

READING BOROUGH COUNCIL
REPORT BY HEAD OF FINANCE

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	29 JANUARY 2015	AGENDA ITEM:	6
TITLE:	BUDGET MONITORING 2014/15		
LEAD COUNCILLOR:	COUNCILLORS LOVELOCK/ PAGE	PORTFOLIO:	FINANCE
SERVICE:	FINANCE	WARDS:	BOROUGHWIDE
LEAD OFFICER:	ALAN CROSS	TEL:	01189372058 (x72058)
JOB TITLE:	HEAD OF FINANCE	E-MAIL:	Alan.Cross@reading.gov.uk

1. EXECUTIVE SUMMARY

1.1 This report sets out the result of the budget monitoring exercise undertaken for 2014/15, based on the position to the end of November 2014.

2. RECOMMENDED ACTION

2.1 Policy Committee is asked to note the budget position for 2014/15 set out in the report.

3. BUDGET MONITORING

3.1 The results of the Directorate budget monitoring exercises are set out in Appendices 1(A-C). A summary of the results of the exercise is as follows:

	Emerging Variances £000	Remedial Action £000	Net Variation £000	% Variation to Budget
Environment & Neighbourhood Services	2,099	1,073	1,026	3.4
Education, Adult & Children's Services	861	861	0	0
Corporate Support Services	-426	0	-426	-3.4
Directorate Sub total	2,534	1,934	600	0.5
Treasury	-305		-305	
Total	2,229	1,934	295	0.0

3.2 This report follows the pattern of recent reports with the main focus being on the estimated budget variance at year end. The summaries are included as follows:

Education, Adult and Children's Services -	Appendix 1A
Environment & Neighbourhood Services -	Appendix 1B
Corporate Support Services -	Appendix 1C

3.3 Education Adult & Children's Services

There are pressures within Children's Services of £407k which flow from a small number of residential placements, homeless families, use of agency staff and investment across a range of areas to improve the service. Within Adult Services there are significant demand pressures across a range of services amounting to £454k, although this is subject to the usual caveats given the demand led nature of the service. There are offsetting savings within Education and Commissioning & Improvement amounting to £270k. The Directorate will manage the overall net pressure of £591k by utilising the strategic reserve. As the pressure can be contained within the reserve no net variance has been shown for the Directorate as a whole.

3.4 Environment & Neighbourhood Services

The Directorate is currently forecasting a potential net overspend of £1,026k at year end which is a net improvement of £238k from last month. Whilst there continue to be underlying budget pressures on income, waste charges and homelessness there have been improvements in a number of areas most notably contract savings in Transport and additional income in Highways.

3.5 Corporate Support Services

There has been some further improvement by £57k to the overall predicted underspend for the Directorate to £426k, though there are a range of changes in this forecast. In particular we now expect reduced HB grant income, though it has been possible to offset this from savings within Customer Services, where the overall forecast has improved and the central pension contribution. A small likely saving in Finance has been confirmed following the transfer of HB investigations to the DWP, but recent trends in Land Charge demand has led to a reduction in the forecast additional income.

4. FORECAST GENERAL FUND BALANCE

4.1 The final General Fund Balance at the end of 2013/14 was £5.5m. As indicated in the table above, assuming remedial action highlighted in the Directorate commentaries is carried out, there is now expected to be an overspend on service revenue budgets of £600k. Cost pressures in Environment & Neighbourhood Services Directorate are partly offset by Corporate Support Services. Education Adult & Children's Services are forecast to come within budget overall, making use of the Strategic Reserve to do so.

4.2 The pressure on service directorate budgets is partly offset by a favourable treasury position, which taken with the planned use of balances in 2014/15 should mean we end the financial year very marginally above the £5m minimum. Last month we reported that around £300k of the Prudential Reserve would need to be used in order to end the year with a General Fund Balance of at least £5m, as required by the Budget Framework. On the basis of this latest monitoring this transfer will not now be needed, but there remain some risks in delivering the budget, and any further adverse variance will lead to a requirement to reinstate this transfer. The approved budget for 2014/15 anticipated that we may need to use up to £675k of this reserve. The Corporate Management Team will ensure all reasonable actions are taken to avoid the need to draw on this reserve.

5. CAPITAL PROGRAMME 2014/15

5.1 The current forecast level of capital expenditure for the year is £69.4m, of which £60.9m relates to General Fund services and £8.5m to the HRA.

