

Decision maker: Cabinet 7th October 2013
City Council 15th October 2013

Subject: Budget & Performance Monitoring 2013/14 (1st Quarter) to end June 2013

Report by: Head of Finance & Section 151 Officer

Wards affected: All

Key decision (over £250k): Yes

1. Purpose of Report

- 1.1 The purpose of this report is to update members on the current Revenue Budget position of the Council as at the end of the first quarter for 2013/14 in accordance with the proposals set out in the "Portsmouth City Council Budget 2012/13 to 2016/17" report approved by the City Council on the 12th February 2013.

To also take the opportunity to report on the key performance measures of the Council and highlight any relationships between financial performance and service performance that may indicate any potential or emerging matters of concern in relation to either.

2. Recommendations

- 2.1 It is recommended that:

- (i) The contents of this report be noted, in particular the overall forecast overspend of £2,285,200 representing a variance of 1.23% against the City Council Budget (as adjusted) of £186,048,075.
- (ii) Where they have not already been considered by Cabinet, reports are prepared for the Cabinet in November setting out the options for significantly reducing or eliminating the adverse budget position presently being forecast by the Children & Education, Health & Social Care and Traffic & Transportation Portfolios, including the associated impact of doing so.

3. Background

- 3.1 A Budget for 2013/14 of £186,054,075 was approved by City Council on the 12th February 2013. This level of spending required an overall contribution from General Reserves of £0.313m in order to meet the shortfall between in-year spending and in-year income from all sources.

3.2 Since the 12th February City Council meeting, and in accordance with the Council approved budget guidelines the following Portfolios have had their 2013/14 cash limits reduced in order to “clawback” overspendings against their previous year’s Cash Limit:

	£
Children & Education	3,000
Leader	3,000
Total Clawback	6,000

3.3 In addition the Council has been allocated a one off non ring-fenced Adoption Reform Grant of £373,100 in 2013/14. As there were no specific budget proposals in 2013/14 around the development of the Adoption services and activities and consequently no additional funding pressures were recognised in this area, the grant has been treated as a “windfall” gain and the planned contribution of £313,000 from the General Fund balance to meet the shortfall between in-year spending and in-year income from all sources has been reduced accordingly. However, in order to achieve the government’s priorities in this area and to increase the number of adopters in the Portsmouth area £373,100 has been released from the Central Contingency in 2013/14.

3.4 In summary, changes to the budget as approved on 12th February 2013 are as follows:

	£
Budget Approved 12 th February 2013	186,054,075
Clawback of 2012/13 overspendings	(6,000)
Adjusted 2013/14 Estimate	186,048,075

3.5 Once the above budget changes are taken into account, the Estimate (as adjusted) for 2013/14 has reduced to £186,048,075. This, together with the additional grant funding from the non ring-fenced Adoption Reform Grant results in an overall contribution to General Reserves of £0.066m for 2013/14 (i.e. assuming no overall budget variance).

3.6 This is the first quarter monitoring report of 2013/14 and reports on the forecast 2013/14 outturn as at the end of June 2013. The forecasts summarised in this report and detailed in the attached papers are made on the basis that management action to address any forecast overspends are only brought in when that action has been formulated into a plan and there is a high degree of certainty that it will be achieved.

3.7 Any variances within Portfolios that relate to windfall costs or windfall savings will be met / taken corporately and not generally considered as part of the overall budget performance of a Portfolio. “Windfall costs” are defined as those costs where the manager has little or no influence or control over such costs and where the size of those costs is high in relation to the overall budget controlled by that manager. “Windfall costs” therefore are ordinarily met corporately from the Council’s central contingency. A manager / Cabinet Member however, does have an obligation to minimise the impact of any “windfall cost” from within their areas of responsibility in order to protect the overall Council financial position. Similarly, “windfall savings” are

those savings that occur fortuitously without any manager action and all such savings accrue to the corporate centre.

