

READING BOROUGH COUNCIL
REPORT BY DIRECTOR OF FINANCE

TO:	POLICY COMMITTEE		
DATE:	13 MARCH 2017	AGENDA ITEM:	15
TITLE:	BUDGET MONITORING 2016/17		
LEAD COUNCILLOR:	COUNCILLORS LOVELOCK/ PAGE	PORTFOLIO:	FINANCE
SERVICE:	FINANCE	WARDS:	BOROUGHWIDE
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1. EXECUTIVE SUMMARY

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

2. RECOMMENDED ACTION

- 2.1 To note that based on the position at the end of January 2017 budget monitoring forecasts an overspend of around £7.7m.

3. BUDGET MONITORING

- 3.1 The results of the Directorate budget monitoring exercises are summarised below. The overall overspend has increased by £52k since the previous report.

	Emerging Variances £000	Remedial Action £000	Net Variation £000	% variance budget
Environment & Neighbourhood Services	3,890	(4,876)	(986)	-3.1%
Children's, Education & Early Help Services/	11,090	(4,064)	7,026	20.7%
Adults Care and Health Services Inc. Public Health	2,856	(1,539)	1,317	3.3%
Corporate Support Services	1,411	(793)	618	5.0%
Directorate Sub total	19,247	(11,272)	7,975	6.6%
Treasury	(324)	0	(324)	
Total	18,923	(11,272)	7,651	6.4%

3.2 Environment & Neighbourhood Services

As at the end of January, the Directorate is forecasting a positive year-end variance of £986k. This amounts to 1.45% of the Directorate's gross General Fund budget of circa £68m. Despite a range of known pressures, the current projected year-end position represents an improving picture for the Directorate's budget overall, and in summary is a result of:

- a) an over-achievement of income across various services;
- b) some one-off savings achieved in year;
- c) a deliberate decision taken in the autumn to try and reduce revenue spend in year, as a one-off measure, to help mitigate the wider Council overspend.

However, the savings arising from this latter category are not considered sustainable going forward.

Some savings targets have been delayed and therefore not achieved in-year within the Transport and Streetcare Service. However, these have been more than compensated for by prudent in-year cost controls, an over-achievement of income from parking and bus contracts, and savings from in the associated costs of street lighting and fleet management. At the end of January, this service is predicting a net year-end positive variance of £215k, but this can often change as a result of particular weather events during the last part of the financial year.

Planning, Development & Regulatory Services are predicting a positive variance of over £500k, as at the end of January. The service has experienced a range of in-year pressures, including changes to licensing fees and a delay in the delivery of a significant savings target in Corporate Facilities Management. However, overall, these pressures have been more than offset by an over-achievement of planning fees and the additional rental income from the recently acquired property investments, alongside one-off in-year spend controls on salaries and building maintenance. It should be noted that planning fees in particular can sometimes experience a significant last quarter uplift, but is difficult to predict.

The bulk of services delivered within Economic & Cultural Development generate significant levels of income to cover costs. An underachievement of income and other pressures, notably in Parks and due to a delay in the re-opening of 21 South St, but has been partially offset by a corresponding underspend in operational costs.

Managing demand and spend on Homelessness continues to be a key focus for the Housing & Neighbourhood Service and a range of actions and initiatives has helped address the anticipated overspend, predicted in the first half of the financial year. Having reviewed progress and the impact of mitigation both planned and in place, additional measures have been implemented to prioritise moves for larger families and those who have been in placements for longer periods. There were 115 families and 31 singles in B&B (146 in total) at the end of January 2017. It is anticipated that total

numbers could potentially rise to around 160 by the end of the financial year; this is only a projection, but would mean that costs would come in just below (circa £130k) the adjusted budget.

3.3 Children, Education & Early Help Services

Overall the directorate is now reporting a £7m overspend, an increase of £0.1m from the previous month. The main reasons for this movement are due to an increase in SEN transport costs (£80k), the costs of a consultant employed to work to improve SLA arrangements with schools (£30k) and additional interim cover (£30k). These have been offset by minor changes to other variances amounting to £36k.

The main key overspends for the Directorate remain with the use of Agency Social Workers (£3.6m), External Placements (£2.2m), non-achievement of savings (£0.5m), Home to school transport increasing to £0.6m, pressure for Direct Payments and short breaks (£0.2m), Agency staffing costs for Governance and Transformation (£0.2m), and consultancy costs (£0.2m). These overspends are offset by savings within Early Help of £0.4m.

Whilst the above represents the position with regard to the General Fund, the forecast remains as £3.6m pressure on the high needs block as has been reported to the Schools Forum.

