result from reductions in the Treatment & Disposal of Residual Waste of -£0.080m, Young Person's Travel Pass of -£0.077m and Libraries, Registration & Archives of -£0.054m.

3.3.8 Strategic and Corporate Services:

The overall forecast has decreased by -£0.199m since the October monitoring report. This is due to a reduction of -£0.119m in Member Grants relating to the rolled forward projects from 2016-17 being completed under the estimated cost. In addition, Finance is showing an increased underspend of -£0.119m as a result of staffing vacancies, and increased income from Tower Hamlets. There is an increased variance of +£0.039m arising from a number of minor movements.

3.3.9 Financing Items

Overall there is no movement this month, however the Corporate Director adjustment has reduced from £1m to £0.395m as a result of a -£0.605m net increase in funding levels. This includes an increase in Business Rates Compensation grant relating to both 2016-17 and 2017-18, offset by reductions in business rates for renewable energy schemes in 2016-17 and Education Services Grant transitional protection. The remaining £0.395m Corporate Director adjustment is expected to be achieved from an anticipated increase in our share of the retained business rates levy from the Kent business rates pool, however this will not be confirmed until the end of the financial year.

## 3.4 Revenue budget monitoring headlines (please refer to Appendix 1)

3.4.1 <u>Children, Young People and Education – Education & Young People's Services:</u>

3.4.1.1 Education & Young People's Services are forecasting to breakeven (£0.020m) after the Corporate Director adjustment (excluding schools and before roll forward requirements). However, this is made up of a number of compensating variances, the most significant are as follows:

3.4.1.2 There is a forecast underspend of -£2.5m on Early Help & Prevention for Children and Families. An underspend on externally commissioned services of -£0.9m reflects delays in the start of a new Emotional Health and Wellbeing contracts along with savings from other contracts. Tackling Troubled Families has achieved additional income of £1.4m as a result of more successful Payment By Results submissions to the DCLG and is therefore requesting roll forward of this surplus into the next financial year in order to continue the scheme. In addition, delays in the implementation of the EYPS Single System of -£0.1m are to be requested as a roll forward to fund the completion of this project in 2018-19.

3.4.1.3 There is a forecast pressure of +£0.6m within Early Years Education & Childcare, which predominately relates to a shortfall on their general service income target. The EY&C unit are aiming to generate income from private, voluntary and independent nurseries through their Threads to Success scheme. We have reviewed the product pricing and this has not yet led to increased demand and an increase in income generation. We therefore are now reviewing the costs of this service with a view to reducing them if this increased demand is not forthcoming.

3.4.1.4 There is a forecast underspend of -£0.3m on Other Services for Young People & School Related Services, the most significant variances being -£0.3m underspend on the School Improvement Service. There is an expected shortfall against the income targets of approximately +£0.8m based on current trends, however this is offset by a greater level of savings from the restructure than originally expected and the receipt of an additional grant of -£0.7m from the Department of Education. The balance is formed from a number of small underspends across other services due to overachievement of their income targets and current staffing vacancies.

3.4.1.5 There is a forecast pressure of +£1.0m on Other Schools' Related costs. +£0.6m of this relates to revenue maintenance costs that are in excess of the grant funding available. These costs, which are administered by colleagues within GEN2 on behalf of the Directorate, cover both planned maintenance agreements and subsequent resultant work and fall under the TFM contracts. The Directorate is also considering options for introducing greater controls to prevent future pressure on this budget. The balance of +£0.4m is mainly due to higher than budgeted demand from schools for the payment of excepted items (such as maternity leave).

3.4.1.6 An increase in the demand for secure accommodation and shortfalls in achieving the budgeted income target for outdoor education centres has led to a +£0.2m pressure on Youth and Offending Services.

3.4.1.7 Autumn pupil numbers suggest there will be a forecast pressure of +£0.5m across Pupil & Student Transport Services. Pressures on special education needs transport to both school of +£0.9m and college of +£0.5m resulting from higher than expected pupil numbers and cost of journeys have been partially offset by a -£0.7m underspend on mainstream home to school transport due to lower pupil numbers. The balance of -£0.3m is formed from additional income generated from the Kent 16+ travel card of-£0.2m and other small underspends of -£0.1m.

3.4.1.8 Finally, there is a forecast pressure of +£0.7m on CYPE Management & Support Services, this is formed from a number of distinct variances, the most significant being:

- +£0.5m pressure relating to Edukent Services. EduKent provide the single point of contact for all traded services with schools and academies and have in the past been funded from the DSG reserve. This is no longer possible and other options are being investigated to provide a long term solution to the funding of this unit. EduKent has funded the billing admin costs for other KCC school traded services such as Invicta Law, GEN2 and Schools Personnel Services (SPS) & Education Information Systems (EIS) within the Business Services Centre. These costs will have to be allocated to the other KCC companies. At present all these costs are held within CYPE Directorate, but next year these costs will be absorbed within the operation of the new Education Services Company.
- +£0.4m pressure resulting from former CYPE directorates share of savings for both spans and layers and tactical procurement. These savings will be allocated to budget managers as part of the 2018-19 budget build process.
- -£0.5m underspend on Education Pension costs based on current activity.
- +£0.3m formed from a number of other variances including the additional school security costs.