- 3.8 The Financial Pack attached at Appendix A has been prepared in Portfolio format and is similar in presentation, but not the same as, the more recognisable "General Fund Summary" presented as part of the Budget report approved by Council on 12th February 2013. The format presented at Appendix A has been amended to aid understandability for monitoring purposes by excluding all non cash items which have a neutral effect on the City Council's budget such as Capital Charges. In addition to this, Levies and Insurances are shown in total and have therefore been separated from Portfolios to also provide greater clarity for monitoring purposes.

4 Forecast Outturn 2013/14 – As at end June 2013

- 4.1 At the first quarter stage, the revenue outturn for 2013/14 is forecast to be overspent by £2,285,200 representing an overall budget variance of 1.23%.
- 4.2 The quarter 1 variance consists of a number of forecast under and overspends.

The most significant overspendings at the quarter 1 stage are:

	Quarter 1 (Adjusted Budget)
	£
Children and Education	2,923,600
Health and Social Care	595,700
Traffic and Transportation	925,500

These are offset by the following significant forecast underspends at the quarter 1 stage:

	Quarter 1 (Adjusted Budget)
	£
PRED	176,200
Governance Audit and Standards Committee	118,300
Asset Management Revenue Account	1,890,100

5 Quarter 1 Significant Budget Variations – Forecast Outturn 2013/14

5.1 Children and Education – Overspend £2,923,600 (or 9.1%)

The cost of Children and Education Services is forecast to be £2,923,600 higher than budgeted.

The key variances are:

- As a result of fewer vacancies than assumed when the budget was prepared coupled with delays in achieving planned efficiency savings the Family

Support Service budget heading is currently forecast to overspend by £201,100.

- Fieldwork Services is forecast to overspend by £400,300 as a result of reduced income being earned from adoption placements by Other Bodies, due to a lack of placement availability, coupled with staff vacancy savings not being realised and the requirement to employ agency staff.
- As referred to elsewhere on this agenda the first three months have seen an increase in the number of children requiring placement. The projected spend presumes that these placements will continue for the remainder of the year, although review work will continue. The budget also provides for an increase in the number of Portsmouth Foster Carers as part of the 5 year strategy to reduce the number of looked after children placed with Independent Fostering Agencies. Whilst the number of Portsmouth Foster Carers is growing, it is at a pace slightly below expectations. Taking all of these factors into account the Looked After Children budget is forecast to overspend by £2,184,100.
- Safeguarding Management and Support is forecast to exceed the budget by £138,000 due to savings expected from staff turnover and vacancies not being realised.

Whilst there are individual variances within budget areas covered by the Dedicated Schools Grant, in aggregate these are neutral.

5.2 Health and Social Care – Overspend £595,700 (or 1.1%)

The cost of Health & Social Care is forecast to be £595,700 higher than budgeted.

The key variances are:

Overspendings

- The cost of in-house residential care is forecast to be £160,300 higher than budgeted as a result of an inspection by the Care Quality Commission the outcome of which required additional staff to be employed at Shearwater care home.
- The average contribution to nursing care made by older persons and clients with physical disability has reduced resulting in a fall in income of £169,000. A number of clients are awaiting financial assessment of the contribution towards their care package. The shortfall in income may therefore reduce once these assessments have been completed.
- PCC contribution to Continuing Health Care Pooled Budget – PCC's contribution is forecast to be £1,199,600 higher than budgeted due to:-
 - The residential care budget assumed client numbers of 114 however currently there are 139 being supported by Adult Social Care as at the end of June. It is expected to continue at this level for the remainder of the financial year. Within this 139 clients, there are 6 new clients who were previously self funding who have now become a PCC

responsibility. There are also a number of clients that had previously been receiving high cost Domiciliary Care packages who have now moved into Residential Care. These factors are causing significant pressure within the residential care element of the budget which is projected to overspend by £782,000 as a result.

- The combined effect of Home from Hospital clients that are now included within the Domiciliary Care numbers as well as a general increase in demand for this type of care are the main contributing factors to the projected overspend in this area of £518,000. The cost of packages for the majority of Older Persons Direct Payments clients is also higher than the target. Adult Social Care have implemented measures to control the weekly cost and the effect of this is beginning to materialise as the average weekly cost for new clients has reduced by 17% from £89.55 per week to £74.11 per week.

