

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

<b>TO:</b>	<b>POLICY COMMITTEE</b>		
<b>DATE:</b>	<b>5 DECEMBER 2016</b>	<b>AGENDA ITEM:</b>	<b>14</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>LEAD OFFICER:</b>	<b>RACHEL MUSSON &amp; ALAN CROSS</b>	<b>TEL:</b>	<b>01189372058 (x72058)</b>
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**1. EXECUTIVE SUMMARY**

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

**2. RECOMMENDED ACTION**

- 2.1 To note that based on the position at the end of October 2016 budget monitoring forecasts an overspend of around £7.6 m

**3. BUDGET MONITORING**

- 3.1 The results of the Directorate budget monitoring exercises are summarised below. The overall overspend has increased by £122k since the previous report.

	<b>Emerging Variances £000</b>	<b>Remedial Action £000</b>	<b>Net Variation £000</b>	<b>% variance budget</b>
Environment & Neighbourhood Services	2,818	(2,869)	(51)	-0.2%
Children's, Education & Early Help Services/	7,103	(412)	6,691	19.7%
Adults Care and Health Services Inc. Public Health	4,071	(2,913)	1,158	2.9%
Corporate Support Services	472	(336)	136	1.1%
<b>Directorate Sub total</b>	<b>14,464</b>	<b>(6,530)</b>	<b>7,934</b>	
Treasury	(299)	0	(299)	
<b>Total</b>	<b>14,165</b>	<b>(6,530)</b>	<b>7,635</b>	

### 3.2 Environment & Neighbourhood Services

Despite increasing this year's budget for bed and breakfast (B&B) costs, there is a significant risk for the budget to be exceeded based on current trend (higher numbers but lower 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 (and scenarios) are being recast regularly based on latest actual figures and an assessment of demand forecasts and project delivery plans. Currently there are 158 households in B&B and a forecast overspend of £80k is reported based on this rising to around 200 by the financial year end. This is being closely monitored as placement numbers fluctuate.

All of the 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. Based on the information currently available a potential income shortfall of £370k is reported this month relating to known pressures, offset with £160k savings. Officers will be reviewing any opportunities to mitigate these pressures through alternative income streams in the coming months.

Overall, the Directorate is now reporting an underspend of £51k, as the above pressures are offset by overall underspends of £240k within Transport and Streetcare, (largely arising from additional income) and £101k in Planning Development & regulatory Services, both arising from a range of variances within those service areas.

### 3.3 Children, Education & Early Help Services

A new structure was agreed in February for Children's Social Care based on the need of having manageable caseloads. This structure cost £750k more than the existing budget and remains unfunded. Currently the majority of the structure is filled with agency workers whilst the service is going through a continuous recruitment campaign. Recruitment to some of the vacant posts has been achieved through recruitment of overseas applicants and further work is currently being undertaken to obtain recruitment from within the UK. The current predicted overspend based upon staffing is £2.8m (including the unfunded £750k). This estimate is based upon current agency staff remaining in post into such time as the new recruitment strategy predicts new starters.

Service demand pressures continue for the service with external placements currently predicted to be overspent by £2.4m. This estimate is based upon current usage and estimated further demand to year end. However, due to the uncertainty of demand this estimate cannot be guaranteed, but there is on-going work by the service to try and manage this and keep within this estimate.

There is also a saving of £545k allocated against the service which is currently unachievable due to the recent OFSTED report, as reported in July.

With regard to other services areas there continues to be a pressure on Education with regard to home to school transport unachieved savings of £500k. Within Early Help services there is a pressure of £228k. This is due to the LDD service which transferred from Adults this financial year. Costs in association with external placements/short breaks are currently overspent by £510k. Other Early Help services are underspent by £282k. There is a pressure of £230k within Governance and Transformation all in relation to staff costs. £160k of this is through the need to use agency to cover vacant posts along with a further £70k of unfunded costs within the Structure for DMT.

Whilst the above represents the position with regard to the general fund, we are forecasting a £3.6m pressure on the high needs block as was reported to Schools Forum in July.

