



# EXECUTIVE BOARD DECISION

<b>REPORT OF:</b>	Executive Member for Resources
<b>LEAD OFFICERS:</b>	Director of Finance and IT
<b>DATE:</b>	10 November 2016

<b>PORTFOLIO/S AFFECTED:</b>	Resources
<b>WARD/S AFFECTED:</b>	All
<b>KEY DECISION:</b>	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>

**SUBJECT: CORPORATE REVENUE BUDGET MONITORING REPORT QUARTER 2 - 2016/17**

## 1. EXECUTIVE SUMMARY

The report details the overall revenue financial position of the Council as at 30<sup>th</sup> September 2016, highlighting key issues and explaining variations in the second quarter of the financial year.

## 2. RECOMMENDATIONS

The Executive Board is asked to approve:

- the variations to revenue expenditure as listed in Section 6, thereby giving rise to a revised forecast balance of £5.260 million on the unallocated General Fund revenue reserve and £29.471 million in earmarked reserves at 31<sup>st</sup> March 2017. This position will be then be subject to potential adjustment for the final outturn position for 2016/17 and the application of earmarked reserves as required.
- the cash limit adjustments outlined in Appendix 1.

## 3. BACKGROUND

All portfolios are required to examine their revenue budget position on a monthly basis.

## 4. KEY ISSUES & RISKS

a) Actual revenue expenditure at 30<sup>th</sup> September 2016 in respect of cash limited budgets across all portfolios was £56.50 million, which is 51.76% of current budgeted expenditure. The detail of the forecast outturn position for each portfolio is outlined in Section 6 of the report.

b) The current forecast balance for unallocated General Fund reserves at 31<sup>st</sup> March 2017 is £5.260 million, subject to adjustment for the final outturn position and the application of earmarked reserves as required.

c) The current forecast for Earmarked reserves at 31<sup>st</sup> March 2017 is £11.408 million compared with

the forecast of £13.543 reported to Executive Board in August 2016. There remains a further balance of Other Reserves of £18.123 million which largely relates to schools.

## **5. POLICY IMPLICATIONS**

The information contained within the report accords with the three year budget forecast within the Medium Term Financial Strategy 2016-20, as approved at Finance Council on 29<sup>th</sup> February 2016.

## **6. FINANCIAL IMPLICATIONS**

### **6.1 CASH LIMITS AND REVENUE EXPENDITURE**

#### **6.1.1 Revenue Budget Overview**

At the mid-year point at 30<sup>th</sup> September 2016, the Council is facing significant financial pressures and is forecasting an overspend of approximately £630,000 across all portfolios. This position is based on current levels of spend and after having reflected the requests for funding from reserves as detailed below.

Whilst every effort is being made to contain pressures, challenges persist in both the demand for service and in the delivery of the significant savings programme across the Council.

#### **6.1.2 Performance Against Cash Limits**

Appendix 1 details the portfolio cash limits approved by the Executive Board in August 2016 together with the details of the adjustments now requested. These include:

- budget virements (transfers) between portfolios
- transfers from earmarked reserves to support spending on specific schemes for which these reserves were established
- transfers from unallocated reserves to support budget pressures
- reductions in cash limits in respect of the £3.0 million Workforce Review savings
- revenue contributions to Capital schemes from revenue cash limits or specific earmarked reserves that have been established for this purpose.

The budgetary position and key financial issues for each portfolio are as follows:

#### **Health & Adult Social Care**

Adult Social Care continues to experience large scale pressures on Commissioning budgets arising from increasing volumes across all client groups, especially domiciliary care. Despite efforts to contain these pressures within existing budget allocations, the risk of overspend is increasing resulting in a £0.4 million forecast overspend at outturn based on current levels of spend. Work will continue to refine predicted commissioning spending as the year progresses.

This forecast reflects approval by the Executive Board on 13<sup>th</sup> October 2016 to meet the increase in provider costs driven by the impact of the National Living Wage, and for subsequent uplift of their fees. This additional cost of £1.238 million will be funded from the Complex Needs and Transition Funding reserve.

A further cash limit adjustment of £6,000 is also requested for Public Health in respect of a transfer of £6,000 from the Transforming Lives earmarked reserve to meet in year budget commitments.

The portfolio is currently reporting a break even position in respect of Public Health services.

### **Children's Services**

The portfolio is forecasting an overspend by the year end of £250,000 based on current levels of spend. There are currently significant pressures on both the Commissioned Placements budget and the Special Guardianship Orders budget which may continue to rise. The increase in placement costs is being driven by recent court decisions which have seen a shift towards more costly placement types, such as family placements.

