

EXECUTIVE BOARD DECISION



REPORT OF:	Executive Member for Finance and Governance
LEAD OFFICERS:	Director of Finance and Customer Services
DATE:	11 June 2020

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

SUBJECT: CORPORATE REVENUE BUDGET MONITORING REPORT QUARTER 4 - 2019/20 OUTTURN POSITION

1. EXECUTIVE SUMMARY

The report details the overall revenue position of the Council for the year ended 31st March 2020, highlighting the key issues for review. 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 budget adjustments outlined in Appendix 1.
- carry forward of the specific amounts shown in Appendix 1 from 2019/20 to 2020/21.
- 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 £7.173 million on the unallocated General Fund revenue reserve at 31st March 2020.

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

Actual net revenue expenditure at 31st March 2020 was £140.802 million, compared to an original budget of £137.345 million i.e. an increase in net expenditure of £3.457 million.

Portfolio controllable expenditure, including Schools & Education (DSG), was £118.997 million for the year, which was £2.777 million more than the revised budget of £116.220 million, approved by Executive Board in February 2020.

General Fund unallocated reserves are £7.173 million at 31st March 2020, compared to £5.902m million at 31st March 2019. The increase relates to a number of transfers both to and from unallocated reserves that were approved during the year, together with final outturn adjustments detailed in Section 6.

The Council holds earmarked reserves of £19.152 million for discretionary purposes. These include;

- £1.075 million to fund improvements to assets and infrastructure
- £2.604 million to meet the cost of downsizing and transformation in future years, including potential redundancy costs
- £3.341 million for People services, including amounts set aside to meet future demand pressures
- £1.111 million for Place and Resources services
- £0.163 million set aside in respect of welfare and local taxation reform.
- £8.309 million in respect of grants, contributions and other budgets carried forward from 2019/20 to 2020/21 to meet specific costs (this includes £5.151 million in respect of the first tranche of COVID 19 funding from central government received late in March 2020).
- £2.549 million set aside for specified purposes.

The Council also holds reserves of £9.114 million in relation to expenditure for Schools and Education, and £0.365 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 2019-22, as approved at Finance Council on 25th February 2019.

6. FINANCIAL IMPLICATIONS

6.1 REVENUE BUDGETS AND EXPENDITURE

6.1.1 Revenue Budget Overview

Portfolio controllable budgets were overspent by £5.312 million at 31st March 2020; this has been funded through the Council's reserves. The summary of the outturn revenue position is as follows:

	Original Budget (after portfolio changes)	Revised Budget (incl outturn adjustments at Appendix 1)	Actual Outturn	Variation from Revised Budget Over/ (Under) spend
Net Expenditure	£000	£000	£000	£000
Adults & Prevention Services	50,035	49,811	49,523	(288)
Public Health and Wellbeing	2,323	1,995	1,829	(166)
Children, Young People & Education	30,782	30,950	34,615	3,665
Environmental Services	8,926	8,795	8,619	(176)
Growth & Development	7,705	6,322	6,312	(10)
Digital & Customer Services	5,526	5,611	5,361	(250)
Finance & Governance	10,804	11,142	10,650	(492)
Schools and Education (DSG)	(941)	(941)	2,088	3,029
Net portfolio controllable expenditure	115,160	113,685	118,997	5,312
Contribution from schools for prudential borrowing	(650)	(650)	(650)	0
Contribution to capital expenditure	300	1,073	1,073	0
Interest and debt repayment	19,559	17,929	17,787	(142)
Amounts to be allocated / contingencies	4,151	2,897	2,897	0
Parish councils	184	184	184	0
Total net expenditure	138,704	135,118	140,288	5,170
Contribution (from)/to reserves	(1,359)	7,684	2,878	(4,806)
Total net budget	137,345	142,802	143,166	364
Financed by:				
Non-ringfenced Government grants	(53,234)	(58,691)	(59,055)	(364)
Non-domestic rates	(30,843)	(30,843)	(30,843)	0
Council tax	(52,758)	(52,758)	(52,758)	0
Net deficit on Collection Fund	(510)	(510)	(510)	0
Total financing	(137,345)	(142,802)	(143,166)	(364)

6.1.2 Performance against budgets

Appendix 1 details the portfolio budgets at 31st December 2019, as approved by the Executive Board in February 2020 (totalling £116.220 million), together with the details of all of the adjustments recommended to the Board for approval in this Quarter 4 Outturn report; these result in a revised total budget allocation across the portfolios of £113.685 million, and reflect:

- transfers to and from earmarked reserves to support spending on specific schemes for which these reserves were established, or to replenish these reserves
- transfers from unallocated reserves to support budget pressures
- transfers to unallocated reserves in respect of savings made
- transfers from sums held in contingencies
- transfers to earmarked or unallocated reserves in respect of grants / contributions and other year-end budget carryover requests

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

Adults and Prevention Services

The final outturn position for the portfolio was an underspend of £288,000. Principally, the variation reflects an overspend of £623,000 on external commissioning budgets, offset by contributions in respect of the Disabled Facilities Grant administration fee of £161,000 and Adult Personal Social Services funding of £139,000 together with other managed savings across the portfolio, predominantly on staffing.

