

<b>DECISION-MAKER:</b>	<b>CABINET</b>		
<b>SUBJECT:</b>	<b>CORPORATE REVENUE FINANCIAL MONITORING FOR THE PERIOD TO THE END OF 30 JUNE 2016</b>		
<b>DATE OF DECISION:</b>	<b>16 AUGUST 2016</b>		
<b>REPORT OF:</b>	<b>CABINET MEMBER FOR FINANCE</b>		
<b><u>CONTACT DETAILS</u></b>			
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<b>STATEMENT OF CONFIDENTIALITY</b>
N/A

### **BRIEF SUMMARY**

This report summarises the General Fund and Housing Revenue Account (HRA) revenue financial position for the Authority for the three months to the end of June 2016, and highlights any key issues by Portfolio which need to be brought to the attention of Cabinet.

### **RECOMMENDATIONS:**

#### **General Fund**

It is recommended that Cabinet:

- i) Note the current General Fund revenue position for 2016/17 as at Qtr. 1, which is a forecast over spend at year end of £5.13M against the working budget, as outlined in paragraph 4.
- ii) Note that the forecast over spend for portfolios is £8.70M as outlined in paragraph 5.
- iii) Note the actions and assumptions being put in place to address the overspend position as described in paragraph 7 and Appendix 2.
- iv) Note the performance to date with regard to the delivery of the agreed savings proposals approved for 2016/17 as detailed in Appendix 3.
- v) Note the performance against the financial health indicators detailed in Appendix 4.
- vi) Note the performance outlined in the Quarterly Treasury Management Report attached as Appendix 5.
- vii) Note the performance outlined in the Quarterly Collection Fund Statement attached as Appendix 7.

#### **Housing Revenue Account**

It is recommended that Cabinet:

- viii) Note the current HRA budget monitoring position for 2016/17, as at Qtr. 1. There is a forecast overspend at year end of £0.62M against the working budget as outlined in paragraphs 20 and 21 and in Appendix 6.

## REASONS FOR REPORT RECOMMENDATIONS

1. To ensure that Cabinet fulfils its responsibilities for the overall financial management of the Council's resources.

## ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. Not applicable.

## DETAIL (Including consultation carried out)

3. Service Directors and Service Leads and Managers have been consulted in preparing the reasons for variations contained in the appendices.

## Financial Summary

4. Appendix 1 sets out a high level financial summary for the General Fund, and shows that the overall forecast outturn position for the Council is an overspend of £5.13M, as shown below:

**Table 1 Summary Forecast Outturn Position**

	<b>Forecast Outturn Variance £M</b>	<b>Forecast Outturn Variance %</b>
<b>Baseline Portfolio Total</b>	<b>8.70 A</b>	<b>5.14</b>
Capital Asset Management	3.57 F	
<b>Net Total General Fund</b>	<b>5.13 A</b>	<b>3.03</b>

5. As shown in Table 1, the forecast portfolio revenue outturn on net controllable spend for the end of the year compared to the working budget is an over spend of £8.70M. This is analysed below:

**Table 2 Portfolio Forecast Outturn Position**

<b>Portfolio</b>	<b>Qtr. 1 Forecast Outturn Variance</b>	
	<b>£M</b>	<b>%</b>
Communities, Culture & Leisure	0.09 A	1.84

Education & Children's Social Care	0.68 A	1.55
Environment & Transport	0.01 A	0.03
Finance	0.07 F	0.19
Health & Sustainable Living	0.04 A	0.79
Housing & Adult Social Care	3.63 A	5.56
Leader's	0.92 A	7.59
Transformation	3.39 A	34.59
<b>Portfolio Total</b>	<b>8.70 A</b>	<b>5.14</b>

6. The significant issues affecting each portfolio are set out in Appendix 2.
7. The adverse variance in 2016/17 needs to be addressed and therefore Service Directors plan to take remedial action to manage a number of the significant issues highlighted in this report. Specific actions are included within Appendix 2 where applicable. Individual service areas are working with Finance and Transformation Officers to draw up recovery action plans to minimise the amount of pressure being carried forward into 2017/18.

#### **Risk Fund**

8. Potential pressures that may arise during 2016/17 relating to volatile areas of both expenditure and income are managed through the Risk Fund. A sum of £3.57M is included in the working budget to cover these pressures. This has been forecast to be released to offset the identified overall Portfolio adverse position.