3.4.2 <u>Children, Young People and Education – Specialist Children's Services</u>

3.4.2.1 The overall forecast position for Specialist Children's Services (excluding Asylum) is a pressure of +£3.4m after the Corporate Director adjustment.

3.4.2.2 Within Children's Assessment Staffing, a net +£1.9m pressure is forecast as the service continues to have a number of vacant posts filled by agency workers along with some additional supernumerary agency workers above establishment to cope with a post Ofsted rise in workload demand. This increased number of referrals has also led to a pressure on the Central Referral Unit. Although the service is currently striving to manage demand within their existing resource, there remains a risk that the forecast could rise further in future months, if the increase demand continues and longer term social work support is required.

3.4.2.3 The pressure on Family Support & Other Children Services +£0.5m is mainly due to the ongoing pressure on Care Leaver Services from 2016-17 of +£0.1m, along with increased spend on Commissioned Services of +£0.1m relating to a one-off previous financial year payment and Section 17 +£0.2m. The balance of +£0.1m is formed from a number of small underspends across other services.

3.4.2.4 A pressure of +£0.2m the Adoption & Other Permanent Children's Arrangements service is formed from a number of compensating variances: pressures arising from the current number of Special Guardianship Orders of +£0.4m and the need to secure adoption placements from other local authorities/voluntary organisations where Kent's pool of adopters are not suitable of +£0.3m is partially offset by the holding of vacancies within the County Adoption Service of -£0.2m along with a reduction in the number of adoption payments of -£0.2m, and the estimated impact of the new financial mean-testing process -£0.1m.

3.4.2.5 There is also a pressure of +£0.1m on management support services mainly resulting from Specialist Children's Services share of savings (both spans and layers and tactical procurement) that were initially parked and have recently been allocated to services. There are no immediate plans to deliver this saving this year therefore a pressure is being reported.

3.4.2.6 There is a +£0.8m variance for Children in Care (looked after) services. This is formed from a number of compensating variances across the various services including; fostering arising from the recent increase in the number of independent fostering placements of +£1.0m; in-house fostering placements of -£0.4m, and a +£0.2m increase in the cost of residential placements. Indications from Invicta Law also indicate a pressure +£0.3m for legal services. This is however partially offset by a -£0.2m underspend on Virtual School Kent following their recent restructure.

3.4.3 Children, Young People and Education – Specialist Children's Services – Asylum

3.4.3.1 The current predicted pressure on the Asylum Service is £4.0m. This assumes the 2017-18 Unaccompanied Asylum Seeker Children (UASC) and Care Leavers grant rates will remain the same as in 2016-17, as recently confirmed by the Home Office.

3.4.3.2 This position therefore assumes that we will have a shortfall on eligible UASC's (aged under 18) of approximately +£0.6m, Care Leavers (aged 18+) of +£2.5m, and ineligible costs of +£0.3m, the remaining +£0.6m pressure relates to the hosting of the reception centre and duty process for the National Transfer Scheme (NTS).

3.4.3.3 The forecast pressure on the Asylum Service for 2017-18 is greater than 2016-17 due to the age of the children being supported. The UASC grant rate paid by the Home Office reduces once the child turns 16 years old therefore leading to an increasing pressure as the child gets older if the cost of support is not reduced, which is not always possible for the current UASC. Most of the current UASC (irrespective of age) are in higher cost placements due to the fact that they arrived before the age of 16, so had to be placed in fostering placements, which is where they have chosen to remain. In addition, fostering placements made from 2015 onwards were with independent fostering providers with the higher costs that this entails and that attempts to move any individual who is settled in this placement is likely to result in legal challenge. However, where possible, UASC are being moved to lower cost supported lodging placements when turning 16.

3.4.3.4 The shortfall in the grant rate to support Care Leavers is not dissimilar to previous years, but the overall pressure is greater due to higher numbers of young people. However, it is anticipated the overall pressure on Care Leavers should reduce in future months as the Home Office have, as promised, are now processing the 100+ outstanding claims on the 18+ UASC care leavers. Going forward this will have a positive impact as it will reduce the number of cases where we have to fully fund accommodation costs and subsistence. Work is progressing to ensure care leavers are applying for both job seekers allowance and housing benefit where eligible to do so and the forecast has been updated in anticipation of the resulting cost reductions.

3.4.3.5 As we have no agreement on the funding of the hosting of the NTS and reception centre, we can only assume at this stage that we will receive the daily grant rate for those young people we are supporting for a few weeks leading up to their dispersal.

