



EXECUTIVE BOARD DECISION

REPORT OF: Executive Member for Resources

LEAD OFFICERS: Director of Finance and IT

DATE: 09 November 2017

**PORTFOLIO/S
AFFECTED:** All

WARD/S AFFECTED: All

KEY DECISION: YES NO

SUBJECT: CORPORATE REVENUE BUDGET MONITORING REPORT QUARTER 2 - 2017/18

1. EXECUTIVE SUMMARY

To report the overall revenue financial position of the Council, highlighting any significant issues and explaining variations in the first quarter of the financial year.

2. RECOMMENDATIONS

The Executive Board is asked to approve:

- the portfolio budget adjustments outlined in Appendix 1.
- the Earmarked reserves position shown in Appendix 2
- the variations to revenue expenditure, as listed in Section 6, giving rise to a forecast balance of £6.224 million in the unallocated General Fund revenue reserve at 31st March 2018.

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 revenue expenditure at 30th September 2017 in relation to controllable budgets across all portfolios was £50.598 million, which is 46.34% of the current budget. Further details relating to the financial position of each portfolio are outlined in Section 6.

b) General Fund unallocated reserves are forecast to be £6.224 million at 31st March 2018 based on information available at this point in time.

c) Based on the information currently available, earmarked reserves available for discretionary use within the Council are forecast to be £11.972 million at 31st March 2018 compared with a balance of £13.874 million at 31st March 2017, with a further £17.282 million of other reserves held mainly in relation to schools.

5. POLICY IMPLICATIONS

The information contained within the report accords with the three year budget forecast within the Medium Term Financial Strategy 2017-20, as approved at Finance Council on 27th February 2017.

6. FINANCIAL IMPLICATIONS

6.1 CONTROLLABLE BUDGETS AND REVENUE EXPENDITURE

6.1.1 Revenue Budget Overview

Given the scale of the financial challenge faced, throughout the course of 2016/17 Executive Members and Officers continued to review all services and worked to develop options to deliver budget reductions as part of a £15 million savings programme.

The budget for 2017/18 and the Medium Term Financial Strategy (MTFS) reflected these savings, as well as the other measures taken to address reductions in funding. The implementation of the savings programme within the challenging timescales set, and delivering this in the face of further increases in demand and demographic pressures, will be critical to balancing the revenue account this year.

6.1.2 Performance Against Controllable Budgets

Appendix 1 details the portfolio controllable budgets approved by the Executive Board in August 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 Earmarked reserves in respect of grants / contributions and other budgets approved for carry forward from 2016/17

In addition, a corporate budget adjustment has been made to realign insurance budgets across all portfolios.

The principle issues for each portfolio are as follows:

Health & Adult Social Care

Adult Social Care

At the end of period 6 monitoring, the portfolio is continuing to face significant and increasing pressures consistent with the trend experienced last year. The portfolio was reporting overall commissioning budget pressures in the region of £2.7 million due to increased activity in nursing and domiciliary care as well as increases in the cost of individual care packages. These pressures have been partly mitigated by agreed allocation of iBCF funding in 2017/18. It is proposed to transfer £1.4 million from the Social Care Demand Reserve (increased previously from iBCF), to further mitigate these increased pressures.

A transfer of £126,000 from the part year effect / slippage reserve is also requested to help alleviate pressures which have arisen due to the timing of contractual changes in respect of the planned savings programme for the supporting people service.

Subject to Executive Board approval of the above budget transfers, the overall net forecast outturn position for the portfolio, at the end of quarter 2, is broadly in line with its controllable budget. The breakeven position for the year takes into consideration managed staffing savings as well as a potential transfer from the Better Care Fund contingency.

The current forecast does not take into account potential changes in commissioning activity and cost of care packages in the coming winter months. This is likely to impact on the forecasted outturn position. Forecasts will be refined throughout the year and updated information will be presented to SPT every month.

Public Health

There are no significant issues to raise at this time, the portfolio is predicting a break even budget position.