#### **Approved Carry Forward Requests**

9. Carry forwards from 2015/16 totalling £0.13M were approved by Council on 20<sup>th</sup> July 2016. The appropriate budgets and forecast spend will be included within the reported portfolio position for Qtr. 2 2016/17.

#### **Significant Portfolio Issues**

10. The significant issues for each portfolio are detailed in Appendix 2 by Portfolio.
11. It is good practice to recognise that any forecast is based on assumptions about key variables and to undertake an assessment of the risk surrounding these assumptions. Having done this a forecast range has been produced for each significant issue, where applicable, which represents the pessimistic and optimistic forecast outturn position. This range is included within the detail contained in Appendix 2.
12. There are, however, certain issues which are highlighted in the tables below as being the most significant for Cabinet to note. The adverse variances are noted in the first table below and the favourable variances in the second.

**Table 4 Significant Adverse Variances**

<b>Portfolio</b>	<b>Significant Issue</b>	<b>Adverse Forecast £M</b>	<b>See Reference</b>
Education & Children' Social Care	Looked After Children & Provision	0.84	E&CSC 1
Environment & Transport	Domestic Waste Collection	0.32	E&T 1

Environment & Transport	Commercial Waste Collection	0.10	E&T 2
Environment & Transport	Waste Disposal	0.10	E&T 3
Health & Sustainability	Public Health	0.12	HSL 1
Housing & Adult Social Care	Long Term	2.38	ASC 1
Housing & Adult Social Care	Safeguarding Adult Mental Health & Out of Hours	0.30	ASC 2
Housing & Adult Social Care	Provider Services	0.17	ASC 3
Housing & Adult Social Care	Reablement	0.62	ASC 4
Housing & Adult Social Care	Integrated Commissioning Unit Provider Relationships	0.19	ASC 5
Leader's	Property Portfolio Management	1.31	LPOR 3
Transformation	Transformation Savings	3.39	TRANS 1 - 4

**Table 5 Significant Favourable Variances**

Portfolio	Significant Issue	Favourable Forecast £M	See Reference
Environment & Transport	Contacts Management	0.18	E&T 4
Environment & Transport	Off Street Parking	0.14	E&T 5
Environment & Transport	Travel	0.15	E&T 6
Leader's	Central R&M	0.10	LPOR 1
Leader's	Property Services	0.21	LPOR 4

### **Implementation of Savings Proposals**

13. Savings proposals of £29.86M were approved by Council in February 2016 (and following consultation in July 2016) as part of the overall budget package for 2016/17. Additionally £1.62M of non-achieved 2015/16 savings have been identified to be achieved in 2016/17 giving a total of £31.48M savings to be achieved in 2016/17. The delivery of the savings is crucial to the financial position of the authority. Below is a summary of the progress as at the end of the first quarter to highlight the level of risk associated with delivery and Appendix 3 contains further details:

**Table 6 Analysis of Achievement of Savings**

	%
Implemented and Saving Achieved	24.8
Not Yet Fully Implemented and Achieved But Broadly on Track	40.7
Saving Not on Track to be Achieved	34.5

14. Where savings are not on track to be achieved and a high level of risk is associated with delivery, this is due to non-implementation in some cases but also due to the impact of

factors such as rising demand for services which have meant that despite being implemented the estimated level of financial savings have not materialised.

15. The overall financial shortfall in the delivery of the savings proposals is currently forecast as £7.43M or 23.6% of the total to be delivered which is shown by Portfolio in Appendix 3.
16. The financial implications of the delivery of these proposals are reflected in the current forecast position, areas of ongoing concern have been fully reviewed, and appropriate action plans are being put into place. In addition, any implications for the budget for 2017/18 and future years will be addressed as part of setting the budget.

### **Financial Health Indicators**

17. In order to make an overall assessment of the financial performance of the authority it is necessary to look beyond pure financial monitoring and take account of the progress against defined indicators of financial health. Appendix 4 outlines the performance to date, and in some cases the forecast, against a range of financial indicators which will help to highlight any potential areas of concern where further action may be required.

