

Revenue Budget Monitoring

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Division and Local Member: All

1. Summary

- 1.1. In October 2018, this Committee received a report presenting the projected revenue outturn for 2018/19 based upon actual spending to the end of August 2018 as adjusted for the proposals for change agreed by the Cabinet in September 2018. The projected outturn at that time was £3.320m over the available budget, while the contingency of £3.400m was uncommitted at that time.
- 1.2. At the time of drafting this report for the Committee the updated projection based upon the spending to the end of September is being prepared for consideration by the Cabinet on 19 November. However, it is anticipated that it will be possible to give this Committee an oral update on those figures at the meeting on 13 November.
- 1.3. There is a robust monitoring process in place to ensure that the savings proposals agreed by the Council and Cabinet in February and September respectively are being delivered, or that where there are early signs that they may not be delivered, then prompt corrective action is taken.
- 1.4. Within the monitoring reports during 2018/19, there has been considerable focus on the pressures upon the budget for Children's Services. During recent months finance, service and external experts have been thoroughly reviewing budget, spend and service delivery in order to better understand the pressures and hence enable better control of spending throughout the remainder of 2018/19 and to give confidence in the budget build for 2019/20 and beyond.

2. Issues for consideration / Recommendations

- 2.1. The Committee is asked to note progress on:
 - the projected revenue outturn for 2018/19; and then to comment on
 - the monitoring processes for delivery of the planned savings;
 - the development of the Children's Services budget;and hence whether there are any suggestions for additional management actions or alternative options that they would like to recommend to the Cabinet.
- 2.2. The Committee is asked to consider any issues or information they would like to be addressed or included in future reports.

3. Background

- 3.1. Over recent years, the Council has lived within its means through an estimated £143m of savings and efficiencies and through control of its revenue and capital

budgets. In September 2018 the Cabinet accepted proposals for change across a range of budgets in order to address the then projected overspend for the current financial year.

- 3.2.** During October various budget adjustments have been undertaken in order to give effect to the decisions made by the Cabinet in September. In addition, service underspends to the end of September have been collected and applied to overspending budgets. This has made the movements in this monitoring report more complicated than usual. At the time of writing this report work is still ongoing on the month 6 monitoring report, so it is not possible to report the details here. However, the Committee is reminded that the projected outturn overspend figure at month 5 was £3.320m; it is intended to give the Committee an oral update on month 6 at its meeting on 13 November.
- 3.3.** An essential part of managing the 2018/19 budget within the resources that we have available is the robust monitoring of the Medium Term Financial Plan (MTFP) 1 and 2 savings; MTFP1 savings were agreed by the Full Council in February 2018 and the MTFP2 proposals were approved by the Cabinet in September 2018. The Financial Imperative Team monitors progress against the delivery plans on a weekly basis and the report of any exceptions is given to the Senior Leadership Team weekly also. Progress is assessed as:
- Blue – delivered and cash released;
 - Green – on track to deliver the planned reduction at the correct time;
 - Red – off-track and the delivery is at risk without remedial action.

It is common for there to be an “Amber” in such monitoring, but in this case, with only 6 months of the year to go, it was decided that anything off-track is immediately classed as “Red” and is escalated for attention.

In addition, monthly, the Senior Leadership Team monitors risk associated with the non-delivery of savings and agrees mitigating actions to ensure that risks do not turn into issues. This includes ensuring that dependencies between savings proposals are identified, that governance and decision making follows due process and that impacts and especially cumulative impacts of savings are being managed.