Throughout the course of 2019/20 the portfolio has faced pressures from demand on the commissioned services budget. However the implementation of demand management strategies, delivering savings as part of budget strategy, and management of transitions have assisted in mitigating these pressures as far as possible.

It is anticipated that these pressures will continue into 2020/21 and so the department has plans in place to review specific areas of the commissioning budget to try to contain costs and continue developing further efficiency programmes going forward. These include review in the area of joint financing, invest to save opportunities to facilitate more effective demand management and contract negotiation to reduce void costs.

Public Health and Wellbeing

The portfolio ended the year with an underspend of £165,000 in relation to Leisure & Culture services. In the main this was due to income performance being better than expected for budget heads in the area of halls & entertainment as well as public halls hospitality exceeding the income targets.

The Public Health department has achieved a breakeven position at outturn, following the transfer of ring-fenced grant funding of £422,000 to the Public Health Reserve. The transfer relates to agreed and contracted expenditure, in respect of programmes that will continue into 2020/21.

Children, Young People and Education

As reported throughout the year, the Children's Services portfolio continued to experience increased levels of demand resulting in significant cost pressures in 2019/20. The portfolio's final position for the year shows an overspend of £3,665,300. Efforts have been made wherever possible to contain these costs and a new Duty and Advice service has been introduced in order to manage the "front door" and

assessment activity more effectively. This new service has had a positive impact and the numbers of referrals have been reduced significantly, however it will take time before we see fewer numbers of 'looked after' children and a resultant reduction in the cost pressures.

The main variations arose across the placement budgets, with the largest overspend being £4,014,000 against externally commissioned placements. Other significant overspends were seen against special guardianship orders (£548,000) and the fostering service (£491,000). These cost pressures were partially offset by utilisation of external funding and other savings achieved across the remainder of the portfolio.

Environmental Services

The portfolio had forecast a breakeven position for the year end, however savings on waste disposal arising from reduced tonnages offset the portfolio pressures and has resulted in an underspend at outturn of £176,000.

Growth and Development

The portfolio had previously reported pressures in respect of highway maintenance, the Mall market and the bus station but following action taken to mitigate these pressures during the year, the outturn position resulted in a minor underspend of £10,000.

Digital and Customer Services

The portfolio had forecast an underspend of £250,000 at the end of Quarter 3 due to restructure within the ITM&G Team and a number of vacancies held during the year, the final outturn position is as previously forecast.

Finance and Governance

The portfolio has underspent by £492,000 having previously reported a break even position. There are two main reasons for this variance; a significantly better than forecast outturn on our profit share agreement with the Mall for 2019/20, and increased income from commercial rents.

Dedicated Schools Grant / Schools Block

Schools and Education is primarily funded by the Dedicated Schools Grant (DSG). Expenditure against this grant is monitored by the Schools Forum, at which financial reports are considered on a regular basis.

The reported deficit of £3.029 million is made up of a reduction across all of the individual school balances of £736,000, and an overspend of £2,293,000 in respect of centrally retained budgets. The majority of the latter is attributable to the High Needs Block and is due to demand pressures in respect of children with Special Educational Needs. The Department for Education (DfE) have invested an additional £2.2 million (12%) into the Council's High Needs Block in the financial year 2020/21.

The above variations reduce the level of the School Balances Reserve to £5.274 million and the Dedicated Schools Grant Reserve to £3.840 million.

6.2 General Fund Unallocated Reserves

The table below shows the movements in unallocated reserves since the last Executive Board report in February 2020.

	£'000	£'000
Forecast unallocated reserves as per Executive Board Report February 2020		8,876
<i>Transfers to / from unallocated reserves</i>		
Net savings in respect of interest and debt repayment costs	142	
Carbon Reduction Commitment saving	290	
Additional government grant income	350	
Funding for PFI affordability gap	(95)	
Net increase in "ringfenced" budgets	(76)	
Other net variations	(31)	
		580
Net cost of portfolio overspends (excluding Schools & Education DSG)		(2,283)
Balance on unallocated general fund reserves at 31 March 2020		7,173

6.3 Earmarked reserves

Total earmarked reserves stand at £28.631 million at 31st March 2020 comprising reserves for discretionary use by the Council of £19.152 million and other earmarked reserves of £9.479 million, which largely comprise reserves held in respect of schools.

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

Details of all earmarked reserve balances at 31st March 2020 are shown in Appendix 2. This Appendix shows all movements in the specific reserves since the February 2020 Executive Board report including:

- utilisation of the individual reserves
- increases made to these reserves from unallocated reserves or creation of new reserves
- revenue contributions made to capital that are no longer required in 2019/20
- transfers to reserves in respect of grants / contributions and other budgets for carry forward from 2019/20 into 2020/21

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

Not applicable

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:	0.01
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CONTACT OFFICER:	Julie Jewson (Extn 5893)
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DATE:	28 th May 2020
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BACKGROUND PAPER:	N/A
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