From:	John Simmonds, Cabinet Member for Finance Andy Wood, Corporate Director of Finance Corporate Directors
To:	Corporate Board – 11 June 2018 Cabinet – 25 June 2018
Subject:	**REVENUE & CAPITAL BUDGET MONITORING REPORT 2018-19**
Classification:	Unrestricted

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1. Summary

1.1 This is the first budget monitoring report for 2018-19. This report reflects the position for each of the Directorates based on the major issues arising from the 2017-18 outturn, which is also on the agenda for this meeting. These are issues which were either not addressed in the 2018-19 budget build because they came to light after the 2018-19 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 2018-19 budget was calculated.

1.2 The report provides initial forecasts for both the revenue and capital budgets.

1.3 Cabinet is 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 2018-19, as any residual pressures rolled forward into 2019-20 will only compound an already challenging 2019-20 budget position. This early forecast revenue pressure of over £10m (a £12m pressure excluding the Financing Items underspend of £2m) is very clearly a concern and needs to be managed down to at least a balanced position. However, it is not unusual for the first forecast of the year to be on the pessimistic side. For comparison, the initial forecast for 2017-18 was a forecast pressure of £8.2m and we ended the year with a “net” underspend of £0.6m; which is also consistent with the position in 2016-17 where we started the year with a pressure of £7.9m and we ended the year with a “net’ underspend of £0.6m. That’s not to say that such a significant turnaround can be repeated again this year, especially as the risk of non-delivery of savings increases each year due to the aggregated impact of year on year reductions and the ability to find new areas in which to make savings are becoming fewer. Clearly, much depends on our negotiation with the Home Office, where we will be seeking full reimbursement of the costs of supporting unaccompanied asylum seekers and care leavers.

2. Recommendations:

Cabinet is asked to:

2.1 **Note** the initial forecast revenue budget monitoring position for 2018-19 and capital budget monitoring position for 2018-19 to 2020-21, and that the forecast pressure on the revenue budget needs to be eliminated as we progress through the year.

Approve the capital virements of £25.436m.

3. Introduction:

3.1 This is the first budget monitoring report for 2018-19 and contains a high level strategic view of material pressures and savings for each Directorate. Overall the net projected revenue variance for the Council is a pressure of £10.3m. The pressures and savings highlighted in this report are largely informed by the actual activity outturn position at the end of the 2017-18 financial year, and also by each Directorates' initial assessment of the achievability of their 2018-19 savings. In total £50m of saving requirements were included in the approved budget for this year.

3.2 The forecasts show the majority of the £50m 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 Directorate will be made as appropriate. As this is the first monitoring report of the year, equivalent saving plans have not yet been sufficiently developed. It is our expectation that once these alternative plans are finalised and agreed then the forecast pressure will reduce. Should alternative offsetting options not be identified within a directorate, then the Corporate Management Team will need to consider how this will be managed on an Authority-wide basis, as we must achieve a balanced position overall, we cannot afford to enter 2019-20 with an underlying problem.

3.3 Details of issues faced within the revenue budget are provided in section 4 and those faced within the capital programme are provided in section 5.

4. 2018-19 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: 2018-19 Revenue Pressures and Savings:

Directorate	£m	Pressure/Saving
Children, Young People and Education	6.6	Pressures relating to Asylum grant shortfall, SEN and other services and unachievable savings
Adult Social Care and Health	3.7	Pressures relating to residential services for children with a disability and unachievable savings mainly relating to transformation
Growth, Environment & Transport	0.8	Pressures relating to emerging issues and 2017-18 savings yet to be delivered
Strategic & Corporate Services	1.5	Pressures on savings for Asset Utilisation and other rephased savings and contract pressures
Strategic & Corporate Services - Public Health	0	A breakeven position is reported.
Financing Items	-2.3	Estimated additional retained BR levy for 17-18 above debtor raised and S31 grant reconcilation for 2017-18.
Total	**10.3**	

4.2 Children, Young People and Education Directorate:

4.2.1 The initial forecast for Children, Young People and Education Directorate indicates an overall pressure of £6.6m, of which £2.1m relates to the Asylum service.

