

READING BOROUGH COUNCIL
REPORT BY DIRECTOR OF FINANCE

TO:	AUDIT & GOVERNANCE /POLICY COMMITTEE		
DATE:	18 JULY/ 17 JULY 2017	AGENDA ITEM:	8
TITLE:	BUDGET MONITORING 2017/18		
LEAD COUNCILLOR:	COUNCILLORS	PORTFOLIO:	FINANCE
SERVICE:	LOVELOCK/ PAGE	WARDS:	BOROUGHWIDE
LEAD OFFICER:	PETER LEWIS	TEL:	01189372058 (x72058)
JOB TITLE:	STRATEGIC DIRECTOR OF FINANCE	E-MAIL:	Peter.Lewis@reading.gov.uk

1. EXECUTIVE SUMMARY

- 1.1 This report sets out the budget monitoring position for the Council to the end of May 2017.

2. RECOMMENDED ACTION

- 2.1 To note that based on the position at the end of May 2017 budget monitoring forecasts an overspend of around £1.216m and that plans to address this position (if it persists) will be presented to the Committee in September with the July monitoring report.

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	983	662	321	1.1%
Childrens, Education & Early Help Services/	420	0	420	1.0%
Adults Care and Health Services inc. Public Health	1523	852	671	1.8%
Corporate Support Services	184	(180)	4	0.0%
Directorate Sub total	3,110	1,334	1,416	
Treasury	(200)	0	(200)	-0.2%
Total	2,910	1,334	1,216	1.0%

3.2 Environment & Neighbourhood Services

Based on the information currently available, the directorate is forecasting an overspend against 2017/18 budget of £321k, which is the result of a range of budget variances across the services within the directorate.

The Management Team recognises the seriousness of the current financial situation and will ensure that spending is controlled in such a way as to address the current overspend. Officers are actively reviewing opportunities to mitigate the pressures, including reviewing income streams, and will report back to the next meeting detailed plans to address the overspend.

3.3 Children, Education & Early Help Services

The Directorate is currently projecting an overspend of £420k for the year, which is wholly attributable to external placement of looked after children (LAC) placements. Further work is to be undertaken by the Directorate to mitigate this overspend within year, and these measures will be reported to the next meeting.

The pressure has arisen from increasing LAC numbers since the budget was set, and since the start of the new financial year. In the budget setting process a contingency for 5 new Independent Fostering Placements, was included which amounted to £215k. However placements have increased by 10, and the variance includes the net impact of 3 relatively expensive Residential Placements and 2 additional Independent Fostering Placements.

During the year, investment in the Access to Resources Team to improve the Commissioning of Services will assist in reducing this overspend. In addition the current in house foster carer recruitment will also assist in the reduction of placement costs if there are disruptions to current external placements. An exercise is to be undertaken to further review placements and reduce costs where appropriate.

3.4 Adult Care & Health Services

DACHS Directorate has a projected overspend of £1.523m, which all sits within Adult Services. £0.852m of remedial plans, including reducing inflation and service efficiencies, have so far been identified, which brings the forecast net overspend down to £0.671m. Further plans are being considered and investigated to reduce the net overspend, including demand management and contract management and these measures will be reported in more detail next time.

Within Adult Services there continues to be considerable pressure on care costs and current predicted overspend by primary support reason is Mental Health (£600k), Learning Disability (£161k), OP/PD (£169k) and Social Support (£75k). The overspend occurs across all service groups in Community Services, Residential and Nursing placements. These figures assume that the full savings of £4.067m will be delivered in this financial year and assumes that demographic growth and transitions can be managed within budget (and broadly follow assumptions).

3.5 Corporate Support Services

Following a review of the CSS budgets with budget managers, the directorate is forecasting a minor overspend of £4K based on the position at the end of May.

Whilst this is the overall position, there are underlying pressures on the corporate budget of £150k because the saving around digitisation is under on-going development and there is some pressure on the Finance staffing budget of £20k, due to needing interims to cover vacant posts at this critical time.

