



EXECUTIVE BOARD DECISION

REPORT OF:	Executive Member for Resources
LEAD OFFICERS:	Director of Finance and Customer Services
DATE:	14 February 2019

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 3 - 2018/19

1. EXECUTIVE SUMMARY

To report the overall revenue financial position of the Council, highlighting any significant issues and explaining variations in the third 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 at 31st December 2018, as shown in Appendix 2
- the variations to revenue expenditure, as listed in Section 6, giving rise to a balance of £6.038 million in the unallocated General Fund revenue reserve at 31st December 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 31st December 2018 in relation to controllable budgets across all portfolios was £81.62 million, which is 71.27% of the current budget. Further details relating to the financial position of each portfolio are outlined in Section 6.1.2.
- b) Subject to Executive Board approval of the proposed adjustments, General Fund unallocated reserves are £6.038 million at 31st December 2018 compared to the minimum level of unallocated reserves agreed at Finance Council in February 2018 of £4.0 million; it must be noted however, that the movements in unallocated reserves (as detailed in section 6.2), do not take account of any requirement to fund the projected portfolio overspends outlined in section 6.1.2 below.
- c) Earmarked Reserves available for discretionary use within the Council are £11.052 million at 31st December 2018 compared with a balance of £10.919 million at 30th September 2018, with a

further £12.593 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 2018-21, as approved at Finance Council on 26th February 2018.

6. FINANCIAL IMPLICATIONS

6.1 CONTROLLABLE BUDGETS AND REVENUE EXPENDITURE

6.1.1 Revenue Budget Overview

In light of the Local Government Finance Settlement for 2018/19 and the financial constraints on the authority, the Leader and the Executive Members continue to work with Officers to review the allocation and use of resources, including continued review of all expenditure and income budgets, of contractual commitments and property holdings and the implementation of savings plans, set within the context of the Council's statutory responsibilities and corporate priorities.

A balanced budget for 2018/19 was approved at Finance Council on 26th February 2018. This was predicated on estimates and assumptions that are not without risk. All pressures, risks and the delivery of the agreed savings programmes continue to be monitored and reported to Executive Board.

6.1.2 Performance Against Budgets

Appendix 1 details the portfolio controllable budgets as at 30th September 2018, as approved by the Executive Board in November 2018, together with details of the adjustments recommended to the Board for approval for the period through to 31st December 2018. These include:

- budget virements (transfers) between portfolios
- transfers from Earmarked reserves to support spending on specific schemes for which these reserves were established
- transfers to/(from) Unallocated reserves in respect of additional funding received/reserve utilised
- transfers from Earmarked reserves in respect of grants / contributions and other budgets approved for carry forward from 2017/18
- transfers to Earmarked reserves in respect of grants / contributions received and from other budgets

The principle issues for each portfolio at the end of the third quarter of the year are as follows:

Health & Adult Social Care

Adult Social Care

Budget monitoring, based on current demand levels and information presently available, indicates a break even position for the portfolio by the 31st March 2019. Increased demand pressures persist in the external commissioning budgets, which is a continuation of the significant pressures that the portfolio faced in 2017/18, due to increased activity and the increase in the cost of some care packages.

Detailed review of all budget heads is undertaken throughout the year and the impact of fluctuating demand is monitored closely. Earmarked reserves have been utilised previously to support the increasing pressures on Adult Social Care, the in-year cost of implementing the portfolio's demand management strategy and the reduction in delayed transfers of care from the hospital system. As such, the Council has utilised the ASC Winter Pressures grant allocation of £764,416 in 2018/19 to

assist in easing these pressures, which will therefore reduce the in-year call on earmarked reserves.

Public Health

Public Health is currently projected to breakeven in 2018/19 based on the position at the end of the third quarter of the year. Given the Public Health grant remains as a ring-fenced grant, any underspend arising in year will be requested for carry forward.

Children, Young People and Education

The projected outturn for the portfolio at the year-end is an overspend of £1.248 million based on current levels of demand, the delivery of planned savings and other mitigation. Whilst there are variances across all budget codes, the largest variations are seen in Family Group Conferencing, Assessment and Safeguarding and Special Guardianship Orders. These are currently being offset to a degree by underspends and grant income on other areas including the Foster Care Payment budget.

The most significant pressure is on Commissioned Placements. The projections of final spend do not take into account any further increases in demand, nor do they include the potential for any new placement costs between now and the end of the financial year. The portfolio continues to review all activity and their placements strategy to contain any new placement costs where possible.

Dedicated Schools Grant (DSG) / Schools Block

Services in Schools & Education (DSG) are currently forecast to spend the funding available in 2018/19 through the DSG and Pupil Premium.