3.4.3.6 A meeting recently took place with the then Minister to discuss the challenges Kent face and discussions are ongoing with the Home Office regarding Kent's financial position.

3.4.4 Adult Social Care and Health

3.4.4.1 The overall forecast variance for the Directorate is an overspend of £1.3m; £1.3m of which relates to ‘Adult Health & Social Care – Adults’ and +£0.1m of which relates to ‘Adult Health & Social Care – Disabled Children Services (0-18)’. A Corporate Director adjustment of -£1.2m has been proposed, which would take the Directorate overspend down to +£0.1m (£0.067m relating to Adults and £0.051m relating to Disabled Children’s Services).

3.4.5 Adult Social Care and Health – Disabled Children Services

3.4.5.1 Disabled Children Services are forecasting a net pressure of +£0.1m, the most significant variances being:

- The +£0.9m variance for Children in Care (looked after) services is due to a pressure on residential care commissioned from external providers of +£1.3m offset by underspends on fostering services of -£0.2m and -£0.2m in-house residential respite services.
- The -£0.8m variance for Family Support & Other Children Services is mainly due to underspends on direct payments of -£0.3m; commissioning -£0.2m and day care services of -£0.3m, along with minor other variances including Section 17.
- The +£0.1m variance on assessment staffing is a result of a +£0.2m overspend on assessment staffing net against an -£0.1m underspend on equipment services.

3.4.6 Adult Social Care and Health – Adults

3.4.6.1 The forecast variance for ‘Adult Health & Social Care – Adults’ is +£1.3m. However, a Corporate Director adjustment of -£1.2m is proposed which takes the forecast variance to +£0.1m. The Corporate Director adjustment comprises:

- -£0.2m – income for domiciliary services omitted from the forecast.
- -£0.1m – amendment to S75 Learning Disability forecast.
- -£0.1m – amendment to transformation reserve.
- -£0.8m – application of sustainability funding to elements already contained within the forecast.

3.4.6.2 Within the overall variance of +£1.3m there are pressures of +£6.6m resulting from direct provision of services to clients across adult social care, and a forecast underspend of -£5.0m against adult and older people preventative and other services. There is also a forecast underspend on staffing and management and support services of -£0.3m.

This overspend position reflects activity data to date in the 2017-18 financial year and we will continue to refine the forecast alongside activity trends over the coming months.

3.4.6.3 Learning Disability services are forecasting a net pressure of +£1.9m, which includes a number of offsetting variances. The most significant variances relate to:

- Nursing & Residential Care - Learning Disability (aged 18+) +£1.8m overspend.
- Supported Living - Learning Disability (aged 18+) - Other Commissioned Supported Living arrangements +£1.4m overspend.
- Supported Living - Learning Disability (aged 18+) - Shared Lives Scheme -£1.0m. This underspend is due to activity being less than budgeted.
- Supported Living - Learning Disability (aged 18+) - In house service -£0.1m.
- Day Care – Learning Disability (aged 18+) – Commissioned service -£0.1m and in house service -£0.1m.
- Domiciliary Care – Learning Disability (aged 18+) +£0.1m.
- Non Residential Charging Income – Learning Disability (aged 18+) -£0.1m.

3.4.6.4 Mental Health services are forecasting a net pressure of +£1.8m, which comprises of a number of offsetting variances. The most significant of which relate to:

- Supported Living - Mental Health (aged 18+) - Commissioned service underspend -£0.6m which is due to -£1.0m relating to delays in commencing the Your Life Your Home scheme, +£0.4m which is due to activity being higher than budgeted.
- Nursing & Residential Care - Mental Health (aged 18+) +£2.6m. This variance is predominantly due to +£1.6m relating to delays in commencing the Your Life Your Home, (reflecting +£0.6m of red savings when netted against reduction on Supported Living) and +£1.1m which is due to both activity and costs being higher than budgeted levels.

3.4.6.5 Older People and Physical Disability services are forecasting a net pressure of +£2.9m, which includes a number of offsetting variances. The most significant variances relate to:

- Nursing and residential care +£4.0m overspend which includes +£2.2m relating to Older People Commissioned Residential services, +£1.6m relating to Older People nursing (more information on which is provided in appendix 2.5), and +£0.2m relating to Physical Disability nursing and residential care services.
- There is a forecast over recovery of non-residential charging income of -£1.6m, based on the year-to-date income received, which is linked to services on the following community service lines: Domiciliary care services +£1.4m pressure, Supported Living +£0.3m and Day Care -£0.4m.
- Direct payments -£0.8m underspend which includes -£0.5m relating to direct payments for older people.

The Older People and Physical Disability forecast assumes that some funding is set aside for the remaining winter pressures. If there is no increased spend as a result of winter then this funding will be available to offset other pressures.

