



# EXECUTIVE BOARD DECISION

**REPORT OF:** Executive Member for Resources

**LEAD OFFICERS:** Director of Finance and IT

**DATE:** 13 July 2017

**PORTFOLIO/S  
AFFECTED:** All

**WARD/S AFFECTED:** All

**KEY DECISION:** YES  NO

**SUBJECT: CORPORATE REVENUE BUDGET MONITORING REPORT QUARTER 4 - 2016/17  
OUTTURN POSITION**

## 1. EXECUTIVE SUMMARY

The report details the overall revenue financial position of the Council as at 31<sup>st</sup> March 2017, highlighting key issues. It also determines the year end position with regard to portfolio under/overspends and the impact on earmarked and unallocated reserves.

## 2. RECOMMENDATIONS

The Executive Board is asked to approve:

- the portfolio cash limit adjustments outlined in Appendix 1.
- carry forward of the specific amounts shown in Appendix 1 from 2016/17 to 2017/18.
- the earmarked reserves position shown in Appendix 2
- the variations to revenue expenditure as listed in Section 6, thereby giving rise to a revised balance of £6.189 million on the unallocated General Fund revenue reserve at 31<sup>st</sup> March 2017.

## 3. BACKGROUND

All portfolios are required to examine their revenue budget position on a monthly basis. Regular reports are submitted to Executive Board for review along with a final report, detailing the financial outturn position.

## 4. KEY ISSUES & RISKS

a) Actual net revenue expenditure at 31<sup>st</sup> March 2017 was £135.739 million, compared to an original budget of £132.221 million i.e. an increase in expenditure of £3.518 million.

b) Portfolio cash limited expenditure was £115.478 million for the year resulting in an overspend of £1.434 million against the revised budget.

c) General Fund unallocated reserves are £6.189 million at 31<sup>st</sup> March 2017, compared to £5.067 million at 31<sup>st</sup> March 2016. The increase relates to a number of transfers to/from unallocated reserves that were approved during the year, together with final outturn adjustments detailed in Section 6.

d) The Council holds earmarked reserves of £12.050 million for discretionary purposes. These include;

- £1.748 million to fund improvements to assets, infrastructure and IT
- £3.965 million to meet the cost of downsizing and transformation in future years including meeting redundancy costs
- £2.200 million to meet future demand pressures
- £2.752 million for People and Place services
- £0.268 million set aside in respect of welfare and local taxation reform.
- £1.117 million in respect of grants, contributions and other budgets carried forward from 2016/17 to 2017/18 to meet specific costs.

The Council also holds reserves of £1.824 million for specified non-discretionary purposes. A further £16.897 million of reserves are held in relation to expenditure for Schools and Education and £0.385 million is held in respect of joint arrangements, charitable purposes and other ring-fenced commitments.

## 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 27<sup>th</sup> February 2017.

## 6. FINANCIAL IMPLICATIONS

### 6.1 CASH LIMITS AND REVENUE EXPENDITURE

#### 6.1.1 Revenue Budget Overview

Portfolio cash limited budgets were overspent by £1.434 million at 31<sup>st</sup> March 2017; this has been funded through the Council's reserves. This was however offset by transfers into reserves of £4.5 million arising from savings in respect of interest and debt repayment, in the main due to the in-year change in the Minimum Revenue Provision (MRP) policy.

The summary of the outturn revenue position is as follows:

	Original Budget (after portfolio changes)	Revised Budget (after outturn adjustments)	Actual	Variation from Revised Budget Over/(Under) spend
	£000	£000	£000	£000
<b>Net Expenditure</b>				
Health and adult social care	41,096	41,942	43,030	1,088
Children's services	23,352	23,880	23,933	53
Environment	9,399	9,634	9,645	11
Leisure, culture and young people	4,575	5,331	5,290	(41)
Neighbourhood and prevention services	2,109	2,046	2,221	175
Regeneration	8,267	8,940	9,265	325