3.4 Adult Care & Health Services

The overspend within the directorate has risen by £0.25m since the last budget monitoring last month. The reasons for this increase are:

- a) an Educational placement for an LD client has come to light and this is expected to cost around £75k this year (and possibly £150k next year). This had not been set up on the Mosaic social care system, and the invoices have only recently been received.
- b) the CHC Transformation project has delivered very little reduction in spend to date. At present we believe we have a "worse case view" and that once better information is received the position will improve, but this is uncertain.
- c) Due to loss of permanent staff the Agency usage in the Adult Disability Team has increased and this will cause a £0.1m overspend in this area. Whilst this will be kept under review, workloads within the team remain high, and we will need to ensure that we are appropriately resourced.

3.5 Corporate Support Services

The directorate position has improved by £0.1m since the last report. The monitoring of CSS has identified some additional income for Bereavement Services and Legal Services.

4. TREASURY MANAGEMENT

- 4.1 A review of the capital financing budget has identified a potential underspend of £0.3m, a minor improvement from last month's position. In terms of treasury activity, we have arranged £203.8m of temporary borrowing during the year (including arranging some borrowing for the early part of 2017/18) for various periods from various other local authorities (or similar) to manage the cash flow). 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 2015/16 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 almost £8m.
- 5.2 The pressure on service directorate budgets is slightly offset by a favourable treasury position, so there is an overall £7.7m overspend forecast. Whilst we continue to look for opportunities to reduce the overspend, at this stage in the year it is unlikely it will reduce substantially. The Budget Report for 2017/18 agreed at Council during February set out the financing arrangements for the overspend (using the equal pay provision, mrp arrangements and capital receipts) and provided arrangements for the year end position to be agreed in time for accounts sign off in due course.

6. CAPITAL PROGRAMME 2016/17

- 6.1 To the end of January £41.5m of the c.£83m 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 £14.2m has been spent against budget of £17.9m.

7. HRA

- 7.1 There are currently projected to be various variances within both revenue repairs and capital works overall the current projection is that expenditure will be close to the budgeted amount for both revenue and capital aspects. A provisional budget of £0.6m was included for Coley Water Main but this project has not yet progressed and this will not be spent this year.
- 7.2 Current projected expenditure for capital financing (debt interest, Minimum Revenue Provision and debt management expenses) is projected to be £0.2m less than budgeted due to the interest rate on borrowing being less than budgeted.
- 7.3 There are various under and overspends within supervision and management including £0.3m underspend on the PFI budget as it is now projected that

there will not be a requirement to add to the PFI reserve in this financial year.

- 7.4 The rent income budget includes budgets of £0.7m for voids loss and £0.7m for addition to the bad debt provision. Due to better than budgeted void loss (projected loss of £0.3m) and continued good collection rates the projected rental income is £0.9m better than budget. Service charge and other income is currently projected to be £0.4m above budgeted levels.

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.

	£000	%
Red	5,295	44%
Amber	4,399	36%
Green	2,437	20%
Total	<u>12,131</u>	<u>100%</u>

- 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 set targets for tax collection at the beginning of the year, and the end of January 2017 position is:

Council Tax	2016/17 £000	Previous Year's Arrears £000	Total £000
Target	79,463	1,490	80,953
Actual	79,572	1,492	81,064
Variance	109 above	2 above	111 above

10.2 For 2016/17 as a whole the minimum target for Council Tax is 96.5% of the debit for the year, (2015/16 collection rate 96.8%). At the end of January 2017, collection for the year was 92.07% compared to a target of 91.94%, and collection is slightly ahead of 2015/16 (92.02% by end of January 2016). In January we estimated a year end surplus, and the positive position is broadly consistent with that forecast.

10.3 Business Rates Income to the end of January 2017

Business Rates	2016/17 £000	2016/17 %
Target	102,905	89.50%
Actual	100,374	87.30%
Variance	2,531 below	2.20% below

The target for 2016/17 as a whole is 98.50%. By comparison, at the end of December 2015, 90.08% of rates had been collected.

11. OUTSTANDING GENERAL DEBTS

11.1 Most other money owed to the Council is collected through the General Debtors System. The amounts outstanding can vary significantly from month to month depending upon levels of invoicing, and the extent to which people pay on time, and we allow a month for "normal" payment before recognising the debt as outstanding and overdue. In particular at any point in time we are usually owed large amounts of money by other public sector bodies; notably in the health sector linked to the close working between health and social care.

11.2 As at the end of January, the Council's outstanding debt was £7.606m. £2.954m of the balance as at 31st January 2017 is more than 151 days old, the majority of which relates to adult social care, some of which is awaiting the sale of a property before settlement.

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.