

## Bath & North East Somerset Council

MEETING:	<b>Cabinet</b>	
MEETING DATE:	<b>6<sup>th</sup> December 2017</b>	EXECUTIVE FORWARD PLAN REFERENCE:
		<b>E 2981</b>
TITLE:	<b>Revenue and Capital Budget Monitoring, Cash Limits and Virements – April 2017 to October 2017</b>	
WARD:	All	
<b>AN OPEN PUBLIC ITEM</b>		
<b>List of attachments to this report</b>		
<b>Appendix 1:</b> Revenue & Capital Monitoring Commentary		
<b>Appendices 2(i) &amp; 2(ii):</b> Proposed Revenue Virements & Revised Revenue Cash Limits 2017/18		
<b>Appendices 3(i) &amp; 3(ii):</b> Capital Virements & Capital Programme by Portfolio 2017/18		

### 1 THE ISSUE

1.1 This report presents the financial monitoring information for the Authority as a whole for the financial year 2017/18 to the end of October 2017.

### 2 RECOMMENDATION

The Cabinet agrees:

- 2.1 Strategic Directors should continue to work towards managing within budget in the current year for their respective service areas and develop an action plan of how this will be achieved, including not committing any unnecessary expenditure and stringent budgetary control.
- 2.2 This year's revenue budget position as shown in paragraph 5.3 is noted.
- 2.3 The mitigations that will be required shown in paragraph 5.8, if the over budget position cannot be reduced by the end of the financial year, are noted.
- 2.4 The capital year end forecast detailed in paragraph 5.18 of this report, is noted.
- 2.5 The revenue virements listed for information in Appendix 2(i) are noted.
- 2.6 The changes in the capital programme listed in Appendix 3(i) are noted.

### 3 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

3.1 The financial implications are contained within the body of the report.

### 4 STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL

4.1 The annual medium term financial planning process allocates resources across services with alignment of these resources towards the Council's corporate priorities. This report monitors how the Council is performing against the financial targets set in February 2017 through the Budget setting process.

### 5 THE REPORT

#### REVENUE BUDGET

5.1 The Budget Management Scheme requires that the Cabinet consider the revenue and capital monitoring position four times per year.

5.2 Divisional Directors have been asked to outline the actual expected outturn for the year and the reasons to date for over / under budget forecasts. For revenue budgets which are forecast to be over budget, the Divisional Directors are expected to seek compensating savings to try and bring budgets back to balance.

5.3 A summary by Portfolio of the revenue position as at 31<sup>st</sup> October 2017 is shown in the table below:

Portfolio	Original Budget £'millions	Revised Budget £'millions	Year End Forecast £'millions	Variance £'millions
Leader	5.161	5.153	5.153	0
Finance & Efficiency	(2.385)	2.172	3.120	0.947
Transformation & Customer Services	4'433	4.471	4.471	0
Adult Care, Health & Wellbeing	59.548	59.548	60.973	1.425
Children & Young People	25.285	26.997	28..16	1.818
Economic & Community Regeneration	(3.597)	(3.648)	(4.483)	(0.834)
Development & Neighbourhoods	20.488	20.859	21.027	0.167
Transport & Environment	3.957	(0.318)	(0.092)	0.226
<b>Total</b>	<b>112.890</b>	<b>115.234</b>	<b>118.985</b>	<b>3.751</b>

Note1: Some of the figures in this table are affected by rounding.

Note2. The Revised Budget reflects a transfer from Transport and Environment for the WECA levy to Finance and Efficiency.

5.4 The current **year-end** forecast is an over budget position of £3,751,000 which equates to 1.20% of gross budgeted spend (excluding Schools). Appendix 1 sets out the detail for each Portfolio of the current position on Council spending, and the forecast outturn for 2017/18. This is an improvement of £1,374,000 compared to the position previously reported based on the period to the end of August 2017.

5.5 The financial strategy, presented in October 2017 outlines how these pressures will be addressed over the short to medium term. Strategic Directors have agreed measures to reduce and mitigate this position, including:-

- Reviewing all vacancies to hold or remove;
- Introducing a three month turnover saving before a vacancy can be filled;
- Buying leave option for staff;
- Bringing forward planned savings;
- Regular monthly updates to the Transformation Group;
- Reviewing all income streams;
- Reviewing all spend above £10k.

Finance has been monitoring projected spend on salaries, goods and services and income from June to October to assess if these mitigations are improving. The movement and forecast is as follows:-

	Projected Year-End Variation to Budget as at June 2017 £'million	Projected Year-End Variation to Budget as at October 2017 £'million	Change Between June and October (Favourable)/ Adverse £'million
Pay	(1.8)	(2.2)	(0.4)
Goods and Services	0.4	1.3	0.9
Income	(0.5)	(1.7)	(2.2)
Total	(1.9)	(2.6)	(0.7)

The goods and services spend has been reviewed and the majority of the variation has been agency workers which is offset by salary savings, items which have resulted in greater income, funded from carry forwards, or grant.

5.6 In addition specific measures have been agreed within Adult Social Care:-

- Additional capacity for project management, transformation, and contract management;
- Improvements to the IT system in processing and reporting;
- Approval panels set up for care packages;
- Support planning and brokerage of placements.

Appendix 1 highlights an improvement of £680k from these measures.

5.7 The measures noted above, as well as the one-off use of reserves and capitalisation of some transformation spend, will be needed. Options to more closely control spend on demand led budgets, such as adult social care, are currently under further review.