Underspendings

- Income from Older Persons/Physical Disability clients receiving residential care is higher than budgeted due to an increase in the number of clients (£187,700). However there is a corresponding increase in expenditure contained within the Continuing Healthcare Pooled budget (described above).
- Domiciliary care income is forecast to be £610,600 higher than budgeted. This is primarily due to the anticipated contribution from the PCT of £505,000 to meet the additional cost of Domiciliary Care within the Continuing Health Care Pooled budget.
- Forecast underspend of £183,900 within Public Health largely as a result of staff vacancies.

5.3 PRED (excluding Port) – Underspend £176,200 (or 13.6%)

The Portfolio is forecasting an underspend of £176,200 primarily as a result of higher Planning Fee income due to several large planning receipts which are expected to be paid within the next few months.

5.4 Traffic & Transportation – Overspend £925,500 (or 5.9%)

The Portfolio is forecasting an overspend of £925,500

The main causes of the underlying forecast overspend relate to:

- Off Street Parking is forecasting a revenue income shortfall of £656,000.
- Despite budgeting for increases in street lighting energy costs expenditure is forecast to be £156,000 higher than budgeted as a result of a change in the methodology used to measure consumption.

- School Crossing Patrols - A budget saving of £200,000 was approved by the City Council in February 2013 with the intention that the remaining budget would be passed to schools who would then become responsible for providing their own school crossing patrols. However, such an arrangement would require lengthy and complex consultation with each school governing body which has meant that this saving is no longer achievable in the medium term. Once savings arising from holding posts vacant are taken into account the forecast overspend is reduced to £138,000.

5.5 Governance and Audit Committee – Underspend £118,400 (or 45.0%)

The Committee is forecasting an underspend of £118,400.

The principle reason for the forecast underspend is due to higher income than budgeted of £106,600 within the Registrars Service due to increased income generated from new initiatives, higher demand for existing services and the introduction of a competitive pricing structure.

5.6 Asset Management Revenue Account – Underspend £1,890,100 (or 7.6%)

This budget funds all of the costs of servicing the City Council's long term debt portfolio that has been undertaken to fund capital expenditure. It is also the budget that receives all of the income in respect of the investment of the City Council's surplus cash flows. As a consequence, it is potentially a very volatile budget particularly in the current economic climate and is extremely susceptible to both changes in interest rates as well as changes in the Council's total cash inflows and outflows.

The forecast underspend relates to:

- Higher returns on investment balances than anticipated leading to increased interest earned coupled with a forecast lower level of contingency to guard against interest rate fluctuations.
- A lower opening capital financing requirement than anticipated resulting in the statutory sum required to be set aside for the repayment of debt being lower.

6 Other Minor Budget Variations – Forecast Outturn 2013/14

6.1 Culture, Leisure & Sport – Underspend £10,600 (or 0.1%)

There are a number of small variances within the portfolio resulting in a net forecast underspend of £10,600.

6.2 Environment and Community Safety – Minor Overspend £600 (or 0.0%)

6.3 Housing – No Forecast Variance

6.4 Leader – Minor Overspend £1,200 (or 1.5%)

6.5 PRED (Port) – Overspend £14,300 (or 0.3%)

Minor forecast net overspend due to reduced income (£140,500) from lower Operational Dues relating to freight offset by reduced Operational Expenses (£125,800) primarily as a result of vacancies.

6.6 Resources – Overspend £42,500 (or 0.2%)

Minor forecast overspend as a result of staff resources being switched to General Fund activities in order to progress corporate enabling initiatives. This overspend has been offset by the holding of posts vacant in anticipation of savings requirements in future years.

6.7 Licensing Committee – Minor Underspend £500 (or 0.4%)

6.8 Levies – Underspend £22,400 (or 2.9%)

Minor variation due to levies being lower than originally estimated.

6.9 Insurance – No Forecast Variance

6.10 Other Miscellaneous – No Forecast Variance

7. Relationships between Financial Performance and Service Performance

7.1 Important performance issues that have emerged from the Quarter 1 reporting are the issues of timeliness of assessments in Children's Social Care and Safeguarding; upcoming challenges relating to SEN support in Education and Strategic Commissioning; and the increase in incidents of offences and reoffending among drug users.