5.2 The table shows the expenditure by priority area and its current estimated funding.

CAPITAL PROGRAMME	£m
Creating and Sharing Prosperity	13.714
People are Supported and Protected when they need to be and/or are Healthy and can Thrive in their Community	1.062
An Attractive well-kept Town	33.494
Good Quality Public Services	21.125
Total	69.395

FORECAST FUNDING	£m
Grants	32.446
Receipts (inc. S106 and HRA Major Repairs Reserve)	19.546
Borrowing	17.403
Total Funding	69.395

5.3 As at 30 November 2014, £24.9m had been expended on General Fund services.

5.4 Expenditure on Transport schemes: Reading Station, LSTF, Pinch Point and Bridges and Carriageways is forecast at £23m. Much of this expenditure is skewed towards the end of the financial year with work at Reading Bridge and the new Pedestrian and Cycle Bridge, as well as the new Park and Ride sites now committed and underway.

5.5 Expenditure on the Reading Schools Programme (£13.5m in 2014/15) has now begun to ramp up, though a range of discussions are taking place with schools to ensure the overall schemes remain within budget.

- 5.6 The move to Plaza West has been completed on time & remains within budget, against a total allocation of £14.5m for the year (including energy saving measures).
- 5.7 Spend on ICT and works to council buildings has been re-profiled at £3m for the year, a significant element of the reduction due to the concerted attention given to a smooth and successful move to Plaza West.
- 5.8 The procurement of the new refuse fleet is expected to be complete by year end, thus exhausting the bulk of the remaining programmed spend on replacement vehicles for the current year.

6. TREASURY MANAGEMENT

- 6.1 No new long term borrowing has been arranged or is immediately planned in 2014/15. Between 1 April 2014 and the 31 December 2014, the net borrowing of the Council varied between £243m & £282m averaging £260m. The treasury management budget position is discussed above.

7. HRA

- 7.1 The HRA position is covered by the separate report on your agenda.

8. RISK ASSESSMENT

- 8.1 There are risks associated with delivering the Council's budget and this was subject to an overall budget risk assessment which was set out in the February report. At the current time those risks have not significantly changed given that we currently expect to end the financial year with the minimum general fund balance, as planned. From the detailed service monitoring, key service risks that are leading to adverse budget pressures, or remaining risks causing further budget pressure in the current year include:

- Demand for adult social care;
- Demand for children's social care;
- Homelessness, and the likely need for additional bed & breakfast accommodation;
- The level of income from traffic enforcement, as motorists appear to be better respecting the traffic regulations;
- Growth in waste disposal tonnage, arising from economic recovery;
- Income risks in the leisure and theatre services;
- Increasing service demands being met by a reducing workforce not being matched by appropriate process changes;
- Not complying fully with grant conditions for capital projects by spending the required money during the current financial year.

9. BUDGET SAVINGS RAG STATUS

The RAG status of savings and income generation proposals included in the 2014/15 budget has been subject to a refreshed reviewed. £10m of these savings were agreed in February 2014, and the remainder in February 2013. The RAG status in terms of progress is summarised below:

	£000	%
Red	1,060	9
Amber	3,342	28
Green	7,558	63
Total	<u>11,960</u>	<u>100</u>

The RAG status of budget savings supplements the analysis in budget monitoring above, and the red risks do not represent additional pressures to those shown above. The above table reflects a slight overall improvement, with a further 2% of savings fully realised (green) although an additional £50k has been identified as unrealisable (red).

10. COUNCIL TAX & BUSINESS RATE INCOME

10.1 We have set targets for tax collection, and the end of November position is:

Council Tax	2014/15 £000	Previous Year's Arrears £000	Total £000
Target	57,989	1,037	59,026
Actual	57,830	1,052	58,882
Variance	159 below	15 above	144 below

10.2 For 2014/15 as a whole the minimum target for Council Tax is 96.5%, (2013/14 collection rate 97.13%). At the end of November, collection for the year was 74.09% compared to a target of 74.8%, and collection is slightly behind 2013/14 (74.74% by end of November 2013).

10.3 Business Rates Income to the end of November 2014

Business Rates	2014/15 £000	2014/15 %
Target	78,848	72.00
Actual	77,016	70.97
Variance	1,832 below	1.03% below

The target for 2014/15 is 98.50%. The pattern of business rates payments has been changing following regulatory changes, and the target profile has been adjusted to reflect the new arrangements. At the end of November 2013, 73.26% of rates had been collected, but there are some limitations to that as a comparative figure.

11. OUTSTANDING GENERAL DEBTS

11.1 The Council's outstanding debt total as at 30 November 2014 stands at £3,730k in comparison to the 31st March figure of £3,510k. This shows an increase of £220k.