4.2.2 Education Services & Planning Resources

4.2.2.1 There are a number of pressures from 2017-18 which are expected to continue into 2018-19, including:

- a continual shortfall in the recovery of costs for excepted items (+£0.2m) such as maternity cover, resulting from higher than anticipated demand from schools.
- ongoing school security costs (+£0.3m);
- the installation, hire, and removal of mobile classrooms to support the Basic Need programme (+£0.8m);
- +£0.3m revenue maintenance costs associated with schools are expected to be more than the grant available. This covers both planned maintenance agreements and subsequent resultant work which falls under the Total Facilities Management contracts.

4.2.2.2 There are also emerging pressures on:

- The Education Psychology service (+£0.7m), this is resulting from a combination of increasing use of agency staff to cover staff vacancies, along with a shortfall of income from the need to cease traded activities to focus on increasing statutory workloads.
- +£0.2m general shortfall in traded income for emergency planning.
- +£1.0m support of children with Special Education Needs (SEN). The pressure is resulting from the increasing provision of therapy services, along with higher demand for statutory assessments.
- There is a risk in the deliverability of the £2m Integration saving, due to a delay in the appointment of senior posts. We are continuing to look at short term options but at this stage we only have plans in place to deliver +£1m.

4.2.3 Specialist Children Services – Asylum Seekers:

4.2.3.1 The pressure on the Asylum Service is expected to continue, with an initial estimate of +£2.1m shortfall in grant income based on a number of assumptions. The 2018-19 Unaccompanied Asylum Seeker Children (UASC) and Care Leavers grant rates have not yet been confirmed by the Home Office, therefore they will continue to be paid at the rates agreed for 2017-18. Negotiations continue with the Home Office to recover the shortfall in funding for this service.

4.2.3.2 The main variances for the Asylum service are:

- -£0.4m surplus in grant income from supporting under 16 year olds. This is in line with previous years and is normally used to offset any shortfalls in grant relating to 16-17 year olds and 18+ care leavers.
- +£0.6m shortfall in grant income for supporting 16-17 year olds. There is still a number of children placed in higher cost placements that arrived before the age of 16, which have chosen to remain in their current placements. Attempts to move any individual who is settled in their placement is likely to result in legal challenge. This pressure is less

than the previous year as it is assumed new 16-17 year olds will be placed in lower cost supported accommodation settings.

- +£1.1m shortfall in grant income for supporting care leavers (18+). Historically, the grant rate has not been sufficient to recover the costs associated with supporting this age group.
- +£0.3m shortfall in grant income to support the National Transfer Scheme Reception Centre. A similar pressure is expected in 2018-19 as in 2017-18 however this is dependent on the number of children being supported through this scheme.
- +£0.5m costs associated with children who are presented to us as Asylum Children that are deemed not to be eligible for the Home Office Grant (referred to as ineligible children).

4.3 Adult Social Care and Health Directorate:

4.3.1 The forecast for Adult Social Care and Health Directorate indicates an overall pressure of £3.7m, as outlined in further detail below:

4.3.2 A pressure of +£0.9m is highlighted within services for children with a disability, which relates to an increase in cost of placements for complex residential placements for young children, reflecting the full year effect of increases in activity and cost of care packages in the final quarter of the previous financial year.

4.3.3 The directorate is currently highlighting a pressure of +£2.2m relating to unachievable savings in the 2018-19 budget, predominately relating to transformation.

4.3.4 The remainder of this initial forecast variance of +£0.6m relates to greater than anticipated demand and complexity across a range of service lines, albeit more detailed forecasts will be collated next month.

4.4 Growth, Environment and Transport:

4.4.1 The GET directorate is forecasting an early pressure of £0.8m, which is a combination of emerging issues (£0.7m), as well as 2017-18 savings that have yet to be delivered (£0.1m). Alternative options continue to be explored for the latter, with the £0.7m of emerging pressures primarily concerned with the Coroner's service but also a number of small movements across various Highways budgets.

