

**READING BOROUGH COUNCIL**  
**REPORT BY HEAD OF FINANCE**

<b>TO:</b>	<b>AUDIT &amp; GOVERNANCE COMMITTEE</b>		
<b>DATE:</b>	<b>29 SEPTEMBER 2016</b>	<b>AGENDA ITEM:</b>	<b>7</b>
<b>TITLE:</b>	<b>BUDGET MONITORING 2016/17</b>		
<b>LEAD COUNCILLOR:</b>	<b>COUNCILLORS</b>	<b>PORTFOLIO:</b>	<b>FINANCE</b>
<b>SERVICE:</b>	<b>LOVELOCK/ PAGE</b>	<b>WARDS:</b>	<b>BOROUGHWIDE</b>
	<b>FINANCIAL</b>		
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**1. EXECUTIVE SUMMARY**

- 1.1 This report set out the budget monitoring position for the Council to the end of July 2016.

**2. RECOMMENDED ACTION**

- 2.1 To note that based on the position at the end of July 2016 budget monitoring forecasts an overspend of around £6.8m.

**3. BUDGET MONITORING**

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

	<b>Emerging Variances £000</b>	<b>Remedial Action £000</b>	<b>Net Variation £000</b>	<b>% variance budget</b>
Environment & Neighbourhood Services	1,436	(839)	597	1.9%
Childrens, Education & Early Help Services/	5,870	(189)	5,681	16.8%
Adults Care and Health Services inc. Public Health	3,781	(2,993)	725	1.8%
Corporate Support Services	0	0	0	0
<b>Directorate Sub total</b>	<b>10,934</b>	<b>(4,021)</b>	<b>7,003</b>	<b>4.5</b>
Treasury	(169)	0	(169)	-
<b>Total</b>	<b>10,765</b>	<b>(4,021)</b>	<b>6,834</b>	<b>4.5</b>

### **3.2 Environment & Neighbourhood Services**

Despite increasing this year's budget for Bed and Breakfast costs, there is a significant risk for the budget to be exceeded based on current trend (higher numbers but lower unit cost than budgeted), even with the mitigations planned being put in place. Forecasting outturn at this stage of the year is extremely challenging as this is a demand led budget with a range of factors impacting beyond our control. Demand does not follow predictable patterns. However, projections are being recast regularly based on latest actual figures and an assessment of demand forecasts and project delivery plans. Currently there are 170 households in B&B which is 45 more than predicted in the budget A forecast overspend of £250k is reported based on this rising to around 200 households by the financial year end. This is being closely monitored as numbers fluctuate.

Services directly delivered within Economic & Cultural Development generate significant levels of income to offset operational costs and this is the key unpredictable variable in delivering to budget. At this early stage in the financial year it is impossible to accurately predict income trends, however, based on the information currently available a potential income shortfall of £310k is reported this month relating to known pressures, offset with £40k savings. Officers will be reviewing any opportunities to compensate for these pressures through alternative income streams in the coming months to mitigate these pressures.

Overall, the Directorate is reporting pressures of £597k this month, but we remain hopeful mitigating actions across the Directorate are identified and implemented to offset, including a specific review of the income pressures in Economic & Cultural Development.

### **3.3 Children, Education & Early Help Services**

The 2016/17 budget included a net £1m addition to manage anticipated demand pressures based upon projections in October last year. Demand pressures have increased beyond that predicted month on month since then. There has been a further increase in the cost of the demand pressure on the service of £0.9m since the last report. Overall the overspend on placements and paying for children in other settings is now around £2.4m.

The new structure to ensure caseloads were manageable by staff was agreed in February for Children's Social Care and was launched in late August following consultation. This had an additional estimated unfunded cost (including agency costs associated with the change) of £1.4m which accounts for a significant element of the underlying overspend. With regard to agency and staffing, the position is currently being reviewed in detail but on the basis of a current assessment of progress it has been identified that, whilst increasing, recruitment of permanent staff is below that which was anticipated and modelled adding an additional £0.9m pressure. There remains a significant risk that this £2.3m pressure may increase further in future months due to continuing problems recruiting permanent staff and keeping social worker caseloads manageable.

In addition flowing from the recent OFSTED report the RAG rating of in year savings of £545k within children's social care has now been rated as red and the forecast overspend has been increased accordingly. The service will need to bring forward a post OFSTED Improvement Plan which will have additional costs that have yet to be agreed. The arrival of a Commissioner may also lead to a need for further costs. These improvement costs are subject to further work and discussion and are not included at this stage.