3.4.6.6 Within 'Adult & Older People Preventative & Other Services' there is a forecast net variance of -£5.0m, comprising a number of offsetting variances. Because of slippage on some of the transformation savings, at this stage it is felt prudent to reflect +£1.7m as a pressure. However, this is partly offset by a -£1.3m one-off use of reserves to offset the slipped transformation savings. A further pressure of +£0.6m relates to slippage on Housing Related Support savings. In addition within Other Adult Services, there is +£0.4m of unachievable transformation savings, +£0.2m of unachievable tiers and spans savings across the authority and +£0.2m due to other savings not forecast to be achieved.

These pressures are offset by: forecast underspends of -£1.9m in social support services, such as those for carers (in-house and commissioned), information & early intervention and social isolation; -£1.5m underspend on equipment against the adaptive & assistive technology budget; -£2.9m variance on centrally held funds including sustainability funding to cover costs already recognised in the forecast position; -£0.2m underspend on meals against the Other Adult Services budget; and -£0.3m for the Social Fund.

3.4.7 Growth, Environment and Transport

3.4.7.1 The overall position for the Directorate, before Corporate Director Adjustments, is a forecast pressure of +£1.2m (+£1.3m last month), with forecast pressures of +£2.0m being partially offset by forecast underspends of -£0.8m.

3.4.7.2 The main pressures previously reported to Cabinet remain: General Highways Maintenance & Emergency Response, GET Management & Support Services budgets, and Other Highways Maintenance & Management showing pressures of +£0.2m, +£0.4m, and +£0.7m respectively.

3.4.7.3 The General Highways Maintenance & Emergency Response pressure comprises a number of small variances. The GE&T Management & Support Services pressure is due to the impact of staffing and procurement savings that have yet to be fully implemented.

3.4.7.4 Within Other Highways Maintenance & Management the pressure against Streetlight Energy has slightly increased to +£1.0m. In addition there continues to be a pressure resulting from an increased levy on all Driver Diversion courses from 1st September 2017, as well as a significant forecast reduction in the number of course attendees against budget, which in aggregate account for +£0.3m of the pressure. A number of underspends, the largest of which is additional permit income of -£0.4m, reduces the pressure down to +£0.7m.

3.4.7.5 Waste is forecasting an overall pressure of +£0.1m, comprising:
(a) Treatment and Disposal of Residual Waste -£0.1m with a price pressure being offset by a small reduction in tonnes and additional trade waste income, as well as savings from redirecting Waste Treatment Final Disposal contracts into Waste-to-Energy at a cheaper rate.
(b) Waste Processing is forecasting a pressure of +£0.3m, with savings on the soil & hard-core and Materials Recycling Facilities budgets being partly offset by increased composting and reduced income.

(c) Waste Management shows a -£0.1m underspend.

3.4.7.6 All other GET budgets are forecasting a combined underspend of -£0.2m, of which -£0.2m relates to Libraries, Registration & Archives, -£0.1m to Concessionary Fares and -£0.1m to the Young Person's Travel Pass. Partially off-setting this is the pressure of +£0.2m against Planning & Transport Strategy & Other Related Services (incl. School Crossing Patrols) referred to above.

3.4.7.7 The Corporate Director adjustment has increased to -£0.7m (-£0.5m last month) to reflect the identification of new management actions and which reduces the forecast pressure of +£1.2m down to +£0.5m.

3.4.7.8 Further management actions are being identified and will be reflected through the monitoring report in subsequent months, with a view to achieving a balanced position overall by year end.

3.4.8 Strategic and Corporate Services – Public Health

3.4.8.1 Public Health is currently a ring-fenced grant and any variance throughout the year and at the end of the financial year, is moved to a reserve. There is therefore no impact on the overall Directorate variance.

3.4.9 Strategic and Corporate Services

3.4.9.1 The overall variance reflected in appendix 1 against the directorate is an overspend of +£0.2m which is made up of an underspend of -£0.2m for the S&CS Directorate itself, increased by +£0.5m relating to the corporate aspirational savings target for Asset Utilisation, held within the Corporate Landlord budgets, the delivery of which depends on operational service requirements and Member decisions regarding the exiting of buildings. It should be noted that this in-year overspend is due to the delayed implementation of some plans, resulting in the £0.5m delivery slipping to 2018-19. Work is now on-going on the 2018-19 savings target of an additional -£0.6m saving. A number of initiatives have been identified; RAG rated and are now being worked up and costed.

3.4.9.2 The directorate underspend of -£0.2m includes variances of +£0.3m for the Contact Centre & Digital Web Services budget set in 2015 using a transformation plan suggested by Agilisys, predicting that the number of calls and average call duration would fall significantly. Although the call volumes and times have reduced, this is not in line with the original budgeted plan, hence resulting in a budget pressure. The commissioners of this service, together with Agilisys, are working with directorate services to get these figures reduced further. This pressure is off-set by an underspend of -£0.1m within Gateways and net underspend of -£0.3m across the units within Engagement, Organisation Design & Development relating primarily to staffing vacancies.

