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| DECISION-MAKER: | CABINET | | |
| SUBJECT: | CORPORATE REVENUE FINANCIAL MONITORING FOR THE PERIOD TO THE END OF 30 th JUNE 2015 | | |
| DATE OF DECISION: | 18 AUGUST 2015 | | |
| REPORT OF: | CABINET MEMBER FOR FINANCE | | |
| <u>CONTACT DETAILS</u> | | | |
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| STATEMENT OF CONFIDENTIALITY | | | |
| 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 2015, 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 2015/16 as at Qtr 1, which is a forecast over spend at year end of £9.43M against the budget approved by Council on 11 February 2015, as outlined in paragraph 4.
- ii) Note that the forecast over spend for portfolios is £9.66M as outlined in paragraph 5.
- iii) To agree the actions being put in place to address the overspend position as described in paragraphs 9 and 10.
- iv) Note the performance to date with regard to the delivery of the agreed savings proposals approved for 2015/16 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 Report attached as Appendix 7.

Housing Revenue Account

It is recommended that Cabinet:

- viii) Note the current HRA budget monitoring position for 2015/16, as at Qtr 1. There is a forecast overspend at year end of £0.95M against the budget approved by Council on 11 February 2015, as outlined in

paragraphs 29 and 30 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. Heads of Service, Budget Holders and Directors 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 £9.43M, as shown below:

Table 1 Summary Forecast Outturn Position

| | Forecast Outturn Variance £M | Forecast Outturn Variance % |
|---------------------------------|---|--|
| Baseline Portfolio Total | 9.66 A | 5.5 |
| Non-specific Government Grants | 0.23 F | |
| Net Total General Fund | 9.43 A | 5.5 |

5. As shown in the Table 1, the forecast portfolio revenue outturn on net controllable spend for the end of the year compared to the working budget is an overspend of £9.66M and this is analysed below:

Table 2 Portfolio Forecast Outturn Position

| Portfolio | Baseline Forecast Outturn Variance £M | Forecast Outturn Variance | |
|------------------------------------|--|--------------------------------------|------------|
| | | £M | % |
| Communities, Culture & Leisure | 0.49 A | 0.49 A | 7.4 |
| Education & Children's Social Care | 5.84 A | 5.84 A | 15.0 |
| Environment & Transport | 0.51 A | 0.51 A | 2.2 |
| Finance | 0.13 F | 0.13 F | 0.4 |
| Health & Adult Social Care | 2.94 A | 2.94 A | 5.1 |
| Housing & Sustainability | 0.01 A | 0.01 A | 0.6 |
| Leader's Portfolio | 0.00 - | 0.00 - | 0.0 |
| Transformation | 0.00 - | 0.00 - | 0.0 |
| Portfolio Total | 9.66 A | 9.66 A | 5.5 |

6. The significant issues affecting each portfolio are set out in Appendix 2.
7. It should be noted that the report regarding “Consultation on Proposed Changes to the General Fund” elsewhere on the agenda proposes potential savings in 2015/16 of £10.3M. At present that report does not propose to carry forward these savings to assist in balancing the budget position for 2016/17 due to the adverse position being reported in 2015/16.
8. However, it is imperative that actions are put in place to address and significantly reduce the forecast in-year overspend and reduce any pressure being taken forward into 2016/17. The proposed actions to achieve this are set out in paragraph 9 below. Addressing the in-year overspend through the proposed actions set out in paragraph 9 will reduce the call on the £10.3M in year savings detailed in paragraph 7. This would mean all or part of the £10.3M would be available if required to contribute to closing next year’s budget gap.

Actions being taken to address the adverse position

9. Portfolios 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.
10. In addition there are a number of actions that are being put in place to address the adverse position. These actions are:
 - a. The individual service areas are working with finance and transformation to draw up recovery action plans to minimise the amount of pressure being carried forward into 2016/17.
 - b. Vacancy Freeze – all directorates have been instructed to hold posts vacant and to not recruit with only minimal exceptions to be agreed by Directors for critical posts.
 - c. Non Essential Spend – all directorates have been instructed to cease spending on any non-essential non pay expenditure.
 - d. Any posts which have been held vacant and not covered by temporary arrangements for over 6 months will be deleted.