Resources	17,291	17,629	17,588	(41)
Schools and education (Non-DSG)	5,249	4,642	4,506	(136)
<b>Portfolio budgets inside cash limits</b>	<b>111,338</b>	<b>114,044</b>	<b>115,478</b>	<b>1,434</b>
<b>Portfolio budgets outside of cash limits</b>				
Depreciation and other capital charges to portfolios	11,612	11,612	25,636	14,024
Support recharges to schools block	(2,004)	(2,004)	(2,004)	0
Net surplus on schools budgets	0	0	864	864
<b>Net portfolio expenditure</b>	<b>120,946</b>	<b>123,652</b>	<b>139,974</b>	<b>16,322</b>
Contribution from schools for prudential borrowing	(650)	(650)	(650)	0
Contribution to capital expenditure	130	1,585	800	(785)
Interest and debt repayment	11,251	10,802	(7,700)	(18,502)
Amounts to be allocated / contingencies	362	3,597	3,133	(464)
Parish councils	182	182	182	0
<b>Total net expenditure</b>	<b>132,221</b>	<b>139,168</b>	<b>135,739</b>	<b>(3,429)</b>
Contribution (from)/to reserves	(3,217)	(9,851)	(6,150)	3,701
<b>Total net budget</b>	<b>129,004</b>	<b>129,317</b>	<b>129,589</b>	<b>272</b>
<b>Financed by:</b>				
Non-ringfenced Government grants	(61,638)	(61,951)	(62,223)	(272)
Non-domestic rates	(22,928)	(22,928)	(22,928)	0
Council tax	(44,079)	(44,079)	(44,079)	0
Net deficit on Collection Fund	(359)	(359)	(359)	0
<b>Total financing</b>	<b>(129,004)</b>	<b>(129,317)</b>	<b>(129,589)</b>	<b>(272)</b>

### 6.1.2 Performance Against Cash Limits

Appendix 1 details the portfolio cash limits approved by the Executive Board in February 2017 together with the details of the adjustments recommended to the Board for approval in this report. 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
- transfers from contingencies
- transfers to earmarked or unallocated reserves in respect of grants / contributions and other budget carryover requests

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

#### Health & Adult Social Care

The portfolio spent £1.088 million (or 2.59%) above its adjusted cash limit as noted below.

## **Adult Social Care**

The portfolio had reported pressures in the region of £1.2 million during the year due to the continuing upward trend in demand pressures and the increasing complexity of service needs impacting on commissioned services. Pressures across the commissioning budgets totalled around £1.8 million due to increased costs for residential care, direct payments and a proportion of clients with very complex needs such as dementia, with higher costs of care. The portfolio mitigated some of the demand pressures through the use of the Better Care Fund contingency, management of staffing costs and through negotiation with the NHS in relation to Continuing Health Care (CHC) for complex needs service users. However not all of the pressures could be contained and the actual net position at the year-end was an overspend of £1.088 million against the cash limit.

The pressures on Adult Social Care budgets are not just localised to Blackburn with Darwen; the pressures have been widely recognised and reported at a national level in the media and the Government has now allocated additional resources to Local Authorities from 2017/18 through the Improved Better Care Fund.

## **Public Health**

The department has achieved a breakeven position at outturn after the transfer of ring-fenced grant funding of £93,000 to the Public Health Reserve and £87,600 to the Transforming Lives Reserve. These transfers arise as a result of slippage and will be utilised for continuation of the programmes to which they relate in 2017/18.

## **Children's Services**

Children's services identified cost pressures during the year due to increasing social work caseloads in respect of vulnerable children. The portfolio managed to contain the majority of these costs through other savings achieved, resulting in an overspend of £53,000 at the year-end largely due to the increasing expenditure on commissioned placements.

## **Environment**

The portfolio ended the year with an overspend of £10,800 against their cash limit which was a significant improvement on their forecast overspend of £130,000 reported earlier in the year. The improvement related to increased car parking income and other cost savings.

A £30,000 revenue contribution has also been made to the Local Transport Plan capital scheme to cover the costs of road safety measures in the Edgworth area. Approval is requested for this transfer.

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

The portfolio spent £40,600 below its adjusted cash limit, having previously reported an overspend of £104,000. The improvement relates to increased savings on staffing costs and increased income in the Leisure budgets.

## **Neighbourhoods & Prevention**

The final outturn position was an overspend of £174,700, having previously reported an overspend of £191,000. The variation relates to additional income for temporary accommodation.

## **Regeneration**

The final outturn for the portfolio including Growth Lancashire (formerly RPL) was an overspend of £325,400.