3.4.9.3 Additionally in other divisions there are variances of: -£0.3m for Finance arising from lower salary costs following a major restructure and a one off increase in income; -£0.4m for Strategic Commissioning due to staffing vacancies being held vacant pending restructure; +£0.4m Infrastructure controllable budgets, arising mostly from backdated Kier costs and minor variances across all areas of Property and ICT commissioning budgets; -£0.1m in Local Democracy as a result of reduced costs for the completion of 2016-17 Member Grants which had been rolled-forward; +£0.1m in General Counsel largely arising from higher costs of agency staff.

3.4.10 Financing Items

The Financing Items budgets are currently forecast to underspend by £1.1m, before Corporate Director adjustments, which is due to:

3.4.10.1 Additional Government funding compared to our assumptions at the time of setting the budget, together with changes to retained business rates relating to Dover Enterprise Zone for 2015-16 and 2016-17 and Swale renewable energy schemes for 2016-17, result in a forecast underspend of £1.4m.

3.4.10.2 The Cabinet decision in June not to make the budgeted £3.9m contribution to General Reserves in light of our reduced level of risk following our success in delivering an underspend in 2016-17, and the announcement in the Chancellor's Spring Budget of the additional social care funding. Instead £3m is being spent on pothole repairs and the remaining £0.9m is declared as an underspend to go towards offsetting the pressures reported elsewhere in this report.

3.4.10.3 A £1.9m decrease partly due to a deferment of Minimum Revenue Provision (MRP) and partly due to re-phasing of the 2016-17 capital programme, resulting in fewer assets becoming operational last year. As we have adopted the asset life method of calculating MRP, MRP does not become payable until assets become operational, therefore resulting in an "MRP holiday" this year. We would usually transfer this to reserves to cover the potential impact in future years but in light of the forecast outturn position of the authority; this has been released to offset the current pressures.

3.4.10.4 A £0.1m underspend on Carbon Reduction Commitment reflecting finalisation of our carbon emissions for 2016-17 and our estimated carbon emissions for the current year.

3.4.10.5 However, these underspends are partially offset by the following:

- A forecast shortfall of £1.7m in the contribution from Commercial Services, £1m of which reflects trading conditions in the Education supplies business, Recruitment business and Landscapes business. In particular the Education (KCS) and Recruitment businesses have been significantly impacted by cuts in spend from its predominantly public sector customer base. The Education (KCS) business however is still forecasting a contribution 10% greater than previous year, despite the deterioration in the market of between 8-10%, due to efficiencies being delivered. Although the dividend is below budget, the forecast profit for CS in 2017-18 of £5.058m compares favourably with the net profit in 2016-17 of £4.547m, given the prevailing market conditions. £0.7m of the current year's contribution was to be met from a drawdown of Commercial Services reserves however it was agreed by the Shareholder Board in July 2017 that this was no longer sustainable for the CS group and this contribution has been removed for 2017-18;

- £1.0m lack of dividend from Invicta Law Ltd primarily due to a lack of new business being generated, compared to the business plan;

- £0.5m unallocated saving relating to the anticipated amalgamation of business support in the old SCHW directorate is unachievable in the current year following the decision to create the new Strategic Commissioning Division within S&CS directorate. Some of the services that were due to be amalgamated are now in different directorates. However, it is expected that savings will be delivered from the creation of the new Strategic Commissioning Division but these will not be realised until 2018-19.

3.4.10.6 A Corporate Director adjustment of -£0.4m is reflected, taking the overall underspend on the Financing Items budgets to £1.5m. This adjustment reflects an anticipated increase in our share of the retained business rates levy from the Kent business rates pool; however this will not be confirmed until the end of the financial year.

3.5 **Schools delegated budgets:**

The schools delegated budget reserves are currently forecast to end the financial year in surplus by £2m, compared to £28.3m at the start of the financial year. This is made up of a forecast surplus of £21.4m on individual maintained school balances, and a deficit on the central schools reserve of £19.4m. The table below provides the detailed movements on each reserve:

| | **Individual School Reserves (£m)** | **Central Schools Reserve (£m)** | **Total School Reserves (£m)** |
|---|---|---|---|
| **Balance bfwd** | 30.171 | (1.830) | 28.340 |
| **Forecast movement in reserves:** | | | |
| Movement in school reserves (6 month monitoring) | (10.223) | | (10.223) |
| Academy conversions and closing school deficits | 1.499 | (4.580) | (3.081) |
| Contribution to schools broadband | | (1.000) | (1.000) |
| School Growth | | (0.848) | (0.848) |
| High Needs (Mainstream & Independent) | | (9.508) | (9.508) |
| Various | | (0.099) | (0.099) |
| Overspend on Central DSG budgets | | (1.533) | (1.533) |
| **Forecast reserve balance** | **21.447** | **(19.398)** | **2.049** |

