

Heading: 2017/18 Budget Monitoring Report - Period 2**Ward: All****Author: Denise Murray****Job title: Service Director; Finance and s.151 Officer****Officer presenting report: Denise Murray****Level of Decision: Key Decision****1. Purpose of Report**

- 1.1. The Council approved budgets and directorate spending limits for the 2017/18 financial year on 21 February 2017. The purpose of this report is to inform Cabinet of the Council's overall financial performance against revenue and capital budgets resulting from the first progress report, as at the end of May 2017, and to invite their comments thereon.

2. Background

- 2.1. This budget monitoring report covers the period April to May 2017 (period 2) and is the first in the regular monthly reports which will be presented to Cabinet during the course of 2017/18. This report summarises the financial performance of the Council and includes:

- Projections of potential revenue and capital spending during 2017/18 against approved Directorate and ring-fenced budget allocations
- Progress on the savings efficiency options and confidence of delivery
- Reviews of risks and the mitigating actions being undertaken to ensure that we do not overspend against our 2017/18 budgets

3. Latest Financial Summary as at Period 2 (P2)

- 3.1. The latest revenue forecast outturn (as provided in Appendix A) shows a potential overspend of £9.1m (2.5%) against an approved budget of £364.7m. The ring fenced accounts are outside this figure, have net nil budgets which should be contained and individual reserves to support the fund should variations as summarised below materialise:

- Dedicated School Grant (DSG)-£6.0m risk of overspend against £202.9m approved expenditure allocation
- Housing Revenue Account (HRA) - £0.9m underspend against -£51.8m approved net budget
- Public Health (PH) - £500,000 underspend against £33.7m approved expenditure allocation

- 3.2. Capital spending for the year is forecast to be £207.9m compared to the current budget of £214.4m resulting in a forecast underspend of £6.4m (3.0%). However for General Fund capital expenditure this primarily represents slippage and there is an overall risk of overspend of some £5m over the lifetime of the programme.

- 3.3. Progress against 2017/18 savings / efficiency propositions indicate £5.6m that remain are at risk

- 3.4. Further details are shown in dashboard style appendices which are designed to highlight areas of concern with graphs and charts compiled using forecast information as at P2

Revenue Forecast

The latest revenue forecast outturn (as provided in Appendix A) shows a potential overspend of £9.1m (2.5%) against an approved budget of £364.7m. It should be noted these are initial projections, and it is a reflection of the Council's good financial management that potential problems are identified at an early stage and acted on. Actions for mitigation are being developed, and no approval is sought to vary or supplement agreed budgets. A budget scrutiny process is now in progress to further interrogate budgets and seek opportunities where spending can be frozen, early adopter or substitute savings identified.

The People directorate are forecasting overspends that total £7.2m. There have been significant pressures relating to increased provider costs for adult care services; and whilst the Council has invested £17m in the people directorate to re-baseline the 2017/18 budget, the cost of Adult Social Care remains the biggest risk to the budget and given the early forecast above a recovery plan is urgently required.

The Improved Better Care Fund (iBCF) for Adult Social Care in 2017-19 will be pooled into the local BCF. Full grant conditions are awaited, however it is the intent that the funds are invested in interventions that meet adult social care needs; reducing pressures on the NHS, including supporting more people to be discharged from hospital when they are ready; and ensuring that the local social care provider market is supported; enabling a long term sustainable position to be achieved across Health & Social Care. The Council is working with Health partners to ensure a joined up approach exist and that a programme of interventions can be developed which will have optimum impact on reducing demand and tackling market failures.

Other areas of pressures are evident within Property services of £2.4m associated to maintain the existing estate. The service is undertaking a zero based review of the budget and will produce a recovery plan to ensure that spending is brought back in line with budgets.

The successful delivery of these recovery plans will be closely monitored through the monthly performance reporting process and Supplementary Estimates will be required if mitigating savings cannot be identified. It must be noted however that, with the current financial outlook, this will result in savings targets being extended across the full Council, should this be required.

Housing Revenue Account

The forecast HRA position is a £0.9m underspend as at P2 as a result of reduced Planned Programme spend. This is due to reduced average repair cost and a lengthening of the programme cycle moving from 7 years to 10 years in most cases.

The impact on the HRA business plan of any additional fire safety requirements on the capital and revenue provision, and other changes under consideration will be closely monitored, and reported to a future meeting.

Dedicated Schools Grant £.0 net nil

Whilst a balanced position is currently forecasted a number of pressures are emerging, and if not successfully managed could have an impact on the Council's general fund.

The current risks, before mitigations total £6.0m, which include £1.6m cumulative deficit brought forward and in-year net worsening of the projected overspend is £4.4m. The main pressures are in High Needs Budgets (Special Educational Needs, Alternative Learning Provision and Specialist Support), offset by some underspends, mainly in funds set aside for growing schools. An action plan to address the underlying pressures in High Needs is in development, which will include measures to reduce costs in alternative learning placements and top up allocations in particular. Schools Forum will be considering the overall financial position of the DSG and the emerging action plan at its meeting on 10th July 2017

School reserves are at a seriously low level of £3.3m (excluding earmarked project funds) given the in-year deficits forecasted in each of the Schools funding blocks.

A number of measures are being considered for how the Education budgets can be supported to be brought back on budget including a review of current and historic Schools deficits for maintained schools and nurseries.

