

Heading: Period 10 (end of January 2017) Finance Report for noting	
Ward: City Wide	Cabinet lead: Cllr. Craig Cheney
Author: Denise Murray	Job title: Service Director; Finance and s.151 Officer

Purpose of briefing, summary of issue / proposal:

To provide a progress report on the Council's overall financial performance against revenue and capital budgets for the 2016/17 financial year that were approved by Council on the 16th February 2016. The report focuses on significant variances to meeting the budget in 2016/17 in order to take timely actions to deliver a balanced position at year end.

The Council is in a serious financial position forecasting a General Fund revenue outturn deficit of £11.6m before use of general reserves. This represents a net increase to the deficit of £0.6m since P9, being increases of £3.1m less decreases of £2.5m, from the Period 9 forecast. Efforts have been ongoing to address the deficit to ensure that we end the financial year in a balanced position, and minimise the impact on the 2017/18 budget.

The adverse movement in the deficit arises primarily as a consequence of increased projected outturn in the People Directorate of £1m which is detailed in section 13 of the report.

As outlined in previous reports, the Strategic and Service Directors have put in place a number of activities aimed at bringing the position closer to balance and details of the actual and potential impact of these actions are included in this report. It should be noted that as savings have been identified through the Corporate Savings Programme, and then validated, they have been secured by reducing relevant budgets across directorates. Therefore, net revenue service budgets have been reducing throughout the financial year.

In addition to the mitigating actions highlighted in previous reports, the Council continued its freeze on non-essential spend and the impact of this will be detailed in the provisional outturn report, which is scheduled to be considered by Cabinet in May.

There is currently a forecast underspend within the HRA of £3.4m, which has increased by £0.2m since period 9. Details of this are set out in Appendix A.

The ring-fenced Public Health service is currently forecasting an overspend of £1.1m, which is a reduction from £1.5m at period 9.

Capital spending in year is forecast to be £208.2m compared to the current budget of £214.6m, resulting in a forecast underspend of £6.4m. Movements in the capital programme have been identified, being primarily slippage from 2016/17 into 2017/18.

Recommendation(s) / steer sought:

That the Mayor:

1. Notes the contents of the Report and in particular the continuing seriousness of the General Fund financial position of £11.6m forecast outturn deficit, as at the end of January 2017. This represents a net increase to the deficit of £0.7m, from Period 9 forecast and is mainly the result of an increase in forecast expenditure within the People Directorate;
2. Notes the mitigating actions undertaken to bring the General Fund position closer to balance, as outlined at paragraph 11 of Appendix A;
3. Notes the total net movement in the Capital Programme from £224.3m to £214.6m, as outlined in paragraph 23 of Appendix A.

Finance Issues: This is a Finance Update Report and all financial implications are set out within the main body and Appendices to the report. .

Finance Officer: Denise Murray Service Director: Finance and S.151 Officer

Legal Issues: No significant legal issues are raised by the report. The recommendations are in accordance with the Council's constitution and financial regulations

Legal Officer: Nancy Rollason, Service manager, Legal Services and Deputy Monitoring Officer

Other Issues - Human Resources:

In line with the financial position and the mitigating actions set out in this paper (paragraph 13) a Section 188 notice was issued in August 2016. The S188 notice provided formal notification to Trade Unions that the scale of the potential workforce reduction was estimated to be up to 1000 Full Time Equivalent employees by 31 March 2017.

As previously reported, an initial voluntary severance opportunity was implemented through to the end of September 2016. Following responses to applications that have approved severance for 303 employees to date, further actions to close the budget gap are now being implemented. This includes the actions taken to further extend the Council's spending freeze on non-essential spending, including the recruitment of agency and permanent staff. While further review of service designs are likely to result in redundancies, we are seeking to avoid compulsory redundancies wherever possible.

Ongoing consultation with Trade Unions is being undertaken throughout the period of organisational change and restructure and we will seek to reach agreement with the recognised Trade Unions on how to mitigate the need to make any further compulsory redundancies.

If, after meaningful consultation and after mitigating actions have taken place, compulsory redundancies are unavoidable, employees will be given notice of dismissal in accordance with the Council's agreed policies.

DLT sign-off	SLT sign-off	Cabinet Member sign-off
Anna Klonowski [date]	Anna Klonowski [date]	Cllr Cheney [date]

Appendix A – Further essential background / detail on the proposal	YES
Appendix B – Details of consultation carried out - internal and external	YES
Appendix C – Summary of any engagement with scrutiny	NO
Appendix D – Risk assessment	YES
Appendix E – Equalities screening / impact assessment of proposal	NO
Appendix F – Eco-impact screening/ impact assessment of proposal	NO
Appendix G – Exempt Information	NO