11.2 We had anticipated that the debt position would improve, and the recent approval of the Corporate Debt Policy is an important step forward. We are currently slightly increasing the resource following up outstanding debt, as well as improving payment methods (so more income is collected up front or moved to direct debit collection, so it should be more automatically collected) in the expectation this will help tackle the adverse trend. It should be noted that well over a third of the debt, and most of the largest outstanding debts are money due from other public sector organisations or the authority's schools.

12. CONTRIBUTION TO STRATEGIC AIMS

12.1 The delivery of the Council's actual within budget overall is essential to ensure the Council meets its strategic aims.

13. COMMUNITY ENGAGEMENT AND INFORMATION

13.1 None arising directly from this report.

14. LEGAL IMPLICATIONS

14.1 The Local Government Act 2003 places a duty on the Council's Section 151 Officer to advise on the robustness of the proposed budget and the adequacy of balances and reserves.

14.2 With regard to Budget Monitoring, the Act requires that the Authority must review its Budget "from time to time during the year", and also to take any action it deems necessary to deal with the situation arising from monitoring. Currently Budget Monitoring reports are submitted to Policy Committee regularly throughout the year and therefore we comply with this requirement.

15. FINANCIAL IMPLICATIONS

15.1 The main financial implications are included in the report.

16. EQUALITY IMPACT ASSESSMENT

16.1 None arising directly from the report. An Equality Impact Assessments was undertaken and published for the 2014/15 budget as a whole, and such assessments are undertaken in respect of individual service proposals as appropriate.

17. BACKGROUND PAPERS

17.1 Budget Working & monitoring papers, save confidential/protected items.

DEACS Summary**Budget Monitoring Overview for the Period: November 2014**

This overview provides the key results of the budget monitoring exercise undertaken during November 2014

Approved Budget

The Approved budget for the directorate is £77m, made up as follows:

	Annual Budget	Budget to date	Spend to date	Variance	Projected Year End Variance
	£'000	£'000	£'000	£'000	£'000
Employee Costs	87,867	59,283	51,175	-8,108	0
Running Costs	97,308	65,920	54,259	-11,661	0
Gross Expenditure	185,175	125,203	105,434	-19,769	0
Income	-108,151	-70,786	-62,583	8,203	0
Net Expenditure	77,024	54,417	42,851	-11,566	0

Summary Projection of Year end Position

The results of the budget monitoring exercise indicate a potential net overspend of	0
	0.0%

Directorate Commentary on Budget Monitoring for the Period

In summary, Children's Services pressures have increased by £50k to £407k given an increase in placements. Within Education services the forecast is at present unchanged from last month, namely a £85k underspend reflecting a saving on Early Years projects in advance of a reshape next financial year. The £1.3m pressure on the high needs block do not impact upon the LA budget as this is DSG funded. The year end forecasts for School Improvement and Home to School Transport are currently being reviewed and will be updated next month. For Commissioning and Improvement a £185k underspend has been shown as cross Council savings on Training and Procurement are allocated across the Council. Adult Services pressures have increased from £304k last month to £454k this month due to increase demand pressures in Older People, Learning disability and Physical disability services. There are further pressures in the system especially around demand for older people and Learning Disability services although the overall overspend is not expected at this stage to increase.

To support unexpected increases in client demand across Adult and Children Social Care, the Directorate has a strategic reserve budget. The aim is to use the reserve on a non re-current basis to meet pressures across the Directorate. However this requires work to be done on an ongoing basis to identify in year, long term sustainable savings to contain these pressures in a way that will not compromise developing budget plans for 2015/16 and subsequent years. At the current time the overall pressure on the service is mainly across Adult & Children's Services and it is likely at this stage that £0.6m (**£0.5m last month**) of the reserve will be required, noting the above comments on the expected year position on adult services. However this is subject to the usual caveats on the demand nature within the services and the possible developing pressures.