Public Health £.0 net nil

£500,000 underspend– Public Health funding is no longer required for the Health Strategy Team

Capital Spending

The original 2017/18 Capital budget was £213.5m. There has been some re-profiling of schemes from 2016/17 into this financial year which accounts for the majority of the increase in the capital programme to a revised capital allocation of £214.4m for 2017/18. Capital spending is forecast to be £207.9m, resulting in a forecast underspend for the year of £6.4m, attributed primarily to the HRA and People programmes. The movement in capital expenditure is shown on the Capital table.

Major areas of current pressure or risks in the capital programme have been identified as Metrobus, The Arena, and Colston Hall with mitigating actions being investigated. The funding of the capital programme and reassessment of priorities is currently under review to be reported to Council in due course and resourcing principles to be covered as part of the developing of our Medium Term Financial Plan.

The governance of Capital spend is being reviewed, and a new process will be aligned with the current Delivery Working Group and Delivery Executive approach used for revenue project management.

A summary of capital receipts actual and forecast for the financial year will be provided on a quarterly basis.

Progress against Savings / Efficiency propositions

Progress against savings and efficiency targets is now presented as part of budget monitoring information. Summary tables highlighting our progress as at P2 are outlined within the appendix to this report. This has been expanded to include a comment on the progress.

In agreeing a balanced revenue budget and directing funds available to our key priorities for 2017/18, the Council committed itself to delivering savings of £33.1m of these £5.6m (17%) are deemed, as at the end of May, at risk. Consultation and redesign of the service provision is not yet complete due to delays caused by the regional and general elections or current market conditions. The full saving may not be achieved in this financial year. This position is included in the forecast outturn were appropriate or outlined on the risk and opportunities where mitigations are being explored.

Work is underway to develop plan for future years and early indication for 2018/19 is that of the £16.5m noted in the budget, £1.9m has a plan that is considered under developed for this stage in the process.

Risk and Opportunities Implications

A range of risks and opportunities totalling £4.3m (net) are being reviewed within Directorates and new governance provides the opportunity to manage these risks in a more fundamental and sustainable way. Regular reporting and Budget Scrutiny through officer and Member groups will help ensure the necessary actions to address spending pressures are identified and implemented; and supplementary estimates only recommended when all other options have been explored.

A range of risks are provided for within our Risk Reserve and some of this may need to be utilised during this financial year.

Reserves

The 2017/18 opening balance on reserves of £20.0m general balance, £65.4m earmarked reserves (£20.0m and £106m 2016/17 respectively). It is important to keep this under review to ensure that we maintain our robust financial standing position. Our projections for the full year are in line with our policy and with the exception of extraordinary items that will be reported monthly; movement on reserves will be reported to Cabinet quarterly (P3, P6, P9 and Outturn). There are no extraordinary movements to report at P2.

Debt Management

At the end of May 2017 the Council had £37.9m of aged debt; £11.1m of which is outstanding for more than a year. Some 32% of the aged debt within this period is attributed to Social Care. Further improvements in our debt recovery processes, including reporting to members and a review of the debt Management Framework are underway to ensure that the Council adopts a consistent, firm but fair policy in line with best practice and having regard for hardship.

Next steps: Directors to continue to identify mitigating savings through budget scrutiny where necessary. The revised position (period 3) will be presented to Cabinet at its meeting of the 15th August.

Recommendation(s) / steer sought:

That Cabinet:

- 1 Note the extent of forecast General Fund revenue overspend at period 2 of £9.1m
- 2 Note that Strategic Directors / Service Directors are continuing to review the levels of over and underspends and reallocate budgets to remain within the directorate service allocations for 2017/18. Directorates unable to achieve a forecasted balanced budget will be provided with assistance in doing so via a Budget Scrutiny process, to further interrogate budgets and seek opportunities where spending can be frozen, early adopter or substitute savings identified.
- 3 Note the forecast outturn of the Dedicated Schools Grant, and an anticipation that a number of schools will be in a deficit position by end of 2017-18, in the context of the current level of school reserves.
- 4 Consider and note the progress against planned efficiency savings 2017/18 and 2018/19.
- 5 Note the total net movement in the Capital Programme of £6.4m (£1.7m General Fund, £4.7m HRA)
- 6 Consider the capital monitoring, specific over and underspends, and the potential for this to have significant revenue pressures should the programme not be contained within the annual allocations and funding streams agreed by Council.

City Outcome:

Finance Issues: The resource and financial implications are set out in the report

Finance Officer: <i>N/A</i>
Legal Issues: This monitoring report is an important component in assisting the Council to comply with its legal obligation to deliver a balanced budget
Legal Officer: Nancy Rollason
Other Issues: <i>N/A</i>

DLT sign-off	SLT sign-off	Cabinet Member sign-off
Nicki Beardmore 21/06/17	Anna Klonowski 26/06/17	Cllr Cheney 12/07/17

Appendices:	
Appendix A – Council Summary	Yes
Appendix B – People Summary	Yes
Appendix C – Place Summary	Yes
Appendix D - Neighbourhoods Summary	Yes
Appendix E - Resources Summary	Yes
Appendix F - HRA Summary	Yes
Appendix G - DSG Summary	Yes
Appendix H - Revenue Budget Summary	Yes