Along with other minor adverse variances of £14k, the budget pressure of £184k is mostly offset by a non-recurrent saving on the election budget.

4. TREASURY MANAGEMENT

- 4.1 Following the review of budgets (being reported elsewhere on the Policy Committee Agenda) it has been possible to reduce the budget to £10m, and currently a possible underspend of £200k is forecast (though there remain several volatile and uncertain factors impacting the budget which may impact during the remainder of the year).

5. FORECAST GENERAL FUND BALANCE

- 5.1 Based upon the draft accounts for 2016/17, the General Fund Balance at the end of 2016/17 was £5.2m. As indicated in the table above, assuming remedial action highlighted is carried out, there is a forecast overspend on service revenue budgets of £1.416m.
- 5.2 The pressure on service directorate budgets is likely to be offset by a slightly favourable treasury position (see para 4.1), so there is an overall £1.216m over spend forecast. These will take the General Fund Balance below the minimum forecast, and officers are therefore developing remedial plans to address this projected overspend. Should these plans go beyond management actions and require councillor approval they will be presented to the next meeting in September, as given the wider work on the medium term financial plan, reported elsewhere on the agenda, we cannot afford to overspend the 2016/17 budget.

6. CAPITAL PROGRAMME 2017/18

- 6.1 To the end of May £2.5m of the c.£121m programme had been spent. Capital spending is normally weighted to the latter part of the year and a full detailed review of the position has yet to be completed

7. HRA

- 6.1 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.
- 6.2 An initial review of the likely HRA capital financing position for 2017/18 has identified those costs should be around £400k under spent, and an initial consideration of the prospect for rent income, suggests that actual income

should be at least £300k 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 income¹ generation proposals included in the 2017/18 budget are subject to a monthly review. The expanded RAG status in terms of progress is summarised below:

	£000	%
Blue (fully delivered)	5,370	39
Green (on track)	3,342	24
Amber (<10% off track)	3,012	22
Red (>10% off track)	2,034	15
Grey (undeliverable)	20	0
Total	13,778	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.

Financial RAG

-  = 100% of savings delivered, and verified by Finance (Directorate/Programme Accountant)
-  = On track to deliver 100% of savings target
-  = Up to 10% at risk, however corrective action in place to deliver 100%
-  = Above 10% of savings at risk, or plans not yet developed and approved, or resource issues
-  = Removal of Savings

10. COUNCIL TAX & BUSINESS RATE INCOME

10.1 We have set targets for tax collection, and the end of May 2017 position is:

Council Tax	2017/18 £000	Previous Year's Arrears £000	Total £000
Target	18,667	570	19,237
Actual	18,589	657	19,246
Variance	-78	87	9

10.2 For 2017/18 as a whole the minimum target for Council Tax is 96.5%, (2016/17 collection rate 96.8%). At the end of May 2017, collection for the year was 37.86% compared to a target of 38.18%, and collection is slightly behind 2016/17 (38.16% by end of May 2016).

10.3 Business Rates Income to the end of May 2017

Business Rates	2017/18 £000	2017/18 %
Target	23,212	18.00%
Actual	24,138	19.08%
Variance	926 above	1.08%

The target for 2017/18 as a whole is 98.50%. By comparison, at the end of May 2016, 17.91% of rates had been collected.

11. OUTSTANDING GENERAL DEBTS

11.1 The Council's outstanding debt total as at 31 May 2017 stands at £4.717m in comparison to the 31st March figure of £3.861m. This shows an increase of £0.856m, and we note that £2.652m of the balance as at 31 May 2017 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. The Council’s constitution envisages remedial action is implemented when there are adverse budget variances

16. EQUALITY IMPACT ASSESSMENT

- 16.1 None arising directly from the report. An Equality Impact Assessments was undertaken for the 2017/18 budget as a whole.

17. BACKGROUND PAPERS

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