Children's Services

In line with 2016/17, the portfolio has identified cost pressures for the year ahead due to increasing social work caseloads in respect of vulnerable children, combined with increasing expenditure on commissioned placements and special guardianship orders. Whilst the majority of these costs were contained in 2016/17 through other savings achieved in the portfolio, in line with the delivery of the savings programme, many of these savings have now been removed from the budget thereby reducing the ability to mitigate the difficult financial position.

These, and other areas of the budget, are being closely monitored and will be refined as further information becomes available over the coming months. However it is clear at this point that with increasing costs, the removal of those savings that had been available in previous years, and a challenging savings programme to be delivered, it will be a difficult financial year and it is unlikely that the Portfolio will be able to contain these cost pressures. The projected position of a £1,380,100 overspend is based on current levels of demand and does not take into account any further increases in demand between now and the end of the financial year.

Environment

As previously reported the main pressure faced is in respect of the Household Waste Recycling contract, the portfolio is currently looking at options to contain these costs.

Leisure, Culture and Young People

Cost pressures that have been identified and options are being explored to contain these within the existing portfolio budget.

Neighbourhoods & Prevention

The portfolio is predicting a break even budget position.

Regeneration

Cost Pressures have consistently been reported in both the Outturn Revenue Budget Monitoring Report 2016/2017 and the Quarter 1 Revenue Budget Monitoring report 2017/2018, relating to highways and markets. The portfolio has identified cost pressures in the region of £1.1million and whilst they are looking at all options to mitigate these pressures these will not be able to be contained within budget.

Resources

Resources portfolio is reporting a break even budget position but may need to utilise some of the earmarked slippage reserve to address shortfalls on savings targets that cannot be met in full in 2017/18. The required figure will be finalised as the financial year progresses.

Schools & Education

The portfolio is reporting pressures on SEN Transport budget however it is anticipated these can be managed within the portfolio. Therefore the portfolio are forecasting a break even position as 31 March 2018.

Dedicated Schools Grant / Schools Block

Services in Schools & Education (DSG) are currently predicted to spend the funding available in 2017/18 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.

6.2 General Fund Unallocated Reserves

	£'000
Unallocated reserves as per Executive Board Report August 2017	6,192
Transfers from Unallocated reserves	
Funding for Pest Control Officer - 12 months fixed term contract	(41)
Transfers to Unallocated reserves	
Reverse previous transfer to fund for Legal support in relation to DoLS cases	73
Forecast balance on Unallocated General Fund reserves at 31 March 2018	6,224

6.3 Earmarked Reserves

The level of Earmarked reserves held for discretionary use by the Council at 30th September 2017 is currently expected to reduce to £11.972 million compared with the outturn position of £13.874 million as at 31st March 2017.

Summary of movement	£'000
Earmarked reserves available for discretionary use as per Executive Board Report August 2017	15,445
Used to finance capital schemes:	
- Office Accommodation and property improvements (Bangor St car park)	(21)
- New Homes bonus reserve (Development Investment Fund)	(44)
- Developers Contributions (S106) (Affordable Homes - £126,800 / Woolridge Playing Fields £211,500 / Gib Lane / Livesey Branch Road £291,000)	(629)
Release to portfolios of grants and budgets carried forward from 2016/17 into 2017/18 (included in Appendix 1)	(275)
Utilise Developers Contributions (S106 income) to support revenue budgets	(74)

(included in Appendix 1)	
Support for redundancy and pension strain costs (included in Appendix 1)	(754)
Support for part year effect of future savings plans (included in Appendix 1)	(276)
Social Care Demand Reserve/Improved Better Care Fund	(1,400)
Forecast balance on Earmarked reserves available for discretionary use at 31 March 2018	11,972

Other earmarked reserves, largely in respect of schools, are currently held of £17.282 million.

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

VERSION: V 0.1

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DATE:	27 th October 2017
BACKGROUND PAPER:	N/A