Note: a negative figure indicates a draw down from reserves/deficit

The schools delegated budget is currently showing pressure of £26.292m

3.6 **Table 2: Performance of our wholly owned companies**

| Dividends/Contributions (£m) | Budget | Forecast | From trading surplus | from reserves |
|---|---|---|---|---|
| Commercial Services | 6.800 | 5.063 | 5.063 | |
| GEN2 | 0.620 | 0.620 | 0.620 | |
| Invicta Law | 1.057 | 0 | 0 | |

## 4. DETAILS OF REVENUE ROLL FORWARDS/RE-PHASINGS

Table 3: **Breakdown of the roll forward figures shown in tables 1a and 1b**.

| | Committed £m | Uncommitted £m |
|---|---|---|
| Tackling Troubled Families (CYPE – EY directorate) | | 1.379 |
| Re-phasing of the new Early Years and Preventative Services single system in to 2018-19 due to a delay in implementation of the system (CYPE – EY directorate) | | 0.120 |

## 5. REVENUE BUDGET VIREMENTS/CHANGES TO BUDGETS

5.1 All changes to cash limits are in accordance with the virement rules contained within the constitution, with the exception of those cash limit adjustments which are considered “technical adjustments” i.e. where there is no change in policy, including the allocation of grants and previously unallocated budgets where further information regarding allocations and spending plans has become available since the budget setting process.

## 6. SUMMARISED CAPITAL MONITORING POSITION

6.1 There is a reported variance of -£52.893m on the 2017-18 capital budget (excluding schools and PFI). This is a movement of -£13.149m from the previous month and is made up of +£1.878m real movement and -£15.027m rephasing movement. Headline variances are detailed below by Directorate.

6.2 Table 3: Directorate **capital** position

| Directorate | 2017-18 Working budget | 2017-18 Variance | Real variance | Re-phasing variance | Last reported position | | Movement | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Real | Rephasing | Real | Rephasing |
| | £m | £m | £m | £m | £m | £m | £m | £m |
| Children, Young People & Education | 115.130 | -15.857 | 0.386 | -16.243 | 0.386 | -9.659 | 0.000 | -6.584 |
| Adult, Social Care & Health | 8.383 | -5.544 | -0.912 | -4.632 | -0.761 | -4.442 | -0.151 | -0.190 |
| Growth, Environment & Transport | 130.630 | -23.862 | 3.163 | -27.025 | 0.886 | -21.338 | 2.277* | -5.687 |
| Strategic & Corporate Services | 22.040 | -7.630 | 1.613 | -9.243 | 1.861 | -6.677 | -0.248 | -2.566 |
| **TOTAL** | **276.183** | **-52.893** | **4.250** | **-57.143** | **2.372** | **-42.116** | **-0.399** | **-15.027** |

* £2m real movement is due to a cash limit change that was requested as part of a previous report, and is therefore not explained below.

6.3 **Capital budget monitoring headlines**

The real movements over £0.100m and rephasing movements over £1.000m are as follows:

6.3.1 Children, Young People and Education

6.3.1.1 Basic Need: -£5.857m rephasing movement. The latest Commissioning Plan has indicated that some projects are no longer required as soon as originally predicted. Approval to proceed with some secondary schools is pending.

6.3.2 Adult, Social Care and Health

6.3.2.1 Home Support Fund & Equipment: -£0.112m real movement. This is a reactive budget and is subject to in year fluctuations. The current forecast shows a decrease in revenue contributions required.

6.3.3 Growth, Environment & Transport

6.3.3.1 Highways, Transportation & Waste

- Integrated Transport Schemes: +£0.161m real movement. The main movement is +£0.102m due to additional works at Offham High Street works which will be funded from developer contributions. The rest of the movement is made up of minor movements on multiple schemes.

- LED Conversion: -£2.113m rephasing movement. The project contract completion date is May 2019. At present the anticipated Bouygues programme is estimating a substantial completion of 31st October 2018. In order to take advantage of improved productivity and efficiency after the winter months, 2000 conversions have been rephased to be undertaken next year. This is in line with the proposed completion date of October 2018.

6.3.3.2 Environment, Planning and Enforcement and Libraries, Registration and Archives

- Southborough Hub: +£0.100m real movement. Additional developer contributions allocated towards up front legal and project costs, in order to bring forward value engineering and cover legal costs on the delivery of the facility.

- Tunbridge Wells Cultural Hub: +£0.210m real movement. External funding from Tunbridge Wells Borough Council to progress the project to RIBA stage 4.

6.3.3.3 Economic Development

- Innovation Investment Initiative (i3): -£1.000m rephasing movement. A company who has received approval for funding may not be drawing down funds until 2018-19, and there were fewer applications for the funding call in Autumn 2017, therefore funds will be carried forward to 2018-19.

- Kent & Medway Business Fund: -£1.194m rephasing movement. This is mainly due to adjustments made due to a lack of companies receiving funding for equity investment and a lack of applications from the North Kent area.