7.2 Positive performance from Quarter 1 is the reduction in key crime categories, and maintaining the positive trend from last year in relation to KS2 results.

7.3 There are plans to further develop the performance framework for Quarter 2, and for taking a systematic approach to the use of cost benchmarking data.

7.4 The full Quarter 1 performance report will be presented to Governance and Audit and Standards Committee on 26th September.

8. Conclusion - Overall Finance & Performance Summary

8.1 The overall forecast outturn for the City Council in 2013/14 as at the end of June 2013 is forecast to be £188,333,300. This is an overall overspend of £2,285,200 against the Amended Budget and represents a variance of 1.2%.

8.2 The forecast takes account of all known variations at this stage, but only takes account of any remedial action to the extent that there is reasonable certainty that it will be achieved.

- 8.3 The overall financial position is deemed to be “red” since the forecast outturn is higher than budget. However, finance is not having a negative impact on the overall performance status of the Council’s activities.
- 8.4 In financial terms, the forecast overspend within the Children and Education, Health and Social Care and Traffic and Transportation Portfolios represent the greatest concerns in terms of the impact that they have on the overall City Council budget for 2013/14. Consequently it is recommended that reports in respect of these Portfolios, where they have not already been considered by Cabinet, be prepared for the Cabinet in November setting out the options for significantly reducing or eliminating the adverse budget position presently being forecast by these Portfolios, including the associated impact of doing so.
- 8.5 Where a Portfolio is presently forecasting a net overspend in accordance with current Council policy, any overspending in 2013/14 will be deducted from cash limits in 2014/15 and therefore the appropriate Heads of Service in consultation with Portfolio Holders should prepare an action plan outlining how their 2013/14 forecast outturn or 2014/15 budget might be reduced to alleviate the adverse variances currently being forecast.
- 8.6 Based on the Budget (as adjusted) of £186,048,075 the Council will remain within its minimum level of General Reserves for 2013/14 of £6.0m as illustrated below:

	<u>£m</u>
General Reserves brought forward @ 1/4/2013	23.623
<u>Less:</u>	
Forecast Overspend 2013/14	(2.285)
Proposals for use of 2012/13 underspend (contained within the Revenue Outturn 2012/13 - Final Accounts report, elsewhere on this agenda)	(5.439)
<u>Add:</u>	
Planned Contribution to General Reserves 2013/14	0.066
Forecast General Reserves carried forward into 2014/15	15.965

Levels of General Reserves over the medium term are assumed to remain within the Council approved minimum sum of £6.0m in 2013/14 and future years since any ongoing budget pressures / savings will be reflected in future years' savings targets.

- 8.7 Financial resources are not seen as a primary barrier during the current year to either performance achievement or performance improvement. Although there are currently no specific requests for additional resourcing within this report to ensure that targets are achieved or objectives met, in the future, resources are more likely to pose a risk to future delivery and this ought to be considered in the context of all other current and emerging budget pressures and evaluated in context with each other.

9. City Solicitor's Comments

9.1 The City Solicitor is satisfied that it is within the Council's powers to approve the recommendations as set out.

10. Equalities Impact Assessment

10.1 This report does not require an Equalities Impact Assessment as there are no proposed changes to PCC's services, policies, or procedures included within the recommendations.

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Chris Ward

Head of Finance & S151 Officer

Background List of Documents –

Section 100D of the Local Government Act 1972

The following documents disclose facts or matters which have been relied upon to a material extent by the author in preparing this report –

Title of Document	Location
Portsmouth City Council Budget 2012/13 to 2016/17	Office of Deputy Head of Finance & Section 151 Officer
Electronic Budget Monitoring Files	Financial Services Local Area Network

The recommendations set out above were:

Approved / Approved as amended / Deferred / Rejected by the Cabinet on 7th October, 2013

Signed:

Approved / Approved as amended / Deferred / Rejected by the City Council on 15th October, 2013

Signed:

**FINANCIAL & SERVICE
PERFORMANCE**

**QUARTER 1
2013/14**

INFORMATION PACK