The portfolio had previously reported the pressures it was trying to contain in relation to the Highways Asset Management Integrated Service (HAMIS) and the Traffic Signal Maintenance budgets. At the year-end additional pressures were also identified on the Mall Market and Bus Station budgets connected to a fall in income and increases above the level of business rates that had been anticipated. These pressures were offset in part by savings on property services and public transport concessionary fares.

## **Resources**

Approval is required for a total transfer of £158,083 from contingency to cover costs to support the workforce review and apprentices training needs, as detailed in Appendix 1.

Based on the inclusion of the above cash limit adjustment, the portfolio ended the year with an underspend of £41,600 against budget. Cost pressures in relation to Cathedral Quarter and childcare legal cases were offset by significant in year savings in the Revenue and Benefits Team following the transfer back to in-house provision at the start of the financial year.

## **Schools & Education**

The portfolio returned an underspend of £136,000 against the cash limit due to additional savings on staff costs within their business support team, lower than expected spend on Special Educational Needs (SEN) transport and additional income received.

Approval is requested for the transfer of £30,000 as a revenue contribution to the Crosshill modular build capital scheme to assist in covering the overspend costs on this scheme; this is included in the underspend position reported.

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

Schools & Education is funded through the Dedicated Schools Grant (DSG) and Pupil Premium. This is monitored by the Schools Forum at which financial reports are considered on a regular basis.

The net deficit of £864,000 comprises of a deficit of £2.052 million from individual schools, offset by a surplus of £1.188 million in respect of centrally retained budgets. The overspend on budgets delegated to individual schools results in a reduction in the carried forward level of reserves to £6.253 million.

## **Depreciation and Other Capital Charges To Portfolios**

In the table at 6.1.1, £25.636 million spend on depreciation and other capital charges includes other charges resulting from year end capital accounting adjustments (comprising impairment, revaluation losses and revenue expenditure funded by capital under statute (REFCUS expenditure), which will always result in a significant variation. These Capital charges are offset by related adjustments in the interest and debt repayment line.

## **Interest and Debt Repayment**

As well as the capital charge adjustments referred to above, the outturn variation of £4.394 million in respect of the reduced MRP (Minimum Revenue Provision) charge, following an in year review of the Council's MRP Policy and other minor variations, includes savings on interest on borrowings of £15,000 and increased interest and dividends earned on cash balances of almost £70,000.

## **6.2 General Fund Unallocated Reserves**

The table below shows the final movements in unallocated reserves since the last Executive Board report in February 2017.

	£'000	£'000
Forecast unallocated reserves as per Executive Board Report February 2017		4,974
<i>Transfers to / from unallocated reserves</i>		
Net savings in respect of interest and debt repayment	+ 4,478	
Contingencies no longer required and transferred into unallocated reserves	+ 243	
Additional government grant income	+ 272	
Net savings on "ringfenced" budgets	+ 29	
Other net variations	+ 7	+ 5,029
Net overspendings on portfolios	- 1,434	
Transfer to "Future Demand Pressures" Reserve	- 2,200	
Transfer to "Review of services provided by Strategic Partnership" reserve	- 100	
Transfer to "Legal Advice" reserve	- 80	- 3,814
<b>Balance on unallocated general fund reserves at 31 March 2017</b>		<b>6,189</b>

### 6.3 Earmarked reserves

Total earmarked reserves stand at £13.874 million at 31<sup>st</sup> March 2017 comprising discretionary reserves for use by the Council of £12.050 million and reserves that are non-discretionary and specified for specific purposes of £1.824 million. Other earmarked reserves, which largely comprise reserves held in respect of schools, are £17.282 million.

Details of the requested application of reserves are included in Appendix 1.

Details of all earmarked reserve balances at 31<sup>st</sup> March 2017 are shown in Appendix 2. This Appendix shows all movements in the specific reserves since the February Executive Board report including:

- utilisation of the individual reserves
- increases made to these reserves either from unallocated reserves as noted above or from revenue contributions to capital that are have not been spent in 2016/17
- specific revenue contingency budgets no longer required in 2016/17

### 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>	0.01
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<b>CONTACT OFFICER:</b>	<b>Simon Ross (Ext 5569) Julie Jewson (Ext 5893)</b>
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<b>DATE:</b>	01 July 2017
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<b>BACKGROUND PAPER:</b>	N/A
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