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

Environment

The portfolio is predicting an overspend of £1.0 million; in the main this comprises of a shortfall against income budgets of £826,000 and a pressure of £464,000 on waste related budgets arising from increases in waste tonnages and the increase in costs following the re-tender of the Household Waste Recycling contract. This is offset by £290,000 of other savings across other budgets within the portfolio.

Leisure and Culture

Cost pressures of £698,000 across the Leisure Centres and Pools have been identified. Action is being taken to address £135,000 of these pressures in year, leaving an outstanding pressure of £563,000. The portfolio continues to review the budgets and to develop and implement plans to contain costs wherever possible. Arrangements are already in place to address these pressures in full in 2019/20.

Neighbourhood & Prevention Services

The portfolio has identified cost pressures of £83,500 arising from potential shortfalls against income budgets and a potential overspend in relation to Bed and Breakfast costs. The portfolio expects to negate the impact of these pressures by the year end through other income streams and through rebasing and re-profiling budgets across the portfolio.

Regeneration

Maintenance of the highways and pot hole repairs has given rise to a £310,000 cost pressure on the Regeneration budgets. In addition, cost pressures and income budget shortfalls on the Markets have also added a further £280,000 to this overspend. Action has been taken to mitigate most of these

pressures during the year through savings identified and the re-alignment of budgets; as such the portfolio is currently predicting to break even by the year end.

Resources

The portfolio has sought to contain cost pressures from both the Legal Services budget arising from the increase in the number of childcare legal cases and other prosecutions, and the slippage in delivery of the final portfolio contributions to the workforce review savings programme. As such it expects to deliver a break even position at year-end.

6.2 General Fund Unallocated Reserves

	£'000
Unallocated Reserves as per the November 2018 Executive Board Report	5,686
Transfers from Unallocated reserves	
Reduction in income target re Temporary Accommodation – Benefits ringfenced budget	(46)
Increase in interest and debt repayment costs	(91)
Costs associated with the end of the Strategic Partnership and the transition of services back to the Council – balance after fully utilising the earmarked reserve (see section 6.3 below)	(161)
2018/19 contribution made towards to the 'Pennine Lancashire Together a Healthier Future programme'	(40)
Transfers to Unallocated reserves	
Additional grant allocation – Business Rates Retention Levy Account surplus*	673
Property Search New Burdens Grant	15
Increase in allowance received for Cost of Business Rates Collection	2
Balance on Unallocated General Fund reserves at 31 December 2018	6,038

The movements in unallocated reserves detailed above do not take account of any requirement to fund portfolio overspends as report in section 6.1 above.

*Within the Local Government Finance Settlement, the government notified authorities of its intention to distribute £180 million of levy account surplus, generated by the Business Rates Retention scheme, on the basis of each authority's 2013-14 settlement funding assessment. This one-off refund, which is due to be received during February 2019, is £672,762 for Blackburn with Darwen Council.

6.3 Earmarked Reserves

Taking account of the adjustments highlighted at Appendix 2, the level of Earmarked reserves held for discretionary use by the Council at 31st December 2018 will increase to £11.052 million compared with £10.919 million as at 30th September 2018

Summary of movement	£'000
Earmarked reserves available for discretionary use as per Executive Board Report November 2018	10,919
Release of One Public Estate grant carried forward from 2017/18 into 2018/19	(256)
Release of Schools Improvement (SSIF) carried forward from 2017/18 into 2018/19	(124)
Release of Linking Network funding carried forward from 2017/18 into 2018/19	(7)
To fund ER/VR and pension strain costs across all portfolios	(306)
Release of Welfare and Council Tax Reforms reserve to fund support for Universal	(90)

Credit through co-location of Council and Shelter staff in the DWP offices	
Release of Digital Programme Reserve	(95)
Release of Office Accommodation and Property Improvements Reserve to fund corporate accommodation work	(75)
Release of Strategic Partnership reserve to fund costs associated with the end of the Strategic Partnership	(57)
Release of S106 contributions reserves to fund revenue costs at Knott Street, Darwen	(3)
Release of S106 contributions reserves to fund capital scheme costs	(134)
Carry forward S106 contributions re Spring Vale Gardens	2
Return to Office Accommodation and Property Improvements Reserve re carry forward of financing for Griffin Lodge capital scheme	300
Adult Social Care Winter Pressures Grant	765
Brexit Preparation Funding received and establishment of reserve	105
Carry forward Homelessness Reduction Act New Burdens Grant to 2019/20	57
Flexible Homelessness Support Grant retained in Welfare and Council Tax Reforms reserve	51
Balance of reserves at 31st December 2018	11,052

Other Earmarked reserves, held largely in respect of schools, are £12.593 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

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:	V0.2
CONTACT OFFICER:	Simon Ross (Ext 5569) Julie Jewson (Ext 5893)
DATE:	1 February 2019
BACKGROUND PAPER:	N/A