Significant Budget Variations - Service & Explanation of Year End Position (>£100k)	Overspend £000	Underspend £000
Children's Service	407	
Adult Services	454	
Education & Early Years		-85
Commissioning & Improvement		-185
Funded by DEACS strategic reserve		-591
Total	861	-861
Forecast Net Position (over/-underspend)		0

Budget Monitoring Overview for the Period: November 2014

This overview provides the key results of the budget monitoring exercise undertaken during November 2014

Approved Budget

The approved budget for the directorate as shown is £30.1m, made up as follows:

	Annual Budget	Budget to date	Spend to date	Variance	Projection to Year End
	£'000	£'000	£'000	£'000	£'000
Employee Costs	32,045	21,217	20,141	-1,076	-628
Running Costs	84,543	37,687	36,263	-1,424	592
Gross Expenditure	116,587	58,904	56,404	-2,501	-36
Income	-86,486	-51,833	-48,517	3,316	1,062
Net Expenditure	30,102	7,071	7,887	815	1,026

Summary Projection of Year end Position

The results of the budget monitoring exercise indicate a potential net overspend of

£1026k

3.4%

Directorate Commentary on Budget Monitoring for the Period

The Directorate is currently forecasting a potential net overspend of £1,026k at year end. The significant and sharp increase in homelessness numbers means that bed and breakfast costs are now predicted to result in a net budget pressure of £369k. Remaining pressures arise from increased waste disposal tonnage, declining number of traffic regulation infringements (notably bus lanes), a reduction in income from investment portfolio and unachievable savings proposals in relation to reduced accommodation and printing costs. There is a one-off saving on public transport contracts and Concessionary Fares due to revised opening date for the Mere oak Park and Ride site.

Ongoing pressures on income, particularly for RSL where competition from budget gyms continues to impact on memberships. A new competitively priced membership structure for the leisure sites has been introduced offering a great deal for local residents and early signs are that this is being well received. This will not in the short-term though compensate for the whole shortfall and a net overspend of approximately £135k across culture and leisure services is currently forecast.

Action is being investigated in order to mitigate all pressures and overspends where possible.

Significant Budget Variations - Service & Explanation of Year End Position (>£100k)	Overspend £000	Underspend £000
Waste Disposal - additional costs due to increased tonnage.	120	
Declining number of traffic regulation infringements (notably bus lanes)	700	
Recharge salaries to grant (Transport)		200
Additional income generation and Transport fees, and public transport contract savings (all)		270
Unachievable savings proposals in connection with lease for Fountain House and printing.	180	
Bed & Breakfast net cost pressures	690	321
Reduced income from investment portfolio	113	
Leisure services income shortfalls	135	
Other minor variances	161	282
Total	2,099	1,073
Forecast Net Position (over/-underspend)		1,026

Budget Monitoring Overview for the Period: November 2014

This overview provides the key results of the budget monitoring exercise undertaken during November 2014

Approved Budget

The Approved budget for the directorate is £11.9m, made up as follows:

	Annual Budget	Budget to date	Spend to date	Variance	Projection to Year End
	£'000	£'000	£'000	£'000	£'000
Employee Costs	15,445	10,296	10,295	-1	0
Running Costs	19,364	12,738	8,726	-4,012	-194
Gross Expenditure	34,809	23,034	19,021	-4,013	-194
Income	-22,130	-11,097	-2,013	9,083	-140
Net Expenditure	12,679	11,938	17,008	5,070	-334

Summary Projection of Year end Position

The results of the budget monitoring exercise indicate a potential net underspend of	£-426k
	-3.4%

Directorate Commentary on Budget Monitoring for the Period

Earlier in the year Customer Services were reporting a range of budget variances; including unrealised savings in ICT, as well as the e-billing and Interpretation Income. However, corrective action has now been undertaken in ICT, which is expected to be within budget. However, in the course of the last month an income pressure in connection with lost HB grant has emerged. However, this pressure, and other smaller pressures are offset by a range of underspends across the service on the early realisation of salary savings following the move to 9-5 call hours (which has been successfully implemented) and an in year saving in our central pension deficit contribution. Overall Customer Services is now forecast to be £236k underspent which is a £72k improvement from last month.

Following the transfer of HB Fraud Investigation to the DWP from 1 December we expect a small saving in salary costs. Across the rest of the service taking account of a range of issues no net variance is currently anticipated

Childcare Lawyers - the caseload has recently been at its lowest level ever, and although it is now rising; at current forecast levels we would expect to achieve the agreed budget reductions in Reading's share of costs which was originally planned to be phased in over 2 years - so would have a £145k underspend in 2013/14.

Land charges is now expected to deliver at £25k income better than budget; this is slightly worse than was previously forecast, reflecting recent trends in demand for the service

Significant Budget Variations - Service & Explanation of Year End Position (>£100k)	Overspend £000	Underspend £000
Customer Services	151	387
Finance (Investigations Team Saving)		20
Childcare Lawyers - Reading Share of Costs		145
Land charges additional income		25
Total	151	577
Forecast Net Position (over/-underspend)		-426