- 3.4.** The latest update shows that 75% of the MTFP1 savings have been classified as having a green or blue status, meaning service directors are confident that these savings will be delivered by the end of the financial year or in the case of the blue savings, they have already been delivered. This is an improved position compared to previous years. This leaves 25% of savings which are ‘at risk’ of being delivered. Of this 25%, there are plans in place for all but 2%, and mitigations for those are continuing to be developed.
- 3.5.** For MTFP2 savings, it is assessed that 86% of these savings are either ‘on track’ for being delivered or have already been achieved. It is significant that over £1.3m of savings assessed as ‘red’ are subject to consultation with external organisations or partnerships, with all input by the Council completed on time. If those external organisations agree our proposals (decisions are imminent) then the 86% on track moves to 96%.
- 3.6.** A significant part of the financial challenge faced by the Council in 2018/19 (and in 2019/20) is the pressure arising from the demand upon the services for Children. Members of this Committee will be aware of the overspend projections

in this area, rising to £22m in 2018/19 and partially offset by an allocation from the contingency of £5m. This gave rise to an unusual rebasing of this budget mid-year and a re-build of the revenue budget for Children's Services for 2019/20.

- 3.7. A review of budgets and spend for Children's Services from 2013/14 is illustrated in the table below.

	Budget £m	Expenditure £m	Variance £m
2013/14	67.465	66.061	-1.404
2014/15	64.703	67.350	2.647
2015/16	72.370	77.068	4.698
2016/17	76.532	80.469	3.937
2017/18	73.846	83.565	9.719
2018/19	66.314	88.635	22.321

- 3.8. The table above clearly illustrates a pattern of increasing spend, in part due to increasing pressures for service delivery and in part due to the improvements required to address concerns highlighted by Ofsted. It is significant that the budget, although overspent in 2017/18, was reduced for 2018/19 yet spending was still on an upward trajectory. This was subject to comment in the Peer Review of the Council that was issued in May 2018.
- 3.9. The overspend in 2018/19 is analysed as being £2.957m due to non-delivery of MTFP1 savings, £15.929m of pressure in Children and Families the majority driven by the number and cost of care placements. The £3.435m of pressure in Children and Learning Commissioning is as a result of Home to School Transport costs.
- 3.10. The budget requirement for 2019/20 has been derived from the work undertaken to analyse the 2018/19 budget, adjusted for the impact of further controls and planned spending reductions. The net effect of this is a budget requirement in 2019/20 of £82.576m, although £1.3m of this reduction is a one-off staff saving for 2019/20. Overall, the budget requirement reduces by £6.059m between 2018/19 and 2019/20.
- 3.11. Members of this Scrutiny Committee and of the Children's Scrutiny Committee will need to be assured that actions being undertaken by the Children's Services management team, supported by the wider Senior Leadership Team, will deliver the reduced spend and that this is not just an "aspirational budget target". Specific actions being taken are:
- Finance Performance Review Meetings (FPRM) meetings weekly on key areas of spend and progress against targets. Themes so far include workforce, placements and 16+ accommodation. Each meeting has identified further opportunities for reducing spend;
 - Fortnightly budget overview at Director and at service management level to ensure delivery of savings targets and manage spend;
 - Finance team identifying budget lines to front line team level in Children's Social Care, to embed financial rigour across the entire system and ensure greater financial accountability of front-line managers;
 - Improving the data link between finance and case recording data bases allowing real-time management analysis of spend.
 - Higher quality initial placement agreements now required, which need Deputy Director sign-off. This is followed by robust contract reviews to

- ensure consistent value for money in high cost placements;
- Progressing the Council's Sufficiency Strategy of securing local low-cost provision providing effective outcomes in difficult market circumstances
- Continuing to improve social work practice to support families, reduce both emergency admissions to care and placement disruptions. These features both result in negative outcomes for children and significant costs.
- Ensuring that there is an effective multi-agency response to children being exploited, including County Lines, where care is not seen as a simplistic solution.
- Financial awareness training and support for all managers in the service.

3.12. While there is more to be done to be assured that 2018/19 expenditure can be contained within the budget available, good progress is being made towards this objective at this mid-point of the financial year.

4. Consultations undertaken

4.1. No specific consultations have been undertaken in regard of this report.

5. Implications

5.1. This report is presented to Scrutiny members as part of the process of robust financial management within the Council. It is intended to provide assurance that there is a clear intention to control the spending of the Council within the revenue budget made available.

6. Background papers

6.1. Month 4 Monitoring report to Cabinet – 12 September

6.2. Month 5 Monitoring report to Cabinet – 17 October

Note: For sight of individual background papers please contact the report author