The forecast overspend reflects the request for cash limit increases of;

- £182,700 to cover the costs of early retirement and redundancies within the department in supporting delivery of the workforce reductions
- £224,000 to cover the increase in staffing costs following the loss of savings this year from the cessation of the 4 days unpaid leave collective agreement.

### **Environment**

The portfolio is currently predicting to breakeven against their cash limit by the end of the financial year. This position is predicated on approval of non-recurring funding to address the shortfall in savings this year arising from slippage in the delivery of savings in respect of the implementation of green waste charging and round changes (£300,000) and a cash limit increase in respect of the costs of early retirement and redundancy incurred by the portfolio in delivering their agreed savings programme (£8,000).

### **Leisure, Culture and Young People**

The portfolio is currently predicting an overspend of £104,000 by 31<sup>st</sup> March 2017 however options are being explored to manage this within the existing budget.

The position reflects the following requests for cash limit adjustments;

- Due to slippage in the implementation of a number of savings options, request has been made to fund specific schemes (£525,600) on a non-recurring basis; the requests are detailed in Appendix 1 of the report
- A contribution by the Council to the Festival of Making (£40,000)
- A revenue contribution of £78,000 to the Making Rooms project from unallocated General Fund reserves, further to the report approved by Executive Board on 9<sup>th</sup> June 2016
- An increase of £77,800 to cover the costs of early retirement and redundancy incurred in delivering the workforce savings programme
- Virement of £36,200 from the Resources portfolio to meet the loss of income following the relocation of the Registrars out of King Georges Hall.

### **Localities and Prevention**

Whilst every effort is being made to contain pressures, the portfolio is currently forecasting an overspend of £126,000 against their cash limit; work will continue to try to address this within the current budget by 31<sup>st</sup> March 2017. This position reflects the requests made for corporate support from ear-marked reserves as outlined in Appendix 1 which comprise;

- An increase of £40,300 to cover the costs of early retirement and redundancy incurred in delivering the workforce savings programme

- A shortfall against the Sustainable Neighbourhoods savings target for 2016/17 of £124,000
- A reduction in the cash limit is also requested of £50,000 to reflect the deferred income into 2017/18 in respect of Troubled Families Grant.

In addition, the cash limit has been reduced to reflect the use of Transformation Challenge monies, carried forward from 2015/16, to fund the CCTV Hub capital scheme.

### **Regeneration**

The portfolio is currently forecasting a break even position at 31<sup>st</sup> March 2017, predicated on approval of;

- a request for £100,000 corporate support from earmarked reserves to reflect the shortfall on the savings target for the Mall Market.
- A request of £70,000 to fund the shortfall on the bus subsidy saving target as this could not be implemented from the 1<sup>st</sup> April due to public consultation

### **Resources**

The portfolio is currently predicting to break-even at 31<sup>st</sup> March 2017. This forecast is based on the following transfers both to and from ear-marked and unallocated reserves;

- £125,000 from the earmarked reserve for Legal Advice to address the pressure within Legal Services from the increase in Child Protection Cases currently in progress and £10,000 from unallocated General Fund reserves in respect of the increase in the number of Deprivation of Liberty cases
- £235,000 from property and accommodation earmarked reserves in respect of costs for the work undertaken to the ground floor of the Town Hall to facilitate transfer of the Revenues and Benefits service from Capita, changes in service delivery in Customer Services and the move of Registrars from King George's Hall.
- Transfer of £52,000 back into the New Homes Bonus reserve following the disestablishment of Growth Programme Director role
- A net transfer of £169,000 into reserves in respect of £489,000 additional savings made in 2016/17 on the retender of the Property, Highways and Transport contract and transfer in-house of the Revenues and Benefits service, less the costs associated with the wind-down and reprovision of services provided by the former strategic partnership (£320,000).
- In addition, following the successful appeal by three local hostels to reinstate their exempt accommodation status from June 2014 resulting in a backdated payment of housing benefit at an enhanced rather than basic rate for their residents, the net cost of benefits has increased by £474,000. The cost arises as the Council will only receive benefit subsidy for 60% of the enhanced element of the benefit paid. A request has been made to cover this additional one-off cost from the Welfare and Council Tax Reforms ear-marked reserve.

### **Schools & Education**

The portfolio is forecasting an underspend at year end of approximately £250,000. This relates to non-recurring underspends from vacant posts and additional income secured, together with continuing reductions in expenditure to meet the wider organisational financial challenge.

### **Dedicated Schools Grant / Schools Block**

Services in Schools & Education (DSG) are currently predicted to spend all of the funding available in

2016/17 through the Dedicated Schools Grant and Pupil Premium.

Schools and Education funding from DSG is monitored by the Schools Forum and reports are considered on a regular basis.

