



EXECUTIVE BOARD DECISION

REPORT OF: Executive Member for Resources

LEAD OFFICERS: Director of Finance and IT

DATE: 9 February 2017

PORTFOLIO/S AFFECTED: Resources

WARD/S AFFECTED: All

KEY DECISION: YES NO

SUBJECT: CORPORATE REVENUE BUDGET MONITORING REPORT QUARTER 3 - 2016/17

1. EXECUTIVE SUMMARY

The report details the overall revenue financial position of the Council as at 31st December 2016, highlighting key issues and explaining variations in the third 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 £4.974 million on the unallocated General Fund revenue reserve and £28.571 million in earmarked reserves at 31st March 2017. This position will be subject to any further adjustments at outturn, including 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 31st December 2016 in respect of cash limited budgets across all portfolios was £85.71 million, which is 76.07% 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 31st March 2017 is £4.974 million, subject to any further adjustments at year end outturn.

c) The current forecast for Earmarked reserves at 31st March 2017 is £10.448 million compared with the forecast of £11.348 reported to Executive Board in November 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 29th February 2016.

6. FINANCIAL IMPLICATIONS

6.1 CASH LIMITS, REVENUE EXPENDITURE AND SOCIAL DETERMINATES OF HEALTH

6.1.1 Revenue Budget Overview

As at 31st December 2016, the Council is facing significant financial pressures and is forecasting an overspend of approximately £1.683 million across all portfolios. This position is based on current levels of expenditure 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 November 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

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 and despite efforts to contain these costs within existing budget allocations, the risk of an outturn overspend is increasingly likely. The overspend for the year is currently predicted at £1.2 million based on levels of spend at the end of December. Work will continue to refine predicted spending on all budget heads, including commissioning costs, in the remaining few months of the year.

Approval was given at the Executive Board meeting on 13th October 2016 to meet the £1.238 million increase in provider costs arising from the increase in the National Living Wage on 1st April 2016. The Executive Board report signalled that there would be further increases to other supported living providers as their individual cost pressures emerged. Further work has been undertaken and two additional providers have highlighted the need to increase their rates. As a result, funding of £227,000 is requested from reserves to meet these increased cost pressures.

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

Children's Services

Taking into account the cash limit adjustment requests below, the portfolio is forecasting a break even position. Social work caseloads relating to vulnerable children are increasing and generating internal cost pressures which need to be managed. Children's services are looking to identify savings within

their own portfolio in the first instance to offset these additional pressures however corporate support is requested as follows:

- £151,200 to cover the costs of early retirement and redundancies within the department in supporting delivery of the workforce reductions
- £250,000 is requested to cover staffing pressures within the assessment and safeguarding service for a period of 6 months to 31st March 2017.
- £250,000 from unallocated reserves to cover specialist contractor costs for a period of 3 months to assist in working through and reducing social worker caseloads in respect of vulnerable children.
- £17,804 from the Children's Services Workforce Development and Social Work Improvements earmarked reserve to assist in funding additional staff costs to address the increase in caseloads.

Environment

The portfolio is currently predicting an overspend of £130,000 attributable in part to the increase in landfill tonnage which is exceeding budget by 2,232 tonnes and also due to the costs of the household waste recycling contract which have increased by £20,000 per month during the year, creating a cost pressure of £127,000.

To offset some of these additional costs, savings in transport related costs have been realised across the portfolio on premises, supplies and service costs and third party payments within the Crematorium. There has also been an increase in income, in particular car parking and bus lane enforcement, some of this income is being reinvested in road safety schemes e.g. repainting of road lines and zig zags outside of schools, and also investment in new signage.

The forecast overspend reflects the request for a cash limit increase of £7,100 from earmarked reserves to cover the costs of early retirement/voluntary redundancy incurred in the third quarter of the year in support of the workforce reviews in this area.

Leisure, Culture and Young People

The portfolio is currently predicting an overspend of £104,000 arising from a shortfall in income at the skate park of £73,500 and other pressures across the department of £30,500. There are other potential pressures across the portfolio but it is expected that these can be contained within the cash limit. The forecast is based on the following cash limit adjustment requests;

- Virement of £78,000 from the Leisure, Culture and Young People portfolio in respect of the Making Rooms budget as responsibility for this has now been transferred to the Regeneration portfolio.
- An increase to the cash limit of £194,500 to cover the early retirement/voluntary redundancy costs incurred in the portfolio to end of the third quarter as part of the workforce reviews.