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

During the last month the forecast overspend being reported by DACHS has increased by £233k, from £925k to £1,158k. Adult Services continue to experience demand pressure in excess of available budgets in both residential and community based services. There are a number of projects within Transformation and Deficit Reduction designed to alleviate some of the pressure but this will not currently bring the forecast service costs fully back to budget either in-year or on an ongoing basis.

In particular we continue to press health partners in connection with ensuring a proper split of financing for Continuing Healthcare Costs, in line with other parts of the country.

Furthermore, the Directorate holds most of the training budgets across the Council, which have been reduced significantly (by £750k) in the last two years. Analysis of our essential training needs, and existing training commitments has highlighted that the much reduced budget will be overspent, and this forms part of the total. Further work is needed in this area.

### **3.5 Corporate Support Services**

At the end of October the Directorate is forecasting an overspend of £136k. This has increased on the previously reported position, arising from some additional costs we are now facing in Customer Services as both council tax collection and housing benefit services need to address higher volumes of work that have arrived recently than is normally expected, and also some extra audit costs, as has been mentioned at Audit & Governance Committee. Details of these additional pressures are still to be finalised.

## **4. TREASURY MANAGEMENT**

- 4.1 A review of the capital financing budget has identified a potential under spend of £299k. The improvement of £103k from last month's position follows a detailed review of the cashflow position and the MRP calculation. In terms of treasury activity, we have arranged £70.8m of temporary borrowing during the year (with £174m borrowed for various periods 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 3.2%. The forecast incorporates our latest estimates of the capital programme and its financing for the year.

## **5. FORECAST GENERAL FUND BALANCE**

- 5.1 The recently approved accounts show 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 £7.9m.
- 5.2 The pressure on service directorate budgets is offset by a favourable treasury position (see para 4.1), so there is an overall £7.6m overspend forecast. We will continue to look for opportunities to reduce the overspend.
- 5.3 However, the final overspend at the year end will need to be financed. The arrangements for doing this will be set out as part of the budget report for 2017/18 in February 2017.

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

- 6.1 To the end of October £22.4m of the c.£79m programme had been spent. Capital spending is normally weighted to the latter part of the year, although this year significant parts of the schools building programme were needed by the beginning of the present school term in September. Of the Primary School Expansion Programme, so far £12.9m has been spent against budget of £16.0m.

## **7. HRA**

- 7.1 There are currently projected to be small under and overspends within the repairs and maintenance budgets, but it is currently projected these costs will be managed to budgeted amount.
- 7.2 An initial review of the likely HRA capital financing position for 2016/17 has identified those costs should be around £300k under spent. Actual rent income is currently projected to be at least £100k better than budget, amongst other reasons because of continuing good control of rent arrears and lower than budgeted void loss.

## **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 (and tax changes affecting some of them from next financial year);
  - 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	2,275	20
Amber	5,755	47
Green	4,001	33
<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 October 2016 position is:

Council Tax	2016/17 £000	Previous Year's Arrears £000	Total £000
Target	56,525	1,270	57,795
Actual	56,140	1,167	57,307
<b>Variance</b>	<b>385 below</b>	<b>103 below</b>	<b>488 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 October 2016, collection for the year was 64.6% compared to a target of 65.1%, and collection is slightly behind of 2015/16 (65.1% by end of October 2015).

10.3 **Business Rates Income to the end of October 2016**

Business Rates	2016/17 £000	2016/17 %
Target	72,501	63.00%
Actual	71,677	62.28%
<b>Variance</b>	<b>824 below</b>	<b>0.72% below</b>

The target for 2016/17 as a whole is 98.50%. By comparison, at the end of October 2015, 62.25% of rates had been collected.

## **11. OUTSTANDING GENERAL DEBTS**

11.1 The Council's outstanding debt total as at 31<sup>st</sup> October stands at £5.718 m in comparison to the 31<sup>st</sup> March figure of £3.861m. This shows an increase of £1.857m, but this includes large amounts due from other public sector bodies and we note that £2.826m of the balance as at 31 October 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.