



# EXECUTIVE BOARD DECISION

**REPORT OF:** Executive Member for Finance and Governance

**LEAD OFFICERS:** Director of Finance and Customer Services

**DATE:** 8th August 2019

**PORTFOLIO/S  
AFFECTED:** All

**WARD/S AFFECTED:** All

**KEY DECISION:** YES  NO

**SUBJECT: CORPORATE REVENUE BUDGET MONITORING REPORT QUARTER 1 - 2019/20**

## 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 cash limit 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 balance of £7.022 million in the unallocated General Fund revenue reserve.

## 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 30<sup>th</sup> June 2019 in relation to cash limited budgets across all portfolios was £18.771 million, which is 16.01% of the current budget. Further details relating to the financial position of each portfolio are outlined in Section 6.

b) Subject to Executive Board approval of the proposed adjustments, General Fund unallocated reserves are £7.022 million at 30<sup>th</sup> June 2019 compared to the minimum level of unallocated reserves agreed at Finance Council in February 2019 of £4.0 million.

c) Based on the information currently available, Earmarked Reserves available for discretionary use within the Council are £9.490 million at 30<sup>th</sup> June 2019 compared with a balance of £14.464 million at 31<sup>st</sup> March 2019, with a further £12.560 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 2019-22, as approved at Finance Council on 25<sup>th</sup> February 2019.

## **6. FINANCIAL IMPLICATIONS**

### **6.1 CASH LIMITS AND REVENUE EXPENDITURE**

#### **6.1.1 Revenue Budget Overview**

In light of the Local Government Finance Settlement for 2019/20 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 2019/20 was approved at Finance Council on 25<sup>th</sup> February 2019. This was predicated on estimates and assumptions that are not without risk;

- Risk that the forecast and provisions for demand are outstripped
- Risk that the expected income streams are not realised
- Risk that the use of strategic reserves may not be possible

These pressures, savings and risks will be continuously monitored throughout the financial year and reported to Executive Board.

It should also be noted that meetings between Leadership and the Executive Members and Directors of each portfolio took place in July to identify plans for addressing in- year budget pressures and to start to formulate the 2020-21 budget strategy. Work will continue over the summer to report back to Management Board and to Leadership in September with a refined forecast outturn for 2019/20 and draft budget figures for 2020/21, along with details of the assumptions that underpin these.

#### **6.1.2 Performance Against Cash Limits**

Appendix 1 details the portfolio cash limits approved by the Executive Board in February 2019 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 from Earmarked reserves in respect of grants / contributions and other budgets approved for carry forward from 2018/19

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

#### **Adults & Prevention Services**

On the basis of current levels of demand and information presently available, spend for the portfolio for 2019/20 is predicted to be break-even. Early indicators show increased demand pressures of around £360,000 in the area of external commissioning budgets, however, it is expected that these can be mitigated by savings across other budget heads within the portfolio.

Detailed review of all budget lines is undertaken throughout the year and the impact of fluctuating demand is considered in the predicted financial position. It is assumed within the budget that all increased demand will be contained through demand management strategies in place.

A balanced budget for the portfolio is predicated on the strategy of delivering savings agreed as part of the budget setting process and managing any financial risks arising during the year, e.g. the transition of individuals into Adult Social Care from Children's Services.

Early monitoring in the area of Neighbourhoods and Prevention Services suggests an indicative overspend position of £60,000 for the year, however it is expected that this will be managed to achieve a near break-even final outturn position.

### **Public Health & Wellbeing**

Public Health is projected to breakeven in 2019/20 based on the position at the end of the first quarter of the year. The Executive Board is asked to approve the transfer of £229,373 from the Public Health Grant brought forward from 2018/19 within earmarked reserves, to meet budget commitments in the year.

The indicative position in the area of Leisure & Culture at this early stage of the financial year shows potential pressures arising of around £262,000 due to shortfalls in income targets for leisure facilities. The department monitors income levels closely throughout the year due to seasonal changes. Options to address the pressures are currently under consideration and it is anticipated the pressures will be contained resulting in a break even position by the year end.