Neighbourhoods & Prevention

The portfolio is currently predicting an overspend of £191,000 at 31st March 2017. This is due to a shortfall in income of £90,000 in the Housing Standards budget following slippage in the establishment of the Darwen selective licensing scheme and £137,000 of unbudgeted costs arising from the delay in the workforce review of the DASH service. Efforts are being made within the portfolio to mitigate these pressures by the year end. The forecast reflects the requests made for Corporate Support from reserves as outlined in Appendix 1 which comprise:

- An increase in the cash limit of £28,100 in respect of grant received from Rossendale Borough Council in 2015/2016 from unallocated reserves. This is required to fund a 22 hour Grade F Housing Advisor post for 3 years within the Housing Team. The request is also made to carry forward £24,100 of this into 2017/2018 to help support the future costs of this post.
- Carry forward of £8,700 grant funding from Manchester City Council in respect of the Asylum Fund received in this financial year, to cover the costs for 2 months in 2017/2018 of the Housing Co-Ordinator.
- Carry forward of £37,000 in respect of the funding received from DCLG for Organised Crime Administration to cover future year costs.
- An increase of £7,600 in the cash limit from unallocated reserves, in respect of grant received in 2015/2016 from the DCLG to fund a Domestic Violence Outreach post to the end of June 2016.
- An increase of £17,400 (as detailed in Appendix 1) from Section 106 contributions.
- The Troubled Families Programme is a 5 year programme, and needs to be self-sustainable over the duration of the project. Initially income is generated through 'attachment' fees for each family on the programme with subsequent income based on the delivery of outcomes. As a consequence of this income profile, a request is made to carry forward £180,000 into 2017/18 to ensure the sustainability of the project.

Regeneration

The portfolio is predicting a break even position. This is predicated on containing costs/income pressures within the HAMIS service and the Traffic Signal Maintenance budget. Work is ongoing with Capita colleagues to achieve this. The forecast outturn is based on approval of the following cash limit adjustment requests:

- Virement of £78,000 from the Environment portfolio to reflect the transfer of the Making Rooms project into the Regeneration portfolio.
- £361,600 transfer from the Investment in Assets and Infrastructure earmarked reserve in respect of the one-off landlord costs, as per the tenancy agreements, for 1 Cathedral Square.
- £75,501 transfer from the Strategic Partnership Review reserve to cover the negotiated network management and Urban Traffic Control base fee for the period July 2016 to March 2017.

Resources

The portfolio is currently forecasting an overspend of £53,900 at outturn, largely reflecting the shortfall in income against budget of £31,000 on the Corporate Property portfolio.

Additional income of £260,000 will be received by the year end in respect of the One Public Estate Project. Blackburn with Darwen Borough Council are the Accountable Body for this scheme across the Lancashire area. A request will be made at the year end to carry forward any unspent funding to be utilised in 2017/18 along with a further £80,000 of funding that is scheduled to be paid by the One Public Estate Board in that year.

Schools & Education

Based on the position as at 31st December 2016, the portfolio is predicting to spend in line with its requested cash limit for 2016/2017.

Dedicated Schools Grant / Schools Block

The Schools & Education portfolio is currently predicting to spend all of the funding available in 2016/17 through the Dedicated Schools Grant and Pupil Premium. This is monitored by the Schools Forum at which financial reports are considered on a regular basis.

Social Determinates Of Health

The cash limit budgets have been reduced in the following portfolios to take account of the income that they will receive in respect of services delivered with Social Determinates of Health funding. The table provides details of the reductions:

| Portfolio | Reduction to Cash Limit Budget |
|---------------------------------|--------------------------------|
| Children's Services | £223,300 |
| Environment | £311,500 |
| Leisure, Culture & Young People | £75,000 |
| Localities & Prevention | £60,000 |

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 November 2016 | | 5,260 |
| <i>Transfers from unallocated reserves</i> | | |
| Housing Advisor Post – Localities and Prevention | (28) | |
| Domestic Violence Outreach funding – Localities and Prevention | (8) | |
| Social work – utilisation of specialist contractor to reduce in vulnerable children caseloads (3 months) | (250) | (286) |
| Forecast balance on unallocated general fund reserves at 31 March 2017 | | 4,974 |

6.3 Earmarked reserves

The forecast level of earmarked reserves held for discretionary use by the Council at 31st March 2017 is currently expected to reduce to £10.448 million compared with the forecast of £11.348 reported to Executive Board in November 2016. Other earmarked reserves, largely in respect of schools, are currently £18.123 million.

Details of the requested application of reserves are outlined in Section 6.1.2 of the report (above) and in Appendix 1.

Details of all projected, earmarked reserve balances at 31st 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.

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| VERSION: | 0.06 FINAL |
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| CONTACT OFFICER: | Gaynor Simons (Ext 5635) Julie Jewson (Ext 5893) |
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| DATE: | 25 January 2017 |
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| BACKGROUND PAPER: | N/A |
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