

Report of: Executive Member for Finance, Performance and Community Safety

Meeting of	Date	Ward(s)
Executive	16 January 2020	All

Delete as appropriate	Exempt	Non-exempt
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BUDGET MONITORING 2019/20 MONTH 8

1. SYNOPSIS

- 1.1 This report presents the forecast outturn position for 2019/20 as at 30 November 2019. Overall, there is a forecast General Fund underspend of (-£2.572m) compared to a forecast underspend of (-£0.634m) in the previous reported position. This (-£1.938m) change in forecast is due to the following:
- (-£2.707m) agreed allocation from the corporate contingency budget to resolve the structural budget pressures in the Environment and Regeneration directorate;
 - (+£0.910m) unallocated cross-cutting savings that are now considered undeliverable in the current financial year; and
 - (-£0.141m) other small net movements across the Council's budget.
- 1.2 The Housing Revenue Account (HRA) is forecast to break-even over the year.
- 1.3 It is forecast that £142.591m of capital expenditure will be delivered in 2019/20 against the existing 2019/20 capital budget of £154.595m.
- 1.4 The latest delivery tracker ('RAG' rating) of agreed 2019/20 savings shows that of the £13.775m savings programme in 2019/20, £12.865m (93%) is either on track to be delivered or has been replaced with deliverable alternatives (including one-off funding) in the current financial year. However, there are significant risks around the ongoing delivery of some of the 2019/20 savings in future financial years. A risk-based review of the savings programme is currently underway and will feed into future budget monitoring reports.

2. **RECOMMENDATIONS**

- 2.1. To note the forecast revenue outturn for the General Fund (**Table 1**) of an overall underspend of (-£2.572m) compared to a forecast underspend of (-£0.634m) in the previous reported position. (**Section 3**)
- 2.2. To note that management action is required over the course of the financial year to bring forecast overspends back to within agreed cash limited budgets where possible. (**Paragraph 3.2**)
- 2.3. To note the breakdown of the forecast General Fund outturn by individual variance at **Appendix 1** and by service area at **Appendix 2**.
- 2.4. To note the schedule of additional budget risks that are not included in the current forecasts. (**Paragraph 3.3** and **Appendix 3**)
- 2.5. To note the latest position on the delivery of agreed 2019/20 savings and the earmarked corporate transformation reserve, and a risk-based review of the savings programme is currently underway. (**Paragraphs 5.2-5.4** and **Table 3**)
- 2.6. To note that the HRA forecast is a net break-even position. (**Table 1** and **Appendix 2**)
- 2.7. To note the latest capital position and key capital variances with forecast capital expenditure of £142.591m in 2019/20 against the existing 2019/20 capital budget of £154.595m. (**Section 7, Table 4, and Appendix 4**)

3. **REVENUE POSITION: SUMMARY**

- 3.1. A summary position of the General Fund and HRA is shown in **Table 1**, a breakdown by individual General Fund variance in **Appendix 1** and a breakdown by General Fund and HRA service area in **Appendix 2**.

Table 1: 2019/20 General Fund and HRA Forecast Over/(Under)Spend

	Month 8 £m	Month 6 £m	Change £m
GENERAL FUND			
Chief Executive's Directorate	0.004	0.064	(0.060)
Environment and Regeneration	(0.084)	2.749	(2.833)
Housing	0	0	0
People	(1.127)	(1.145)	0.018
Public Health	0	0	0
Resources Directorate	(0.011)	(0.026)	0.015
DIRECTORATE TOTAL	(1.218)	1.642	(2.860)
Corporate Items	(1.354)	(2.276)	0.922
GROSS OVER/(UNDER) SPEND	(2.572)	(0.634)	(1.938)
HOUSING REVENUE ACCOUNT			
NET (SURPLUS)/DEFICIT	0	0	0

- 3.2. All services have agreed cash limited budget allocations and therefore take responsibility for delivering a balanced budget unless a detailed business case is developed and approved for an allocation from the corporate contingency budget. Management action is therefore

required over the course of the financial year to bring forecast overspends back to within agreed cash limited budgets where possible.

- 3.3. A schedule of additional budget risks that are not included in the current forecasts is provided at **Appendix 3**.

4. GENERAL FUND

Chief Executive's Directorate (+£0.004m)

- 4.1. The Chief Executive's directorate is forecasting a (+£0.004m) overspend, a decrease of (-£0.060m) since the previous reported position, with the key variances and changes summarised in **Appendix 1**.