4.4.2 The Coroner's service is forecasting a contractual pressure of some £0.3m (full year effect £0.4m) relating to body removals, whereby the market is indicating that this service can only continue in the future at full cost recovery. This contract is due for re-tender in July and options to mitigate this pressure or deliver the service in a different way are currently being explored. The remaining Coroner's pressures relate to increasing pathology, post mortem, toxicology and body storage costs with the number of post mortems and investigations rising year on year due to a rising population and legislative changes that mean more deaths need further examination.

4.4.3 In addition to these emerging pressures, the GET directorate identified £6.2m of additional income and savings with the Medium Term Financial Plan (MTFP) and £4.3m of these have either been delivered or are on course for delivery. The residual £1.9m of identified options remain subject to consultation and/or decision and therefore the full year effect is unlikely to be delivered in the current financial year. Management action will be identified to compensate for these, with the aim of delivering a balanced budget by the year end

4.5 Strategic and Corporate Services:

4.5.1 The initial forecast for the Directorate indicates an overall pressure of £1.5m, of which circa £0.8m relates to the corporate aspirational savings target for Asset Utilisation as outlined in further detail below. The Directorate controllable budgets are indicating a pressure of circa £0.7m, primarily due to pressures on the Agilisys contract, Gateways and re-phased delivery of savings within the Engagement, Organisation Design & Development Division.

4.5.2 Property Group manages the Corporate Landlord estate which is occupied by front line services and has a savings target in 2018-19 of £1.1m attached to it relating to the exiting of some buildings through the Asset Utilisation programme. It is not within Property's control to exit these operational buildings as the services and Members must take those decisions, reflecting the complex and challenging nature of this target. However, Property Group is working closely with service directorates and Members to identify potential buildings which could deliver the savings requirement. To ensure that links are made between potential Asset Utilisation proposals and the needs of our front-line services, a cross-Directorate group has been established, chaired by a Corporate Director, to look at innovative ways of delivering this target, whilst ensuring those links are made. At present, there is a circa £0.8m pressure requiring the identification of savings.

4.6 Financing Items budgets:

4.6.1 A £2.3m underspend is forecast reflecting additional retained Business Rates levy for 2017-18 above the debtor raised and the S31 grant reconciliation for 2017-18. Exact figures will not be known until the autumn.

5. 2017-18 CAPITAL MONITORING POSITION

5.1 The capital programme 2018-19 has an approved budget of £295.449m. This does not yet include roll forwards reported as part of the 2017-18 outturn report. April monitoring has identified some areas which require virement approvals as described below:

5.2 Growth, Environment and Transport – Environment, Transport & Waste

Highway Major Maintenance – additional revenue funding has been allocated for pot holes. Of this it is anticipated that £1.25m will relate to capital pot hole work.
It is therefore requested that £1.25m be added to Highway Major Maintenance, funded from revenue.

5.3 Growth, Environment and Transport – Economic Development

Broadband Contract 1: As part of the 2017-18 outturn report a roll forward of £3.463m was requested. If approved, it is anticipated to use £0.601m of this for Broadband Contract 2, and to set up a voucher scheme for the remaining £2.862m.
The following virements are therefore requested to be approved:

£0.601m from Broadband Contract 1 to Broadband Contract 2

£2.862m from Broadband Contract 1 to a new project line "Kent Voucher Scheme". £2.812m of this is forecast to be spent in future years.

5.4 Children, Young People and Education

Within the Basic Need Programme line there is £20.723m of funding that was not allocated to specific projects. This is now being allocated to specific schools in the Basic Need Programme Pressure line.
It is therefore requested that the following virement is approved:

£20.723m from Basic Need Programme to Basic Need Programme Pressure

5.5 Strategic & Corporate Services and Adult Social Care and Health

There have been no significant variances identified on S&CS or ASCH.

6. RECOMMENDATIONS

Cabinet is asked to:

6.1 **Note** the initial forecast revenue and capital budget monitoring position for 2018-19, and that the revenue forecast pressure needs to be eliminated by year end.

6.2 **Approve** the capital virement requests of £25.436m detailed in Section 5.

7. BACKGROUND DOCUMENTS

2017-18 outturn report which includes reference to £2m of funding for Pot Hole repairs that is to be met from £0.5m 2017-18 revenue underspending and the balance from earmarked reserves. The report is also on the agenda for this meeting.

8. CONTACT DETAILS

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