With regard to other services areas there continues to be a pressure on Education with regard to home to school transport unachieved savings of £0.5m.

Whilst the above represents the position with regard to the general fund, we are also forecasting a £3.6m pressure on the high needs block funded by the Dedicated Schools Grant that has been reported to Schools Forum, most recently in July.

### **3.4 Adult Care & Health Services**

During the last month the forecast Directorate overspend has reduced by £323k (from £1,048k to £725k). The major change has been the successful review of the earlier predicted overspend in Public Health which has identified a package of options to allow spending to be in line with the grant, albeit with a number of risks associated with this linked to the demand led nature of some of the services.

Adults continue to experience demand pressure in excess of available budgets in both residential and community based services. There are a number of transformation and deficit reduction projects currently being run in order to ensure that the service achieves savings targets, but to achieve this there are also transformation costs that are also having to be absorbed.

A key issue to note is the current dispute with the two local CCG's around Continuing Health Care Funding. The current prediction is if cases that the Council is currently funding (that the Council believes should be CHC funded) were CHC funded, then the current predicted overspend could be reversed and a small underspend would be predicted.

### **3.5 Corporate Support Services**

At the end of July the Directorate is currently forecasting a breakeven position after the savings proposed at Policy committee on the 19th July are taken account of. The areas of risk/concern relate to child care lawyers and the housing benefit subsidy claim.

Child care lawyers expenditure associated directly with current demand pressures in children's services have been reviewed. At this stage it appears that pressures can be managed within available budgets, however this is being carefully monitored and any change to this forecast will be reported in future months.

The remaining area of concern is the housing benefit subsidy claim where there is still a risk that this may result in a pressure in the current year. Due to this the Directorate is currently reviewing mitigating actions.

#### **4. TREASURY MANAGEMENT**

- 4.1 The review of the capital financing budget has identified a potential under spend of £169k. 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 our latest estimates of the capital programme and it's financing for the year.

#### **5. SUMMARY GENERAL FUND POSITION**

- 5.1 The General Fund Balance at the end of 2015/16 was £5.6m. 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 £7.0m.
- 5.2 The pressure on service directorate budgets is very slightly offset by a favourable treasury position (see para 4.1), so there is an overall £6.8m over spend forecast.
- 5.3 The Council's Financial Position Report explains that £18.6m further savings will be brought forward during the autumn. Some of these savings measures will have a part year impact in this financial year to reduce the current overspend. However, the impact of this cannot be confidently estimated now.

#### **6. CAPITAL PROGRAMME 2016/17**

To the end of July, £10m of the programme had been spent. The total programme is now £97m of which £78m supports the General Fund. 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.

#### **7. HRA**

- 7.1 Operational budgets (for repairs and management costs) at this 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 £250k 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 remain considerable 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:

- Demand for children's social care;
- High use of agency staffing;
- Pressures on pay costs in some areas to recruit staff or maintain services;
- In year reductions in grant;
- Demand for adult social care;
- On-going work with Health to determine shares of funding for vulnerable people
- As indicated above the risk of a need for additional costs from the OFSTED Improvement Plan and the Children's Services Commissioner
- 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	2,175	18
Amber	7,184	59
Green	2,772	23
<b>Total</b>	<b>12,131</b>	<b>100</b>

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 July 2016 position is:

Council Tax	2016/17 £000	Previous Year's Arrears £000	Total £000
Target	32,770	1,117	33,887
Actual	32,874	807	33,861
<b>Variance</b>	<b>104 above</b>	<b>310 below</b>	<b>26 below</b>

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 37.86% compared to a target of 38.18%, and collection is slightly behind 2015/16 (38.16% by end of July 2015).

10.3 Business Rates Income to the end of July 2016

	2016/17	2016/17

<b>Business Rates</b>	<b>£000</b>	<b>%</b>
Target	42,006	36.1
Actual	40,644	34.93
Variance	<b>1,362 below</b>	<b>1.17% below</b>

The target for 2016/17 as a whole is 98.50%. By comparison, at the end of May 2015, 35.58% of rates had been collected.

## **11. OUTSTANDING GENERAL DEBTS**

11.1 The Council's outstanding debt total as at 31 July 2016 stands at £4.717m in comparison to the 31<sup>st</sup> March figure of £3.861m. This shows an increase of £0.856m, but this includes large amounts due from other public sector bodies and we note that £2.652m of the balance as at 31 July 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.