Environment and Regeneration (-£0.084m)

- 4.2. The Environment and Regeneration directorate is forecasting a (-£0.084m) underspend compared to a previous reported (+£2.749m) overspend. The key variances and changes behind this position are set out in **Appendix 1**. The main reason for this (-£2.833m) change in forecast is the agreed allocation of £2.707m from the corporate contingency budget to resolve the structural budget pressures in the directorate.

Housing (Break-Even, unchanged since previous reported position)

- 4.3. The Housing General Fund is forecast to break-even, after the use of (-£0.300m) one-off grant funding carried forward from prior years in earmarked reserves. This position is summarised in **Appendix 1**.

People (-£1.127m)

- 4.4. The new People directorate (comprising Children's, Employment and Skills and Adult Social Services) is forecasting a (-£1.127m) underspend, a decrease of (-£0.018m) since the previous reported position. The key variances and changes are set out in **Appendix 1**.

Children's, Employment and Skills - General Fund (-£0.377m), Schools (-£3.731m)

- 4.5. Children's, Employment and Skills is forecasting a (-£0.377m) underspend, a decrease of (+£0.018m) since the previous reported position.
- 4.6. The Dedicated Schools Grant (DSG) is forecasting an underspend of (-£3.731m or -2.1%), an increase of (-£0.315m) since the previous reported position. Most of this (-£3.292m) relates to prior year contingency balances being managed on behalf of Schools Forum to either manage cost pressures in relation to high needs and provision for 2 year olds, or because of volatility in the implementation of a national funding formula for 3 and 4 year olds. In addition, there is the (-£0.321m) balance of a one-off cash payment from the DfE that will not be spent by schools until 2020/21. This is offset by forecast DSG cost pressures relating to early years Special Educational Needs and Disabilities (SEND) following an increase in applications in the summer and autumn terms. Underspends and overspends against the DSG are managed through Schools Forum.

Adult Social Services (-£0.750m)

- 4.7. Adult Social Services is forecasting a (-£0.750m) underspend, unchanged since the previous reported position.
- 4.8. This position includes the use of one-off resources totalling (-£3.505m), including Social Care Grant, Improved Better Care Fund (Stabilising the Social Care System), Winter

Pressures Funding, Direct Payments Surplus and (-£0.868m) funding carried forward from 2018/19 in earmarked reserves.

Public Health (Break-Even, unchanged since previous reported position)

4.9. Public Health is funded via a ring-fenced grant and forecast to break-even with no material variances from budget.

Resources Directorate (-£0.011m)

4.10. The Resources directorate is forecasting a (-£0.011m) underspend, a decrease of (+£0.015m) since the previous reported position, with the key variances and changes detailed in **Appendix 1**. This includes the provisional use of one-off funding carried from 2018/19 in earmarked reserves (-£0.515m).

Corporate Items (-£1.354m)

4.11. The forecast for corporate items is a (-£1.354m) underspend, a decrease of (+£0.922m) since the previous reported position, with key variances and changes set out in **Appendix 1**. The main reason for this change in forecast is the unallocated cross-cutting savings in **Table 2** below, totalling (+£0.910), that are now considered undeliverable in the current financial year.

Table 2: 2019/20 Cross-Cutting Savings

Cross-Cutting Saving	Original Target £m	Allocated £m	Unallocated £m
Redesigning our customer service offer across the council, bringing together transactional services to provide a better service for residents	0.280	0.280	0.000
Savings resulting from a review of management spans and tiers and improved administrative processes across the council	0.550	0.050	0.500
Savings resulting from a corporate review of contracting and procurement arrangements, helping to get a better deal for the council and apply a category-management approach	0.550	0.140	0.410
Total	1.380	0.470	0.910

4.12. This position is before taking into account the corporate contingency budget. The agreed allocation of £2.707m to resolve structural budget issues in the Environment and Regeneration directorate has reduced the 2019/20 corporate contingency budget from £5.080m to £2.373m. Any remaining balance of the 2019/20 contingency budget at the end of the financial year will be carried forward to future years, providing much needed financial resilience over the medium term.

5. SAVINGS DELIVERY

5.1. All savings projects are owned by nominated service leads and monitored monthly by Departmental Management Teams. All projects are also reviewed monthly by the Corporate Programme Management Office to ensure they are on track, that any savings associated are deliverable and that emerging risks and issues are identified. Services are then supported corporately with any remedial action necessary to get projects back on

track, or establish where savings may no longer be deliverable and replacements are needed.