### **Children, Young People & Education**

In 2018/19 the Children's Services portfolio continued to face mounting cost pressures due to increasing social work caseloads in respect of vulnerable children, combined with increasing expenditure on commissioned placements and special guardianship orders. For 2018/19 the portfolio reported an overspend position of £1.4 million. Both the number of children entering the care system, and the number of looked after children, increased significantly during the latter part of 2018/19 and has continued to rise in the first quarter of 2019/20. As a result, these cost pressures are likely to remain during the course of this year.

To address these ongoing pressures in 2019/20, the portfolio is investing in an alternative placement strategy to re-focus, and build capacity in our more cost-effective 'in-house' services. They will also continue with a programme of workforce transformation to strengthen our 'front door' to respond to, and manage, demand for services more effectively. The aim is to see an impact on demand and a reduce in the number of Looked after Children, Child Protection Orders and Children in Need, with a corresponding reduction in Social Worker caseloads. It should be noted however that these strategies will take time to implement, in order to affect real change and before we see fewer numbers of 'looked after' children, and a resultant reduction in the cost pressures.

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

Services in Schools & Education (DSG) are currently forecast to spend the funding available in 2019/20 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.

### **Environmental Services**

The portfolio has highlighted cost pressures relating to waste budgets and savings targets that are proving no longer to be achievable, however plans are being developed and implemented to address

these shortfalls and as such, a breakeven position is predicted by the financial year end.

## Growth & Development

The portfolio has identified pressures arising from the Mall Market and shortfalls on in year savings targets, however it is forecasting to contain these within its overall cash limit.

## Digital & Customer Services

The portfolio is predicted to break even over the course of the financial year.

## Finance & Governance

The portfolio has identified cost pressures for the year which it is working hard to contain including pressures on the Legal Services budget from the increase in the number of childcare legal cases, and other prosecutions. A number of actions are underway to offset this.

### 6.2 General Fund Unallocated Reserves

	£'000
Unallocated reserves as per the 2018/19 Outturn Executive Board Report	5.902
Transfers (from) Unallocated reserves	
S278 Allocation to Growth & Development portfolio	(0.013)
Transfers to Unallocated reserves	
Increase in reserve re: Leisure equipment pay back adjustment	0.029
Savings in respect of interest and debt repayment	0.350
Increase in reserve from 2019-20 budget strategy	0.754
<b>Balance on Unallocated General Fund reserves at 30 June 2019</b>	<b>7.022</b>

### 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 30<sup>th</sup> June 2019 will decrease to £9.490 million compared with a balance of £14.464 million as at 31<sup>st</sup> March 2019.

Summary of movement	£'000
<b>Balance of reserves at 31<sup>st</sup> March 2019 (as reported to Executive Board in June 2019)</b>	<b>14.464</b>
Use of reserves to support the 2019-20 budget strategy	(2.113)
Release to portfolios of grants and budgets carried forward from 2018/19 into 2019/20 (incl in Appendix 1)	(2.137)
Use of Developers contributions (Section 106) Reserve to fund portfolio revenue expenditure	(0.055)
Use of Developers contributions (Section 106) Reserve to finance capital expenditure	(0.919)
Use of Future Maintenance of Wainwright Bridge reserve to finance capital expenditure	(0.200)
Creation of reserve for future maintenance of Witton Park 3G pitches	0.050
Creation of reserve for future remediation costs at former landfill sites	0.400
<b>Balance of reserves at 30<sup>th</sup> June 2019</b>	<b>9.490</b>

Other Earmarked reserves, held largely in respect of schools, are £12.560 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.

<b>VERSION:</b>	<b>V1</b>
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<b>CONTACT OFFICER:</b>	<b>Julie Jewson extn 5893</b>
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<b>DATE:</b>	31st July 2019
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<b>BACKGROUND PAPER:</b>	N/A
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