Non-Specific Government Grants

11. Additional non-specific Government grant income not included in the budget is anticipated resulting in a forecast favourable variance of £0.23M as follows:
12. The amount of Education Services Grant that the Council receives is based on the number of pupils in maintained schools in the city. This number is continually updated as schools convert to academies. Based on known academy conversions this financial year, the amount forecast to be received in 2015/16 is expected to be £0.39M more than budget.
13. Local Reform & Community Voices Grant is expected to be £0.05M more than budget.
14. Housing Benefit Admin Subsidy Grant is expected to be £0.13M lower than budget.
15. Council Tax Support New Burdens Funding received in May was £0.08M lower than budgeted.

Risk Fund

16. Potential pressures that may arise during 2015/16 relating to volatile areas of both expenditure and income are managed through the Risk Fund. A sum of £4.94M is included in the working budget to cover these pressures. As evidence is provided to substantiate the additional expenditure or reduction in income, allocations from the risk fund will be considered.
17. The Risk Fund, which originally stood at £4.50M, now totals £4.94M. The funding

allocated is shown below:

Table 3 Current Risk Fund Position

| | | £M |
|--|-------------------------|-------------|
| Opening Risk Fund Provision 2015/16 | | 4.50 |
| Portfolio | Service Activity | |
| Health & Adult Social Care | Care Act Pressure | 0.80 |
| Education & Children's Social Care | City Catering | (0.36) |
| Risk Fund Provision June 2015 | | 4.94 |

18. At this stage of the year it has been prudently assumed that the remainder of the Risk Fund will be fully utilised in 2015/16 but this position will be actively reviewed. The provision made within the Risk Fund will be reviewed as part of the development of the budget for 2016/17 to ensure that a sufficient allocation is included for such pressures in the future.

Contingency

19. The contingency totals £0.25M and it has been assumed that it will be fully utilised by the end of 2015/16.

Approved Carry Forward Requests

20. Carry forwards from 2014/15 totalling £0.3M were approved by Council on 15th July 2015. The appropriate budgets and forecast spend have now been included within the reported portfolio position for 2015/16.

Potential Carry Forward Requests

21. Portfolios have not highlighted any potential carry forwards for submission which is as to be expected at this early stage of the year.

Significant Portfolio Issues

22. The significant issues for each portfolio are detailed in Appendix 2 by Portfolio.
23. 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.
24. 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

| Portfolio | Corporate Issue | Adverse Forecast £M | See Reference |
|--------------------------------------|-------------------------|------------------------|---------------|
| Communities, Culture & Leisure | Leisure Client | 0.11 A | COMM 1 |
| Communities, Culture & Leisure | Gallery & Museums | 0.19 A | COMM 2 |
| Communities, Culture & Leisure | Prevention & Inclusion | 0.17 A | COMM 3 |
| Education and Children's Social Care | Looked after Children & | 4.07 A | E&CSC1 |

| | | | |
|--------------------------------------|--|--------|---------|
| | Provision | | |
| Education and Children's Social Care | Specialist Core Services | 0.70 A | E&CSC2 |
| Education and Children's Social Care | Divisional Management & legal | 0.48 A | E&CSC3 |
| Education and Children's Social Care | MASH & Early Help | 0.29 A | E&CSC4 |
| Education and Children's Social Care | Education – Early Years and Asset Management | 0.15 A | E&CSC5 |
| Environment & Transport | Domestic Waste Collection | 0.49 A | E&T 1 |
| Environment & Transport | Off-Street Parking | 0.15 A | E&T 3 |
| Health & Adult Social Care | Long Term Care | 2.32 A | H&ASC 1 |
| Health & Adult Social Care | Provider Services | 0.69 A | H&ASC 2 |
| Health & Adult Social Care | Reablement | 0.20 A | H&ASC 5 |

Table 5 Significant Favourable Variances

| Portfolio | Corporate Issue | Favourable Forecast £M | See Reference |
|----------------------------|----------------------------|---------------------------|---------------|
| Environment & Transport | E&T Contracts Management | 0.28 F | E&T 2 |
| Finance | Partnership | 0.19 F | FIN 1 |
| Health & Adult Social Care | ICU Provider Relationships | 0.41 F | H&ASC 3 |
| Health & Adult Social Care | ICU System Design | 0.23 F | H&ASC 4 |