6.3.4 Strategic & Corporate Services

6.3.4.1 Common Data Environment – formerly Building Information Modelling (BIM): -£0.188m real movement. Following a cost/benefit analysis to purchase a BIM system, it is proposed that the systems used by KCC's supply chain fulfil the requirements of BIM level 2 for the projects BIM is applicable to, without having to purchase software directly.

6.3.4.2 LIVE Margate: -£1.466m rephasing movement. This reflects rephasing of the initial capital outlay on proposed phase 2 property acquisitions due to protracted negotiations with private land owners, private developer intervention and substitution of one of the original four shortlisted opportunities set out in the initial SELEP business plan.

## 7. CONCLUSIONS

7.1 The revenue pressure remains at £8.3m after roll forward requirements. It is disappointing that there has been no improvement in the forecast pressure. The objective remains to eliminate this forecast pressure. The Corporate and Directorate Management teams remain confident that the forecast revenue pressure can still be significantly reduced without the need for blanket moratoria on spending. Eliminating the £8.3m will ultimately be dependant upon the Home Office reimbursing us in for the full cost of supporting UASC.

## 8. RECOMMENDATIONS

**Cabinet** is asked to:

8.1 **Note** the forecast revenue budget monitoring position for 2017-18 and capital budget monitoring position for 2017-18 to 2019-20.

## 9. CONTACT DETAILS


| | |
|---|---|
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| | |
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**Appendix 1**

## Breakdown of Directorate Monitoring Position

| | Cash Limit | | | Variance | Movement |
|---|---|---|---|---|---|
| | Gross | Income | Net | Net | Net |
| | £m | £m | £m | £m | £m |
| **Children, Young People & Education** | | | | | |
| **Specialist Children's Services** | | | | | |
| Children in Care (Looked After) Services - Non-Disabled Children** | 52.9 | -4.7 | 48.2 | 0.8 | 0.6 |
| Adoption & Other Permanent Children's Care Arrangements | 13.8 | -0.1 | 13.7 | 0.2 | 0.0 |
| Family Support & Other Children Services - Non-Disabled Children | 14.6 | -4.5 | 10.1 | 0.5 | 0.1 |
| Asylum Seekers** | 23.6 | -23.1 | 0.6 | 4.2 | 0.0 |
| Children's Assessment Staffing - Non-Disabled Children** | 40.7 | -3.1 | 37.5 | 1.9 | -0.1 |
| Children's Management & Support Services | 3.4 | -0.2 | 3.2 | 0.1 | 0.0 |
| **Sub Total Specialist Children's Services** | **149.0** | **-35.7** | **113.3** | **7.6** | **0.6** |
| **Education & Young People's Services** | | | | | |
| Early Help & Prevention for Children and Families | 32.6 | -17.6 | 15.0 | -2.6 | -1.8 |
| Early Years Education & Childcare | 74.5 | -73.4 | 1.1 | 0.6 | 0.0 |
| Attendance, Behaviour and Exclusion Services | 4.7 | -4.7 | 0.0 | 0.0 | 0.0 |
| High Needs Education Budgets (excl. Schools & Pupil Referral Units) | 35.2 | -35.2 | 0.0 | 0.0 | 0.0 |
| SEN & Psychology Services | 19.9 | -16.9 | 3.0 | -0.1 | -0.1 |
| Other Services for Young People & School Related Services | 16.8 | -13.6 | 3.2 | -0.3 | -0.2 |
| Pupil & Student Transport Services** | 36.4 | -3.7 | 32.6 | 0.5 | 0.1 |
| Other Schools' Related Costs | 34.0 | -34.0 | -0.1 | 1.1 | 0.0 |
| Youth and Offending Services | 5.0 | -3.8 | 1.2 | 0.2 | 0.2 |
| Adult Education and Employments Services for Vulnerable Adults | 13.5 | -14.4 | -0.9 | 0.1 | 0.0 |
| YP&E Management & Support Services | 19.5 | -15.9 | 3.6 | 0.8 | 0.1 |
| **Sub Total Education & Young People's Services** | **291.9** | **-233.1** | **58.8** | **0.4** | **-1.8** |
| **Sub Total CYP&E directorate** | **440.9** | **-268.8** | **172.1** | **8.0** | **-1.2** |
| | | | | | |
| **Adult Social Care & Health** | | | | | |
| Additional Adult Social Care allocation | 16.4 | 0.0 | 16.4 | 0.0 | 0.0 |
| Learning Disability Adult Services** | 164.5 | -13.2 | 151.3 | 1.9 | 0.3 |
| Physical Disability Adult Services | 36.5 | -4.1 | 32.3 | 0.9 | 0.8 |
| Mental Health Adult Services | 16.3 | -1.6 | 14.8 | 1.8 | -0.1 |
| Older People Adult Services** | 179.0 | -91.9 | 87.1 | 1.9 | 0.8 |
| Adult & Older People Preventative & Other Services | 63.9 | -16.9 | 47.0 | -5.0 | -0.4 |
| Adult's Assessment & Safeguarding Staffing | 43.7 | -3.3 | 40.5 | -0.4 | -0.4 |
| Children in Care (Looked After) Services - Disabled Children | 10.5 | -2.1 | 8.4 | 0.9 | 0.0 |
| Family Support & Other Children Services - Disabled Children | 7.0 | -0.3 | 6.7 | -0.8 | -0.3 |
| Family Support & Other Children Services - Non-Disabled Children | 0.2 | 0.0 | 0.2 | 0.0 | 0.0 |
| Children's Assessment Staffing - Disabled Children | 5.5 | -0.1 | 5.5 | 0.0 | 0.1 |
| ASC&H Management & Support Services | 7.2 | -0.2 | 6.9 | 0.0 | 0.1 |
| **Sub Total ASC&H directorate** | **550.8** | **-133.7** | **417.1** | **1.3** | **0.9** |