5.8 If not reduced by year end, the forecast position will also require use of reserves and other mitigations as follows:-

<b>Mitigation</b>	<b>Amount £'million</b>
Release 2017/18 Government Transition Grant Funding	0.930
Release Strategic Risk Provision Budget	0.510
Clearance of historic suspense account	0.689
Business Rate Revaluation Provision for Impact on B&NES properties	0.380
Revenue Budget Contingency Reserve*	1.242
<b>Total</b>	<b>3.751</b>

\* Note this will leave a balance of £693k currently uncommitted within the Revenue Budget Contingency Reserve

5.9 Based on the improvement to the position reported to October Cabinet, there is currently no requirement to use non-earmarked reserves as part of these mitigations.

5.10 The forecast outturn position includes the requirement for the delivery of £14.5m of savings as part of the approved budget for 2017/18, of which £11.3m are currently green (on target to be achieved). Of the remainder, £1.6m are included in the current over budget forecast as not achieved, and a further £1.6m are rated as Amber at present (meaning there is a significant risk they will not be achieved). The Appendix 1 service narrative gives details of the items creating service pressures and measures put in place to manage this.

- 5.11 The Council's financial position, along with its financial management arrangements and controls, are fundamental to continuing to plan and provide services in a managed way, particularly in light of the medium term financial challenge. Close monitoring of the financial situation provides information on new risks and pressures in service areas, and appropriate management actions are then identified and agreed to manage and mitigate those risks.
- 5.12 Any revenue budget virements which require Cabinet approval are listed in Appendix 2(i). Technical budget adjustments are also shown in Appendix 2(i) for information purposes, as required by the Budget Management Scheme.

## **COUNCIL TAX SUPPORT & COUNCIL TAX**

- 5.13 The Council Tax Support Scheme commenced in April 2013. For 2017/18, the taxbase included an adjustment of £8.1m for the estimated costs of the scheme based on Government projections for Universal Credit transfers. Current forecast costs of the scheme have risen to £8.6m, leaving a pressure of £0.5m which will impact on the Collection Fund. The reason for this pressure is that there has been a delay by DWP in residents moving to Universal Credit, and this will impact on the tax base for 2018/19 if transfers continue to be delayed. The current overall forecast outturn position on the Council Tax Collection Fund is for a small deficit of around £130k for the Council's share, this represents a 0.15% variance against target income. The one-off impacts of the Council Tax collection fund projected outturn position will be built into the financial planning assumptions for the 2018/19 budget when the Council Taxbase is set in December.
- 5.14 The collection rate for Council Tax was 67.87%, compared to the target of 67.52% at the end of October 2017.

## **NON DOMESTIC RATES**

- 5.15 This is the first year of the 100% business rates pilot. The current year-end forecast is for the Council's overall share of Business Rate income to be approximately £700,000 less than estimated, which will impact on the Collection Fund. As set out in the Budget Report, the Business Rates Reserve will be utilized, to ensure there is no impact on the 2017/18 outturn position. There are a number of factors impacting on Business Rates in that growth is lower than anticipated and there has been an increase in reliefs, mainly relating to small business and empty property reliefs. The collection rate for Non Domestic Rates was 67.23% at the end of October 2017 compared to the target of 67.10%.
- 5.16 As highlighted in the 2017/18 Budget Report, there continues to be a future risk relating to NHS Trusts claims that they are entitled to mandatory charitable relief from Business Rates. This claim will ultimately be subject to a legal ruling, with the Local Government Association co-ordinating legal support on behalf of Local Authorities. Whilst the Council's view remains that the relief is not applicable in this case, if this position were to change, the granting of such a relief would present a significant challenge to the ongoing financial viability of the Council.

## CAPITAL BUDGET

5.17 The current position for the 2017/18 Capital budget of £129.429m (excluding contingency) is for a forecast spend of £129.176m, which is £0.253m less than the budget.

5.18 A summary by Portfolio of the capital position as at 31<sup>st</sup> October 2017 is shown in the table below.

Portfolio Summary Monitor  Capital Monitor April 2017 to October 2017	Current Year 2017/2018 Forecast Outturn		
	Forecast Actual Expenditure £'million	Annual Current Budget £'million	Forecast In-Year Variance £'million
Finance & Efficiency	54,.46	54,.52	(0.006)
Transformation & Customer Services	0.724	0.724	0
Adult Care, Health & Wellbeing	0.747	0.747	0
Children & Young People	13.602	13.816	(0.213)
Economic & Community Regeneration	21.043	21.028	0.015
Development & Neighbourhoods	23.773	23.773	0
Transport & Environment	14.441	14.490	(0.049)
<b>TOTAL COUNCIL</b>	<b>129.176</b>	<b>129.429</b>	<b>(0.253)</b>

Note: Some of the figures in this table are affected by rounding.

5.19 Previously approved changes to the capital programme are listed in Appendix 3(i), while Appendix 3(ii) provides the updated capital programme allocated by Portfolio.

## 6 RATIONALE

6.1 The report is presented as part of the reporting of financial management and budgetary control required by the Council.

## 7 OTHER OPTIONS CONSIDERED

7.1 None

## 8 CONSULTATION

8.1 Consultation has been carried out with the Cabinet Member for Finance & Efficiency, Strategic Directors, Section 151 Finance Officer, Chief Executive and Monitoring Officer.

## 9 RISK MANAGEMENT

9.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

9.2 The substance of this report is part of the Council's risk management process. The key risks in the Council's budget are assessed annually by each Strategic Director, with these risks re-assessed on a monthly basis as part of the budget monitoring process.

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<b>Background papers</b>	<i>Budget Management Scheme</i>
<b>Please contact the report author if you need to access this report in an alternative format</b>	