Implementation of Savings Proposals

25. Savings proposals of £16.73M were approved by Council in February 2015 as part of the overall budget package for 2015/16. 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 | 64.7 |
| Not Yet Fully Implemented and Achieved But Broadly on Track | 15.4 |
| Saving Not on Track to be Achieved | 19.9 |

26. Where savings are not on track to be achieved and a high level of risk is associated with delivery then 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.
27. The overall financial shortfall in the delivery of the savings proposals is currently forecast as £3.06M or 18.3% of the total to be delivered which is shown by Portfolio in Appendix

3.

28. 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 2016/17 and future years will be addressed as part of the development of the budget.

Financial Health Indicators

29. 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

30. The Council approved a number of indicators at its meeting of 11 February 2015 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.
31. As at the 30th June 2015 the Council held the following levels of borrowings and investment:

Table 7 Investment and Borrowing as at 30th June 2015

| | £M | Average Yield/Rate % |
|---------------------------------|--------------|-----------------------------|
| Investments | | |
| Cash | 48.5 | 0.54 |
| Long Term Bonds | 19.2 | 1.81 |
| Corporate Bonds | 24.0 | 0.83 |
| Other Bonds | 2.1 | 0.95 |
| Property Fund | 7.0 | 4.86 |
| Total Investments | 100.8 | 1.40 |
| | | |
| External Borrowing | | |
| Public Works Loan Board (PWLB) | 241.0 | 3.30 |
| Market Loans | 9.0 | 4.86 |
| Total External Borrowing | 250.0 | 3.36 |

Housing Revenue Account

32. The expenditure budget for the HRA was set at £77.13M and the income budget at £77.39, resulting in a net transfer to balances of £0.26M. The forecast position for the year end on income and expenditure items shows an adverse variance of £0.95M compared to this budget.
33. There are four significant variances to report for which the detail is set out in Appendix 6.

Collection Fund

34. 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.
35. A forecast position for the Collection fund as at the end of Qtr 1 2015/16 has been made. This gives an estimated increase in the income due from council tax payers in 2015/16 of £1.5M and an increase of £5.5M for income from business rates compared to the original forecast at tax setting time.
36. In addition, there was a reduction in the carry forward of the council tax income surplus from 2014/15 of £0.5M and an increase in the surplus of business rate income of £1.0M. This gives an overall council tax surplus of £1.0M and an overall business rate surplus of £6.5M in 2015/16.
37. The council's share of the forecast surplus for council tax is £0.9M and its share of the business rates forecast surplus is £3.2M, giving a total forecast surplus of £4.1M. These forecasts will be reviewed each quarter and the latest forecast will be taken into account in setting the 2016/17 Council Tax and General Fund Budget. Appendix 7 details the Collection Fund Surplus/Deficit account for 2015/16.

RESOURCE IMPLICATIONS

Capital/Revenue

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

Property/Other

39. None.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

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

Other Legal Implications:

41. None.

POLICY FRAMEWORK IMPLICATIONS

42. None.

KEY DECISION?

Yes

| | |
|------------------------------------|-----|
| WARDS/COMMUNITIES AFFECTED: | All |
|------------------------------------|-----|

SUPPORTING DOCUMENTATION

Appendices

| | |
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| 1. | Forecast Revenue Position Qtr 1 |
| 2. | Portfolio Summaries |
| 3. | Savings Position 2015/16 |
| 4. | Health Indicators |
| 5. | Treasury Management Qtr 1 |
| 6. | HRA Qtr 1 |

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| 7. | Collection Fund Qtr 1 |
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Documents In Members' Rooms

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| 1. | None |
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Equality Impact Assessment

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| Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out. | No |
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Other Background Documents

Equality Impact Assessment and Other Background documents available for inspection at:

| Title of Background Paper(s) | Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable) |
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|----|---|--|
| 1. | General Fund Revenue Budget Report 2015/16 to 2017/18 (Approved by Council on 11 February 2015) | |
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