



EXECUTIVE BOARD DECISION

REPORT OF:	Executive Member for Finance and Governance
LEAD OFFICERS:	Director of Finance and Customer Services
DATE:	14th November 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 2 - 2019/20

1. EXECUTIVE SUMMARY

To report the overall revenue financial position of the Council, highlighting any significant issues and explaining variations in the second 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 balance of £6.937 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 30th September 2019 in relation to controllable budgets across all portfolios was £46.241 million, which is 39.52% 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 £6.937 million at 30th September 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 £9.858 million at 30th September 2019 compared with a balance of £14.464 million at 31st 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 25th 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 25th 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.

6.1.2 Performance Against Controllable Budgets

Appendix 1 details the portfolio controllable budgets approved by the Executive Board in August 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 to Earmarked and Unallocated reserves

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

Adults & Prevention Services

Based on information currently available and present levels of demand, the financial forecast for the portfolio for 2019/20 is predicted at break-even. Demand pressures in respect of external commissioning budgets are currently reported to be in the region of £632,000, however it is expected that these can be mitigated by savings across other budget heads within the portfolio.

A balanced budget for the portfolio is predicated on 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.

Current monitoring in the area of Neighbourhood and Prevention Services, after allowing for the requested budget transfers, has identified some minor budget pressures but these are expected to be mitigated as the year progresses.

Currently, the estimated net overall pressure for the Adults & Prevention Services portfolio is in the

region of £197,000, however this is expected to be managed as we progress through the year to achieve a break-even final outturn.

Public Health & Wellbeing

Public Health is projected to break even in 2019/20 based on the position at the end of the second quarter of the year.

Subject to the approval of the budget adjustments requested in Appendix 1, the area of Leisure & Culture shows potential pressures arising of around £262,000 due to shortfalls in income targets for leisure facilities including venues. The department monitors income levels closely throughout the year due to seasonal changes. Options to address the pressures are under review and it is currently anticipated that these pressures will be contained.

Children, Young People & Education

The current projected position is an overspend of £2.8 million based on current levels of demand. This has increased significantly from the previous quarter predominantly due to a number of newly commissioned external placements (£500,000), a number of existing commissioned placements having been extended (£2.1 million), and an expected increase in inter-agency adoption fees (£200,000). The reported overspend figure does not factor in any future increases in demand during the remainder of the year, nor does it include any further potential extensions to costly externally commissioned placements. In reality, the portfolio is facing demand pressures in line with those experienced in 2018/2019, which are likely to result in a net overspend of at least £3 million.

The Portfolio continues to mitigate demand pressures as far as possible and is utilising underspends on other areas of activity to offset placement pressures to bring the portfolio to the forecast overspend of £3 million. The portfolio has implemented a new Duty and Advice service to manage the “front door” and assessment activity more effectively, and they continue to explore options to re-focus, and build capacity, in our more cost-effective ‘in-house’ services. However, 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. Therefore, it is unlikely that the portfolio will be able to contain the commissioned placements pressures in year.

Dedicated Schools Grant / Schools Block

Services in Schools & Education (DSG) are currently forecast to spend the funding provided 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. DSG remains as a ring fenced grant and any surplus or deficits will be managed through DSG specific reserves.

Environmental Services

The portfolio has highlighted cost pressures relating to waste budgets, selective licensing income, public protection services and savings targets that are proving no longer to be achievable, however the scale of these pressures is not as significant as in previous years and plans are being implemented to address these shortfalls; as such, a breakeven position is predicted by the financial year end.

Growth & Development

The portfolio has identified pressures arising from the Mall Market, the Bus Station and shortfalls against in-year savings targets, however it is forecasting to contain these within the overall portfolio budget, mainly from one off savings including income from major planning applications.

Digital & Customer Services

Due to restructure and a number of vacancies, the portfolio is predicting to underspend by approximately £250,000 over the course of the financial year, based on the position at the end of the second quarter.

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 and as such it is forecasting a breakeven position at 31st March 2020.

6.2 GENERAL FUND UNALLOCATED RESERVES

Summary of movement	£'million
Unallocated reserves at 30th June 2019 (as reported to Executive Board in August 2019)	7.022
Transfers (from) Unallocated reserves	
To fund the impact of the National Living Wage on the Early Years' Service budgets	(0.067)
Contribution towards the Festival of Making	(0.046)
Transfers to Unallocated reserves	
Net adjustment to ringfenced accounts	0.028
Balance on Unallocated General Fund reserves at 30 September 2019	6.937

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 30th September 2019 will increase to £9.858 million compared with a balance of £9.490 as at 30 June 2019.

Summary of movement	£'million
Earmarked reserves at 30 th June 2019 (as reported to Executive Board in August 2019)	9.490
Release of Schools Improvement (SSIF) Round 1 grant carried forward from 2018/19 into 2019/20	(0.063)
Requests to carry over service specific grants from 2019/20 into 2020/21	0.130
Use of Developers contributions (Section 106) Reserve to finance capital expenditure	(0.101)
Reduction in transfer to Future Maintenance of Witton 3G Pitches reserve to reflect part year contribution	(0.025)
Transfer of capital financing in respect of Griffin Lodge back to the Office Accommodation and Property Improvements reserve	0.300

Increase in Brexit Preparation Funding reserve – 2019/20 allocation	0.210
Release of funding for the cost of Early Retirement/Voluntary Redundancies	(0.083)
Balance on Earmarked reserves at 30 th September 2019	9.858

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

Details of the requested application of reserves are shown 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: V1

CONTACT OFFICER:	Julie Jewson extn 5893
DATE:	31st October 2019
BACKGROUND PAPER:	N/A