**Appendix 1**

| | Cash Limit | | | Variance | Movement |
|---|---|---|---|---|---|
| | Gross | Income | Net | Net | Net |
| | £m | £m | £m | £m | £m |
| **Growth, Environment & Transport** | | | | | |
| Libraries, Registration & Archives | 16.3 | -6.5 | 9.8 | -0.2 | -0.1 |
| Environment | 10.4 | -6.7 | 3.7 | 0.0 | 0.0 |
| Economic Development & Other Community Services | 10.1 | -5.2 | 5.0 | 0.0 | 0.0 |
| General Highways Maintenance & Emergency Response | 11.5 | -0.6 | 10.9 | 0.2 | 0.0 |
| Other Highways Maintenance & Management | 29.8 | -8.5 | 21.4 | 0.7 | -0.1 |
| Public Protection & Enforcement | 11.5 | -2.2 | 9.3 | 0.0 | 0.0 |
| Planning & Transport Strategy and Other Related Services (inc School Crossing Patrols) | 4.1 | -0.6 | 3.5 | 0.2 | 0.1 |
| Concessionary Fares | 16.8 | 0.0 | 16.8 | -0.1 | 0.0 |
| Subsidised Bus Services | 8.3 | -2.1 | 6.2 | -0.1 | 0.0 |
| Young Person's Travel Pass | 14.2 | -5.8 | 8.4 | -0.1 | -0.1 |
| Waste Management | 1.9 | 0.0 | 1.9 | -0.1 | 0.0 |
| Waste Processing** | 31.0 | -1.9 | 29.2 | 0.3 | 0.2 |
| Treatment and Disposal of Residual Waste** | 37.4 | 0.0 | 37.4 | -0.1 | -0.1 |
| GE&T Management & Support Services | 3.5 | -0.1 | 3.4 | 0.4 | 0.0 |
| **Sub Total GE&T directorate** | **206.8** | **-40.1** | **166.7** | **1.2** | **-0.1** |
| | | | | | |
| **Strategic & Corporate Services** | | | | | |
| Contact Centre, Digital Web Services & Gateways | 4.9 | -0.3 | 4.5 | 0.2 | 0.0 |
| Local Democracy | 4.1 | 0.0 | 4.1 | -0.1 | -0.1 |
| Infrastructure (ICT & Property Services) & Business Services Centre | 77.1 | -41.1 | 36.0 | 0.9 | 0.0 |
| Finance | 15.6 | -5.8 | 9.8 | -0.3 | -0.2 |
| Engagement, Organisation Design & Development (HR, Comms & Engagement) | 9.4 | -1.2 | 8.2 | -0.3 | 0.0 |
| Other Support to Front Line Services | 6.5 | -0.2 | 6.3 | 0.1 | 0.3 |
| Adult & Older People Preventative & Other Services | 0.7 | 0.0 | 0.7 | 0.0 | -0.1 |
| Commissioning Management & Support Services | 5.9 | -0.2 | 5.7 | -0.2 | 0.4 |
| S&CS Management & Support Services | 2.9 | -5.2 | -2.4 | 0.0 | -0.6 |
| Public Health | 3.7 | -0.7 | 3.0 | -1.0 | -1.0 |
| Transfer to/from Public Health Reserve | -3.0 | 0.0 | -3.0 | 1.0 | 1.1 |
| **Sub Total S&CS directorate** | **127.8** | **-54.9** | **72.9** | **0.3** | **-0.1** |
| | | | | | |
| **Financing Items** | **128.1** | **-18.8** | **109.3** | **-1.1** | **-0.6** |
| | | | | | |
| **TOTAL KCC (Excluding Schools)** | **1,454.4** | **-516.4** | **938.1** | **9.6** | **-1.1** |

*Please note that budgets are held in the financial system to the nearest £100 and hence the figures in the table above may not add through exactly due to issues caused by rounding the figures for this report.*