### Workforce Review Savings

The Medium Term Financial Strategy was predicated on a savings programme which included delivery of workforce related savings of £13 million over a three year period, of which £3 million is scheduled for delivery in 2016/17. Adjustments have been made to individual portfolio cash limits this quarter to reflect their proposals for delivering their contribution to this target in the year as follows;

Portfolio	Workforce Savings Cash Limit Adjustments to Executive Board August 2016	Workforce Savings Cash Limit Adjustments for Qtr 2	Total Workforce Savings Cash Limit Adjustments
Health & Adult Social Care	£0	£477,300	£477,300
Children's Services	£0	£650,500	£650,500
Environment	£0	£116,900	£116,900
Leisure, Culture & Young People	£0	£79,000	£79,000
Localities & Prevention	£0	£152,900	£152,900
Regeneration	£0	£305,500	£305,500
Resources	£252,800	£731,500	£984,300
Schools & Education	£0	£180,700	£180,700
<b>Total</b>	<b>£252,800</b>	<b>£2,694,300</b>	<b>£2,947,100</b>

### 6.2 General Fund Unallocated Reserves

The table below shows the movements in unallocated reserves in the quarter.

	£'000	£'000
Forecast unallocated reserves as per Executive Board Report August 2016		4,767
<i>Variations now requested:</i>		
<i>Transfers to unallocated reserves</i>		
Savings in relation to interest and debt repayment		76
Transfer from ear-marked reserves – reserves no longer required		505
<i>Transfers from unallocated reserves</i>		
Deprivation of Liberty (DoL) case funding – Legal Services	(10)	
Contribution to the Making Rooms project	(78)	(88)
Forecast balance on unallocated general fund reserves at 31 March 2017		5,260

### 6.3 Earmarked reserves

Reserves have been reviewed, as is good accounting practice, resulting in the amalgamation of several of the reserves set aside for similar purposes and in the case of those earmarked reserves

that have been identified as no longer required, they have now been reallocated to the unallocated General Fund reserve.

The forecast level of earmarked reserves held for discretionary use by the Council at 31<sup>st</sup> March 2017 are currently expected to reduce to £11.348 million compared with the forecast of £13.543 reported to Executive Board in August 2016. Other earmarked reserves, largely in respect of schools, are currently £18.123 million.

Details of the requested application of reserves towards revenue expenditure are outlined in Section 6.1.2 of the report (above) and in Appendix 1. In addition to this, request is also made to utilise reserves in relation to capital expenditure as follows (and as detailed in the Corporate Capital Monitoring Report on the agenda);

- further to the Executive Member Decision of 15<sup>th</sup> September 2016, request is made to add a Development Investment Fund scheme of £250,000 to the capital programme initially funded from the New Homes Bonus reserve with future capital receipts used to replenish the budget for use on new sites being prepared for development
- within the above decision report, approval was also given to create an Affordable Homes Fund scheme within the capital programme utilising the £104,000 S106 Fund earmarked revenue reserve relating to affordable housing commuted sums income. It is intended to use this funding to support Council and private sector sites able to provide affordable homes across the borough.

Details of all projected, earmarked reserve balances at 31<sup>st</sup> March 2017 are shown in Appendix 2.

## 7. LEGAL IMPLICATIONS

The Council has a duty to ensure it can deliver a balanced budget. The Local Government Act 2003 imposes a duty on an authority to monitor its budgets during the year and consider what action to take if a potential deterioration is identified.

## 8. RESOURCE IMPLICATIONS

None.

## 9. EQUALITY AND HEALTH IMPLICATIONS

**Please select one of the options below. Where appropriate please include the hyperlink to the EIA.**

Option 1  Equality Impact Assessment (EIA) not required – the EIA checklist has been completed.

Option 2  In determining this matter the Executive Member needs to consider the EIA associated with this item in advance of making the decision. (*insert EIA link here*)

Option 3  In determining this matter the Executive Board Members need to consider the EIA associated with this item in advance of making the decision. (*insert EIA attachment*)

## 10. CONSULTATIONS

## 11. STATEMENT OF COMPLIANCE

The recommendations are made further to advice from the Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with

equality legislation and an equality analysis and impact assessment has been considered. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

## **12. DECLARATION OF INTEREST**

All Declarations of Interest of any Executive Member consulted and note of any dispensation granted by the Chief Executive will be recorded in the Summary of Decisions published on the day following the meeting.

<b>VERSION:</b>	0.06
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<b>CONTACT OFFICER:</b>	<b>Gaynor Simons (Ext 5635) Julie Jewson (Ext 5893)</b>
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<b>DATE:</b>	31 October 2016
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<b>BACKGROUND PAPER:</b>	N/A
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