

Heading: 2017/18 Budget Monitoring Report - Period 5**Ward: All****Author: Chris Holme****Job title: Head of Corporate Finance****Officer presenting report: Denise Murray (Director of Finance)****Level of Decision: Non-Key Decision****Purpose of Report**

This report sets out for Mayor and Cabinet an update of the Council's financial position as at the end of August 2017, including:

- Projections of potential revenue and capital spending during 2017/18 against approved Directorate and ring-fenced budget allocations
- Progress on agreed savings 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
- Update on outstanding debt

It also advises Cabinet on the current position with regard to negotiations with the Department for Communities & Local Government (DCLG) on future arrangements for the West of England 100% Business Rate Retention Pilot.

Background

Cabinet received a monitoring report in September outlining the position at the end of July. The forecast outturn on the General Fund at the time was £6.1m, and a projected underspend on the Housing Revenue Account of £1.2m. Capital expenditure for the year was anticipated to be some £212m. The latest revenue forecast outturn (as provided in Appendices A to E) is a General Fund overspend of £2.3m (0.6%) against an approved budget of £364.7m, a reduction from last month of some £3.8m. However the projected deficit on the Dedicated Schools Grant has increased by £0.5m to £6.5m,

Other 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:

- Housing Revenue Account (HRA) - £1.0m underspend, a reduction of £0.2m in forecast underspend since P4,
- Public Health (PH) - £0.5m underspend against £33.7m approved expenditure allocation

Following an initial review of capital, spend this year is now forecast to be £193.5m compared to the current budget of £230.0m resulting in a forecast underspend of £36.5m.

Progress against 2017/18 savings propositions indicate £4.7m remain at risk, a decrease of £0.2m from last month.

Further details are shown in the appendices which highlight areas of concern compiled using forecast information as at P05.

Revenue Forecast

The latest revenue forecast outturn (as provided in Appendix A) shows a potential overspend of £2.3m (0.6%) against an approved budget of £364.7m, a decrease of £3.8m over last month. This is partly due to the measures taken to hold funds in abeyance, pending overspends elsewhere being addressed. The People directorate are forecasting overspends that total £6.5m which is £0.4m less than in the previous month and down £0.8m from the period 3 projection. The cost of Adult Social Care continues to be the biggest risk to the Councils budget. However officers continue to closely review the position as the costs are driven both by demand and the high costs of placements.

As reported last month Property services continues to be an area of concern, with a forecast overspend of £2.3m maintaining the existing estate. The service is in the process of implementing a recovery plan to reduce costs to bring spending 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 and funds held in abeyance redirected. 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.

The report reflects the position after a number of budget transfers namely:

- £1.4m for contract inflation transferred to People,
- Rationalisation of administrative and support functions transferred from Directorate budgets.

Housing Revenue Account

The forecast HRA position is a £1.0m underspend as at P5, the reasons for which were set out in the previous report and highlighted in Appendix F. This position is currently under review given the forecast slippage in capital expenditure (outlined below), and the impact on the HRA will be updated accordingly in the Period 6 report.

The potential impact of additional health and safety requirements on the investment programme, and other changes under consideration by Government will be closely monitored.

Dedicated Schools Grant £.0 net nil

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

The current risks, before mitigations total £6.5m, which includes £1.6m cumulative deficit brought forward and in-year net worsening of the projected overspend is £4.9m. The main pressures are in High Needs Budgets (Special Educational Needs, Alternative Learning Provision and Specialist Support), offset by some underspends, and 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 though significant savings may not be realised until 2018/19.

School reserves have reduced to £2.8m due to some schools transferring to Academies during 2017/18 and taking their surplus balances.

Public Health £.0 net nil

There is a forecast £0.5m underspend– against the ring-fenced grant due to a reduction in the services commissioned / provided through the General Fund, as set out in Appendix H. It is planned to utilise this underspend to fund other General Fund services that deliver public health outcomes.

Capital Spending

Last month capital expenditure for the year was forecast to be £212m. A review of the programme has

identified a number of areas where delivery is now anticipated to slip into 2018/19. These include:

- Delays in partner approval processes for energy management heat network systems and wind turbines (£6.3m)
- Slippage in delivery of St Philip's Footbridge and Temple Circus - (£5m)
- Arena project - £4m to be re-profiled into 2018/19
- HRA - primarily refurbishment re-phasing following the need to undertake fire safety checks across the estate (£6.5m)

Capital spending in year is now forecast to be £193.5m, resulting in a forecast slippage of £36.5m. A full review of the capital programme is currently in progress, and will be completed in time for the Period 6 report, where requests for capital budget re-profiling will be requested as appropriate.

