



# EXECUTIVE BOARD DECISION

<b>REPORT OF:</b>	Executive Member for Finance and Governance
<b>LEAD OFFICERS:</b>	Director of Finance and Customer Services
<b>DATE:</b>	13th February 2020

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

**SUBJECT: CORPORATE REVENUE BUDGET MONITORING REPORT QUARTER 3 - 2019/20**

## 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 shown in Appendix 2
- the variations to revenue expenditure, as listed in Section 6, giving rise to a balance of £8.876 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 31<sup>st</sup> December 2019 in relation to controllable budgets across all portfolios was £79.888 million, which is 68.44% 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 £8.876 million at 31<sup>st</sup> December 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 £10.235 million at 31<sup>st</sup> December 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.

#### **6.1.2 Performance Against Controllable Budgets**

Appendix 1 details the portfolio controllable budgets approved by the Executive Board in November 2019 together with the details of the adjustments recommended to the Board for approval in this report

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

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

Based on latest information and present levels of demand, the financial forecast for the portfolio for 2019/20 is predicted to be an underspend of £167,000. Pressures on the Commissioning budget have reduced during this period due to a reduction in activity on Supported Living Services and the recovery of NHS contributions for complex cases that have been subject to review.

There is potential for further underspend within the portfolio as complex cases continue to be reviewed, however, this is predicated on delivering savings agreed as part of the budget setting process, managing any increases in demand during the winter months and any financial risks arising during the remainder of 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.

#### **Public Health & Wellbeing**

The Public Health budget is projected to breakeven in 2019/20 based on the position at the end of the third quarter of the year.

Subject to the approval of the budget adjustments requested in Appendix 1, the area of Leisure and

Culture is also predicted to break even for the year. Since the last quarter monitoring report, budget pressures in the area of Halls & Entertainment have been reduced due to an improvement in secure bookings for events. The portfolio will continue to review and contain any budget pressures arising as the year progresses to work towards a break even position at outturn.

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

The current projected position has increased significantly since that recorded in the report for the six months to 30<sup>th</sup> September and is now showing an overspend of £4.8 million based on current levels of demand. The majority of the overspend is attributable to the number of children that currently have to be placed in expensive externally commissioned placements which has resulted in that particular budget overspending by £4.1 million. In addition there are substantial pressures against both Special Guardianship Orders (£500,000) and the Fostering Service (£650,000), as well as a number of other smaller, but still significant, pressures across other budget areas. The reported overspend figure does not factor in any future increases in demand during the remainder of the year and there is still the potential for a number of existing placements to be extended.

The portfolio continues to mitigate demand pressures as far as possible and is utilising underspends on other areas of activity to offset placement pressures in order to bring the portfolio to the current forecast overspend of £4.8 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. In its first six weeks of operation the new Duty and Advice service has had a positive impact. The numbers of referrals have decreased on average by 37% each week, 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.

### **Dedicated Schools Grant (DSG)**

The High Needs Block of DSG is forecasting an overspend of £1.322m. This is due to an increase in the number of children with Special Educational Needs across all settings, including mainstream schools and in both independent special schools and those maintained by the Authority. Provisional DSG allocations for 2020/21 have been announced and include an increase in the level of High Needs funding. The first call on this funding will be to meet the demand pressures experienced in the current financial year, which are forecast to continue into 2020/21.

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 deficit will be managed through the specific DSG reserves.

### **Environmental Services**

The portfolio continues to forecast a breakeven position for the year end, containing pressures relating to waste budgets, selective licensing income and public protection services and the delivery of savings targets.

### **Growth & Development**

Whilst at the end of the previous quarter the portfolio had identified pressures arising from the Mall Market, the Bus Station and shortfalls against in-year savings targets, it was forecasting to contain these within the overall portfolio budget, mainly from one off savings including income from major planning applications. At the end of the third quarter however continued pressures arising from the Highways budgets, and reactive maintenance pot hole works in particular, now mean it is unlikely that all the pressures can be managed within the overall budget. As such, based on current projections, the portfolio is reporting an overspend of £300,000 by 31<sup>st</sup> March 2020.

## Digital & Customer Services

Based on the current projections, due to restructure and a number of vacancies, the portfolio is predicting to underspend by approximately £250,000 by the end 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, and pressures driven by occupancy rates on the Cathedral Quarter and the Mall. A number of actions are underway to offset this and as such the portfolio is forecasting to breakeven at 31<sup>st</sup> March 2020.

### 6.2 GENERAL FUND UNALLOCATED RESERVES

Summary of movement	£'million
Unallocated reserves at 30th September 2019 (as reported to Executive Board in November 2019)	6.937
Transfers (from) Unallocated reserves	
Transfers to Unallocated reserves	
Building Schools for the Future PFI refinancing gain	0.972
Savings in respect of interest and debt repayment costs	0.308
Reimbursement in relation to back-dated VAT claim on Leisure	0.348
Transfer from Highways third party insurance claim reserve – released following a review of all insurance provisions / reserves	0.311
Balance on Unallocated General Fund reserves at 31 <sup>st</sup> December 2019	8.876

### 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 31<sup>st</sup> December 2019 will increase to £10.235 million compared with a balance of £9.858 as at 30 September 2019.

Summary of movement	£'million
Earmarked reserves at 30 <sup>th</sup> September 2019 (as reported to Executive Board in November 2019)	9.858
Carry forward of grant funding to 2020/21	0.324
Transfer of funds set aside for Winter Pressures from contingency to Demand Pressures reserve	0.764
Transfer to unallocated reserves from Highways third party insurance claim reserve – released following a review of all insurance provisions / reserves	(0.311)
Utilise earmarked reserves to support the Local Plan	(0.250)
Utilise Developer's Contributions (S106) to fund a contribution to a community group	(0.005)
Funding from the Part Year Effect reserve for pay protection costs following workforce review	(0.055)
Budget increase to fund the cost of Early Retirement/Voluntary Redundancies	(0.090)

Balance on Earmarked reserves at 31 <sup>st</sup> December 2019	10.235
---	--------

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.

<b>VERSION:</b>	<b>V1</b>
-----------------	-----------

<b>CONTACT OFFICER:</b>	<b>Julie Jewson extn 5893</b>
-------------------------	-------------------------------

<b>DATE:</b>	24th January 2020
<b>BACKGROUND PAPER:</b>	N/A