### **Quarterly Treasury Management Report**

18. The Council approved a number of indicators at its meeting in February 2016 and Appendix 5 outlines current performance against these indicators in more detail, along with an economic update and key information about the Council's borrowing and investments.
19. As at the 30 June 2016 the Council held the following levels of borrowings and investment:

**Table 7 Investment and Borrowing as at 30<sup>th</sup> June 2016**

	<b>£M</b>	<b>Average Yield/Rate %</b>
<b>Investments</b>		
Cash	37.69	0.60
Long Term Bonds	15.56	2.08
Corporate Bonds	9.44	1.09
Other Bonds	16.08	0.75
Property Fund	7.00	4.99
<b>Total Investments</b>	<b>85.77</b>	<b>-</b>
<b>External Borrowing</b>		
Public Works Loan Board (PWLB)	229.00	-
Market Loans	9.00	-
<b>Total External Borrowing</b>	<b>238.00</b>	<b>3.33</b>

### **Housing Revenue Account**

20. The expenditure budget for the HRA was set at £75.14M and the income budget at £76.15M, resulting in a net transfer to balances of £1.01M. The forecast position for the year end on income and expenditure items shows an adverse variance of £0.62M

compared to this budget.

21. The significant variances are detailed in Appendix 6 but include:

- Overspend on Responsive Repairs £0.98M;
- Overspend on Housing Investment £0.13M; and
- Reduction in Tenant Service Charges £0.20M;

Offset by:

- Decrease in Supervision & Management Costs £0.24M; and
- Reduced borrowing requirement for Capital Programme £0.45M.

### **Collection Fund**

22. Each billing authority is required to estimate the level of surplus or deficit on the Council Tax and Business Rate Element of the Collection Fund at the end of each financial year in order that these amounts can be included in the budget calculations for the coming financial year.
23. A forecast position for the Collection Fund as at the end of June 2016 has been made. The following table details the overall forecast changes.

	<b>Council Tax £M</b>	<b>NDR £M</b>	<b>Total £M</b>
Change in 2016/17 Surplus	0.94	4.62	5.56
(Reduction)/Increase in year-end Surplus brought forward from 2015/16	1.13	1.68	2.81
<b>Overall 2016/17 Surplus</b>	<b>2.07</b>	<b>6.30</b>	<b>8.37</b>
<b>SCC Share of Surplus</b>	<b>1.78</b>	<b>3.09</b>	<b>4.87</b>

24. The council's share of the surplus for council tax is £1.78M and its share of the business rates surplus is £3.09M, giving a net surplus of £4.87M. These will be taken into account in setting the 2017/18 Council Tax and General Fund Budget. The current approved Medium Term Financial Forecast (MTFF) assumes business rate growth at 1% per annum. Appendix 7 details the Collection Fund Account for 2016/17.
25. It should be noted that a reduction in the bad debt provision of £0.97M is included within the change in surplus for Council Tax of £2.07M. Bad debt provision is based on an estimate of the likely level of bad debts linked to collection rates. A review has been undertaken and this has led to a reduced estimated requirement for 2016/17.

### **RESOURCE IMPLICATIONS**

#### **Capital/Revenue**

26. The revenue implications are contained in the report. There are no capital implications.

#### **Property/Other**

27. None.

## LEGAL IMPLICATIONS

### Statutory power to undertake proposals in the report:

28. Financial reporting is consistent with the Chief Financial Officer's duty to ensure good financial administration within the Council.

### Other Legal Implications:

29. None.

## POLICY FRAMEWORK IMPLICATIONS

30. None.

KEY DECISION? Yes

WARDS/COMMUNITIES AFFECTED:	All
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## SUPPORTING DOCUMENTATION

### Appendices

1.	Forecast Revenue Position Qtr. 1
2.	Portfolio Summaries.
3.	Savings Position 2016/17.
4.	Health Indicators.
5.	Treasury Management Qtr. 1
6.	HRA Qtr. 1
7.	Collection Fund Qtr. 1

### Documents In Members' Rooms

1.	None
2.	

### Equality Impact Assessment

Do the implications/subject of the report require an Equality Impact	No
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Assessment (EIA) to be carried out.		
<b>Privacy Impact Assessment</b>		
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.		No
<b>Other Background Documents</b>		
<b>Equality Impact Assessment and Other Background documents available for inspection at:</b>		
Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)	

1.	General Fund Revenue Budget Report 2016/17 to 2019/20 (Approved by Council on 10 February 2016)	