There will be an additional minor reduction in capital financing costs, for 2017/18 only, arising from the slippage which will be reflected in the P6 monitoring report.

Progress against Savings / Efficiency propositions

Of the agreed 2017/18 savings of £33.1m, £4.7m (14%) are currently deemed at risk to delivery. This is a slight improvement on the risk reported last month. The position is reflected in the forecast outturn were appropriate or outlined on the risk and opportunities where mitigations are being explored.

Risk and Opportunities Implications

Directorate Leadership Teams continue to review and assess all financial risks and opportunities.. The current forecast net risk remains at £2.2m. 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 earmarked reserves and some may need to be utilised during this financial year.

Emerging Risks and Opportunities 2018/19 and Beyond - 100% Business Rates Retention (BRR) Pilot

West of England authorities are committed to exploring opportunities to deepen the pilot for 2018/19 through identification of further grants to be funded locally through the Business Rates and to aid the financial sustainability of the pilot to support growth in the region. Early discussions have commenced with the Department for Communities and Local Government around two key areas;

- Funding Transfer - The following grants were rolled into the pilot in its commencement in 2017/18; Revenue Support Grant (tapered fund for future years) and Integrated Transport Block Grant, Highways Maintenance Capital Grant and Highways Maintenance Efficiency funding (consistent fund). DCLG are being asked to consider the inclusion of the Public Health Grant into the consistent fund, adjusting the business rates tariff with additional Business Rates retained to fund a sum equivalent to the value of the grant foregone. In common with the Greater Manchester pilot, it is proposed that Local Authorities would be excluded from the grant conditions. It must be noted that this is an exploratory proposition and would need to be discussed and agreed by both the DCLG and the Department of Health.
- Permanency - DCLG to consider making the West of England pilot permanent thereby removing the authorities from the forthcoming reset to the business rates baseline. The risks and rewards of this for the authorities is being considered in parallel discussions with the DCLG.

Should negotiations move forward it is highly likely that DCLG will need confirmation from each local authority by mid- November and therefore delegation to the Service Director finance and of Corporate Resources, in consultation with the Mayor, is requested to progress with DCLG. The outcome will be reported back to Cabinet at the earliest opportunity.

Reserves

The 2017/18 opening balance on reserves of £20.0m general balance, £65.4m earmarked reserve (£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. Projected drawdowns for the current year are anticipated to be some £45m. If projected overspends do not continue to be mitigated, this could put severe pressure on the balance of reserves.

As part of the 2018/19 budget process, all earmarked reserves are subject to review, to assess what could be released as one off savings.

Debt Management

At the end of August 2017 the Council had £34.3m of aged debt, £11.1m of this debt is outstanding for more than a year. Approximately 44% of the aged debt is attributed to Social Care. The second page of Appendix A, analyses this debt between departments, and client types. Due to the improved debt management process, a number of payments are now anticipated which will reduce the amount of aged debt.

Recommendation(s)

- That Cabinet delegate authority to the Service Director Finance and Deputy Mayor (Finance, Governance and Performance) in consultation with Deputy Mayor (Communities, Equalities & Public Health) and the Mayor, to progress and agree, if required, arrangements for the future of the West of England 100% Business Rates Pilot with the Department for Communities & Local Government (DCLG).
- That Cabinet notes the extent of forecast revenue overspend at period 5 of £2.3m
- That Cabinet notes that Strategic and Service Directors are continuing to review the levels of over and underspends and reallocate budgets in order to remain within the directorate service allocations for 2017/18.
- That Cabinet consider and note the progress against planned efficiency savings.
- That Cabinet note current forecast capital expenditure of £193.5m, which is £36.5m below the budgeted capital programme for the year.

City Outcome:
Finance Issues: The resource and financial implications are set out in the report
Finance Officer: Chris Holme
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: N/A

DLT sign-off	SLT sign-off	Cabinet Member sign-off
20/09/17	26/09/17	Cllr Cheney 5/10/17

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 – Public Health Summary	Yes
Appendix I – Budget Monitor Summary	Yes