- 5.2. The latest delivery tracker ('RAG' rating) of agreed 2019/20 savings shows that, of the £13.775m savings programme in 2019/20, £12.865m (93%) is either on track to be delivered or has been replaced with deliverable alternatives (including one-off funding) in the current financial year. Only £0.910m is flagged as at risk of non-delivery in the current financial year, this relating to the unallocated cross-cutting savings in **Table 2** above.
- 5.3. However, there are significant risks around the ongoing delivery of some of the 2019/20 savings in future financial years. A risk-based review of the savings programme is currently underway and will feed into future budget monitoring reports.
- 5.4. To enable the delivery of agreed savings, there is a corporate transformation reserve to provide required investment funding over the medium term. **Table 3** below summarises the latest position on this reserve.

Table 3: Corporate Transformation Reserve

	£m
Balance as at 31 March 2019	10.448
Budgeted 2019/20 transfer to reserve	5.000
2019/20 allocations	(3.119)
Balance as at Month 8	12.329

6. HOUSING REVENUE ACCOUNT

- 6.1. The forecast variance on the Housing Revenue Account, before transfers to HRA balances, is a net underspend of (-£0.585m) as summarised in **Appendix 2**. This relates to additional rents and other income that is partially offset by making additional provision for depreciation (via the Major Repairs Reserve) and bad debts. As this is a ring-fenced account, any underspends go into HRA balances to be used in future years, resulting in a net break-even position.

7. CAPITAL PROGRAMME

- 7.1. It is forecast that £142.591m of capital expenditure will be delivered in 2019/20 against the revised 2019/20 capital budget of £154.595m. This is set out by directorate in **Table 4** below and detailed in **Appendix 4**, which includes the existing provisional capital programme for 2020/21 and 2021/22 (before revision of the future year programme as part of 2020/21 budget setting).

Table 4: 2019/20 Capital Programme Month 8 Forecast

Directorate	2019/20 Budget £m	2019/20 Spend To Date £m	2019/20 Forecast Outturn £m	Forecast Variance £m
Environment and Regeneration	23.275	8.775	22.641	(0.634)
Housing	113.262	55.869	101.892	(11.370)
People	13.374	7.939	13.374	0.000

Directorate	2019/20 Budget £m	2019/20 Spend To Date £m	2019/20 Forecast Outturn £m	Forecast Variance £m
Resources	4.684	1.429	4.684	0.000
Total	154.595	74.012	142.591	(12.004)

- 7.2. As at the end of month 8, £74.012m of capital expenditure had been spent against the existing 2019/20 capital budget of £154.595m.
- 7.3. The forecast Housing capital variance (-11.370m) comprises:
- (-£11.741m) previously reported re-profiling on the new build programme to future financial years that will be taken into account as part of 2020/21 budget setting;
 - (-£6.065m) underspend on the original General Fund temporary accommodation acquisitions budget, reflecting that these properties are now being purchased under the Housing Revenue Account capital budget; and
 - (+£6.436m) increased expenditure on the major works and improvements programme compared due to a combination of planned cyclical expenditure in 2020/21 now forecast to be incurred sooner and the cost of additional fire safety works not anticipated at 2019/20 budget setting.
- 7.4. The Environment and Regeneration capital budget has increased by £0.581m due to new grant funded budgets for Crossrail (£0.035m) and the Good Growth Fund (GLA grant £0.361m, Section 106 contributions £0.185m). The forecast variance (-£0.634m) comprises underspends of (-£0.405m) on the Energy Saving Council Buildings projects and (-£0.229m) on Section 106 funded Greenspace budgets.

8. IMPLICATIONS

Financial Implications

- 8.1. These are included in the main body of the report.

Legal Implications

- 8.2. The law requires that the Council must plan to balance its spending plans against resources to avoid a deficit occurring in any year. Members need to be reasonably satisfied that expenditure is being contained within budget and that the savings for the financial year will be achieved, to ensure that income and expenditure balance (section 28 Local Government Act 2003; the Council's Financial Regulations 3.7 to 3.10 (Revenue Monitoring and Control).

Environmental Implications

- 8.3. This report does not have any direct environmental implications.

Resident Impact Assessment

- 8.4. The Council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The Council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The Council must have due regard to the need to tackle prejudice and promote understanding.

8.5. A resident impact assessment (RIA) was carried out for the 2019/20 Budget Report approved by Full Council. This report notes the financial performance to date but does not have direct policy implications, so a separate RIA is not required for this report.

Appendices:

Appendix 1 – General Fund Revenue Monitoring by Individual Variance

Appendix 2 – Revenue Monitoring by Service Area

Appendix 3 – Additional General Fund Budget Risks

Appendix 4 – Capital Monitoring 2019/20 to 2021/22

Background papers: None

Final report clearance:

Signed by:



8 January 2020

Executive Member for Finance, Performance and
Community Safety

Date

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