



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

Meeting of	Date	Ward(s)
Executive	6 February 2020	All

Delete as appropriate	Exempt	Non-exempt
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BUDGET MONITORING 2019/20 MONTH 9

1. SYNOPSIS

- 1.1 This report presents the forecast outturn position for 2019/20 as at 31 December 2019. Overall, there is a forecast General Fund underspend of (-£1.973m) compared to a forecast underspend of (-£2.572m) in the previous reported position. This (+£0.599m) decrease in underspend is due to the following:
- (+£0.500m) contractual commitments related to the termination of Shared Digital and transition of the digital service back in-house; and
 - Other small net movements across the directorates (+£0.023m) and corporate items (+£0.076m).
- 1.2 The ring-fenced Housing Revenue Account (HRA) is forecast to break-even overall.
- 1.3 It is forecast that £131.873m of capital expenditure will be delivered in 2019/20 against the revised 2019/20 capital budget of £155.107m.
- 1.4 Based on a recent risk-based ('RAG') review of the agreed 2019/20 savings programme of £13.775m, £10.444m (76%) are 'Green' rated, £0.436m are 'Amber' rated and £2.895m are 'Red' rated. Whilst the Amber and Red rated savings are being covered from one-off resources and underspends in the current financial year, there are significant risks around the ongoing delivery of these savings in future years.

2. RECOMMENDATIONS

- 2.1 To note the forecast revenue outturn for the General Fund (**Table 1**) of an overall underspend of (-£1.973m) compared to a forecast underspend of (-£2.572m) 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 (including the significant risks around the ongoing delivery of Red/Amber rated savings in future financial years) and the earmarked corporate transformation reserve. (**Paragraphs 5.2-5.3** and **Table 2**)
- 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 £131.873m in 2019/20 against the existing 2019/20 capital budget of £155.107m. (**Section 7, Table 3, 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 9	Month 8	Change
	£m	£m	£m
<u>GENERAL FUND</u>			
Chief Executive's Directorate	0.004	0.004	0.000
Environment and Regeneration	(0.022)	(0.084)	0.062
Housing	0.000	0.000	0.000
People	(1.177)	(1.127)	(0.050)
Public Health	0.000	0.000	0.000
Resources Directorate	0.500	(0.011)	0.511
DIRECTORATE TOTAL	(0.695)	(1.218)	0.523
Corporate Items	(1.278)	(1.354)	0.076
GROSS OVER/(UNDER) SPEND	(1.973)	(2.572)	0.599
<u>HOUSING REVENUE ACCOUNT</u>			
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, unchanged since the previous reported position, with the key variances and changes summarised in **Appendix 1.**

Environment and Regeneration (-£0.022m)

4.2. The Environment and Regeneration directorate is forecasting a (-£0.022m) underspend compared to a previous reported (-0.084m) underspend. The key variances and changes behind this position are set out in **Appendix 1.**

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

4.3. The Housing General Fund is forecast to break-even, after the use of (-£0.393m) one-off grant funding carried forward from prior years in earmarked reserves. This position is summarised in **Appendix 1.**

People (-£1.177m)

4.4. The new People directorate (comprising Children's, Employment and Skills and Adult Social Services) is forecasting a (-£1.177m) underspend, an increase of (-£0.050m) since the previous reported position. The key variances and changes are set out in **Appendix 1.**

Children's, Employment and Skills - General Fund (-£0.427m), Schools (-£3.185m)

4.5. Children's, Employment and Skills is forecasting a (-£0.427m) underspend, an increase of (-£0.050m) since the previous reported position.

4.6. The Dedicated Schools Grant (DSG) is forecasting an underspend of (-£3.185m or -1.8%), a decrease of (+£0.546m) since the previous reported position. The majority of this relates to prior year 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 autumn and summer terms. Underspends and overspends against the DSG are managed through Schools Forum. The movement since the previous reported position relates to additional funding that has been transferred to schools and early years settings as agreed 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 (-£3.966m), including Social Care Grant, Improved Better Care Fund (Stabilising the Social Care System), Winter Pressures Funding, Direct Payments Surplus and (-£0.777m) 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 any underspend at the end of the financial year will be carried forward in reserves to spend on public health in future years. The main forecast variances on the public health grant in 2019/20 are summarised in **Appendix 1**.

Resources Directorate (+£0.500m)

- 4.10. The Resources directorate is forecasting a (+£0.500m) overspend compared to an underspend of (-£0.011m) in the previous reported position, with key variances and changes set out in **Appendix 1**. The main reason for the movement in the reported position is (+£0.500m) contractual commitments related to the termination of Shared Digital and transition of the digital service back in-house.
- 4.11. This position includes the use of one-off funding carried from 2018/19 in earmarked reserves (-£0.472m).

Corporate Items (-£1.278m)

- 4.12. The forecast for corporate items is a (-£1.278m) underspend, a decrease of (+£0.076m) since the previous reported position, with key variances and changes set out in **Appendix 1**.
- 4.13. This position is before taking into account the corporate contingency budget. The previously agree 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. Based on a recent risk-based (Red/Amber/Green) review of the agreed 2019/20 savings programme of £13.775m, £10.444m (76%) are Green rated, £0.436m are Amber rated and £2.895m are Red rated. Whilst the Amber and Red rated savings are being covered from one-off resources and underspends in the current financial year, there are significant risks around the ongoing delivery of these savings in future years (except £0.300m Red rated savings that are permanently undeliverable and have been reversed out of the proposed base budget from 2020/21).
- 5.3. To enable the delivery of agreed savings, there is a corporate transformation reserve to provide required investment funding over the medium term. **Table 2** below summarises the latest position on this reserve.

Table 2: 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 9	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 £131.873m of capital expenditure will be delivered in 2019/20 against the revised 2019/20 capital budget of £155.107m. This is set out by directorate in **Table 3** 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 3: 2019/20 Capital Programme Month 9 Forecast

Directorate	2019/20 Budget £m	2019/20 Spend To Date £m	2019/20 Forecast Outturn £m	Forecast Variance £m
Environment and Regeneration	23.787	9.732	23.787	0.000
Housing	113.262	64.571	90.028	(23.234)
People	13.374	8.375	13.374	0.000
Resources	4.684	1.606	4.684	0.000
Total	155.107	84.284	131.873	(23.234)

7.2. As at the end of month 9, £84.284m of capital expenditure had been spent against the existing 2019/20 capital budget of £155.107m.

7.3. The forecast Housing capital variance (-23.234m) comprises:

- (-£25.439m) net re-profiling on the new build programme to future financial years, an increase of (-£13.698m) since the previous month's forecast. Many of the delayed schemes have now been re-designed & independently reassessed as value for money, which means that they are now progressing through key decisions/contract award towards start on site;
- (-£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
- (+£8.270m) 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. This is an increase of (+1.834m) since the previous month's forecast.

7.4. All of the above forecast capital variances in 2019/20 will be taken into account as part of 2020/21 budget setting and the proposed revised capital programme 2020/21 to 2022/23.

7.5. The Environment and Regeneration capital budget has increased by £0.532m compared to the previous month due to Section 106/Community Infrastructure Levy funded budget changes.

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:		29 January 2020
	Executive Member for Finance, Performance and Community Safety	Date

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