

READING BOROUGH COUNCIL
REPORT BY HEAD OF FINANCE

TO:	POLICY COMMITTEE		
DATE:	18 JULY 2016	AGENDA ITEM:	4
TITLE:	BUDGET MONITORING 2016/17		
LEAD COUNCILLOR:	COUNCILLORS	PORTFOLIO:	FINANCE
SERVICE:	LOVELOCK/ PAGE	WARDS:	BOROUGHWIDE
	FINANCIAL		
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1. EXECUTIVE SUMMARY

1.1 This report sets out the budget monitoring position for the Council to the end of May 2016.

2. RECOMMENDED ACTION

2.1 To note that based on the position at the end of May 2016 budget monitoring forecasts an overspend of around £4m. (This has been allowed for in the separate report on your agenda on budget options).

3. BUDGET MONITORING

3.1 The results of the Directorate budget monitoring exercises are summarised below.

	Emerging Variances £000	Remedial Action £000	Net Variation £000	% variance budget
Environment & Neighbourhood Services	441	(363)	78	0.2
Childrens, Education & Early Help Services/	3,635	0	3,635	11.7
Adults Care and Health Services inc. Public Health	4,650	(4,200)	450	c.1
Corporate Support Services	0	0	0	0
Directorate Sub total	8,726	(4,563)	4,163	3.9
Treasury	(112)	0	(112)	(1.2)
Total	8,614	(4,563)	4,051	3.8

3.2 Environment & Neighbourhood Services

The initial budget monitoring exercise for the year has identified a small net overspend against budget of £78k, which is the result of a range of budget variances across the services within the directorate.

3.3 Children, Education & Early Help Services

The main pressures within the Directorate related to staffing & agency staff within children's social care and placements with recent changes in the structure of the service and the continued high use of agency. There has also been a recent increase in looked after children which is increasing the pressure on placements. Within Education the non-achievement of the Home to School Transport saving is causing a significant budget pressure, and also within the Schools Block there is special educational needs funding pressure which the Schools Forum is considering. Furthermore, the Directorate is incurring improvement costs and the full extent of these is difficult to quantify at this stage in the year. Overall, based on current forecasts of demand, as indicated above the Directorate will be over spent by £3.6m.

3.4 Adult Care & Health Services

Adult Social Care - Care costs commitments show that there is a large pressure within all services, particularly within the residential and community services costs. There are a number of transformation and deficit reduction projects currently being run in order to ensure that the service achieves savings targets and also operates within its net budget for the year. Some of these have delivery risks associated with them, but at this stage it is reasonable to expect that they can be successfully managed.

Public Health Budget - The PH grant has been cut further (on top of the 2015/16) in year reduction. Taking account of the present forecast commitment on contracts, currently the grant is over committed by £450-£500k; savings of £560k have been identified but at this stage we are only reasonably around £100k of these savings will be delivered, so currently there is a forecast £460k overspend .

3.5 Corporate Support Services

At this early stage in the year no significant budget variances have been identified within Corporate Support. The general pattern is for service budgets to be marginally under spent, but as in recent years, we anticipate the housing benefit budget will be under pressure. Based on the information currently available, it is reasonable, at this stage to anticipate these variations may net off.

4. TREASURY MANAGEMENT

4.1 An initial review of the capital financing budget has identified a potential under spend of £112k. In terms of treasury activity, we have arranged up to £60m of temporary borrowing during the year (with £120m borrowed from various other local authorities (or similar) for various periods to manage the

cash flow), and this should ensure we have enough cash available until at least the autumn. The impact of this has been to reduce the average interest rate we are paying from 3.6% to around 3.4%. The forecast incorporates the likely funding costs of the property Policy Committee agreed to purchase at its last meeting. Without this the under spend would be £195k, and the DENS budget monitoring therefore incorporates additional income, so the net gain being estimated is £250k (half a year, as per the report to committee). We will refine this estimate once the purchase is completed.

5. FORECAST GENERAL FUND BALANCE

5.1 Based upon the provisional outturn, the General Fund Balance at the end of 2016/17 was just over £5m. As indicated in the table above, assuming remedial action highlighted is carried out, there is now expected to be a net overspend on service revenue budgets of £4.2m.

5.2 The pressure on service directorate budgets is offset by a favourable treasury position (see para 4.1), so there is an overall £4.1k over spend forecast. Subject to the savings in the separate report on the agenda being agreed, as indicated in that report additional one off measures will be needed in 2016/17 of £3.9m. Whilst this will be technically possible it will further weaken the Council's financial position, with an increased risk that we would end the financial year below the £5m minimum level (or have no organisational change reserve left to meet redundancy or other related costs).

6. CAPITAL PROGRAMME 2016/17

6.1 To the end of May £3.6m of the c.£70m programme had been spent. Capital spending is normally weighted to the latter part of the year, though with the need to complete significant parts of the school building programme by September we are expecting a greater proportion earlier in the year. A full detailed review of the position has yet to be completed.

7. HRA

7.1 Operational budgets (for repairs and management costs) at this early stage in the year appear to be broadly on track and no significant variances have been identified.

7.2 An initial review of the likely HRA capital financing position for 2016/17 has identified those costs should be around £300kk under spent, and an initial consideration of the prospect for rent income, suggests that actual income should be at least £100k better than budget, amongst other reasons because of continuing good control of rent arrears.

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. At the current time those risks are being reviewed as part of budget monitoring and can be classed as follows:

- High use of agency staffing & consultants;
- Pressures on pay costs in some areas to recruit staff or maintain services;
- In year reductions in grant;
- Demand for adult social care;
- Demand for children's social care;
- Increased requirement for childcare solicitors linked to activity on the above;
- Homelessness, and the risk of a need for additional bed & breakfast accommodation;
- Demand for special education needs services;
- Housing Benefit Subsidy does not fully meet the cost of benefit paid.

9. BUDGET SAVINGS RAG STATUS

9.1 The RAG status of savings and income generation proposals included in the 2016/17 budget are subject to a monthly review. The RAG status in terms of progress is summarised below:

	£000	%
Red	710	5.0
Amber	7,345	51.4
Green	6,231	43.6
Total	14,286	100

9.2 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.

10. COUNCIL TAX & BUSINESS RATE INCOME

10.1 We have set targets for tax collection, and the end of May 2016 position is:

Council Tax	2016/17 £000	Previous Year's Arrears £000	Total £000
Target	17,188	570	17,758
Actual	17,455	500	17,955
Variance	267 above	70 below	197 above

10.2 For 2016/17 as a whole the minimum target for Council Tax is 96.5%, (2015/16 collection rate 96.8%). At the end of May 2016, collection for the year was 91.91% compared to a target of 20.3%, and collection is slightly ahead of 2015/16 (20% by end of May 2015).

10.3 Business Rates Income to the end of May 2016

Business Rates	2016/17 £000	2016/17 %
Target	20,851	18.0
Actual	20,743	17.9

Variance	108 below	<0.1%
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The target for 2016/17 as a whole is 98.50%. By comparison, at the end of May 2015, 17.4% of rates had been collected.

11. OUTSTANDING GENERAL DEBTS

11.1 The Council's outstanding debt total as at 31 May 2016 stands at £5.189m in comparison to the 31st March figure of £3.861m. This shows an increase of £1.328m, but this includes large amounts due from other public sector bodies and we note that £2.571m of the balance as at 31 May 2016 is greater than 151 days old.

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 2016/17 budget as a whole.

17. BACKGROUND PAPERS

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