

# Bath & North East Somerset Council

MEETING:	<b>Cabinet</b>	
MEETING DATE:	<b>7<sup>th</sup> February 2018</b>	EXECUTIVE FORWARD PLAN REFERENCE:
		<b>E 2892</b>
TITLE:	<b>Revenue and Capital Budget Monitoring, Cash Limits and Virements – April 2017 to December 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 December 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 approval in Appendix 2(i) are agreed, and those listed for information are noted.
- 2.6 The changes in the capital programme listed in Appendix 3(i) are noted.
- 2.7 That £75,000 of provisionally approved capital budget for Cleveland Pools in 2017/18 is fully approved.

### 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> December 2017 is shown in the table below:

Portfolio	Original Budget £'million	Revised Budget £'million	Year End Forecast £'million	Variance £'million
Leader	5.161	4.947	4.962	0.016
Finance & Efficiency	(2.385)	2.429	3.179	0.750
Transformation & Customer Services	4.433	4.468	4.461	(0.008)
Adult Care, Health & Wellbeing	59.548	59.485	60.971	1.486
Children & Young People	25.285	26.875	28.711	1.835
Economic & Community Regeneration	(3.597)	(3.655)	(4.665)	(1.010)
Development & Neighbourhoods	20.488	20.836	21.067	0.231
Transport & Environment	3.957	(0.152)	(0.055)	0.097
<b>Total</b>	<b>112.890</b>	<b>115.234</b>	<b>118.630</b>	<b>3.396</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 & Efficiency.

5.4 The current **year-end** forecast is an over budget position of £3,396,000 which equates to 0.94% 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 £355,000 compared to the position previously reported based on the period to the end of October 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.

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

- Additional capacity for project management, transformation, and contract management to accelerate savings delivery plans;
- Tightened contract management arrangements;
- Improvements to the IT system in processing and reporting;
- Enhanced placement and package approval processes, including senior level sign-off/authorisation and reconfigured approval plans;
- Establishment of a brokerage function for placements.

The improvement from these measures is already reflected in the forecast position, with an improvement of £1.73m from the reported over budget position of £5.125m for the April – August monitoring report at the October Cabinet meeting.

5.7 The measures noted above, as well as the one-off use of reserves and use of flexible capital receipts 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*	0.887
<b>Total</b>	<b>3.396</b>

\* Note this will leave a balance of £1,048k 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 £11.2m are currently green (on target to be achieved). Of the remainder, £3.0m are included in the current over budget forecast as not achieved, and a further £0.3m 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. Savings items that are no longer deliverable in 2017/18 have been reviewed alongside other recurring budget pressures and have been incorporated into the financial planning assumptions for the 2018/19 budget.

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 has 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, this has resulted in a reduction in the overall tax base growth previously forecast for next year and this update has been reflected in the 2018/19 budget report. The current overall forecast outturn position on the Council Tax Collection Fund is for a small deficit of around £42k for the Council's share, this represents a 0.05% variance against target income. The one-off impacts of the Council Tax collection fund projected outturn position have been built into the financial planning assumptions for the 2018/19 budget.

- 5.14 The collection rate for Council Tax was 85.80%, compared to the target of 85.81% at the end of December 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 relating to 2017/18 to be approximately £926,000 less than estimated, which will impact on the Collection Fund. The overall Collection fund deficit position, including the element relating to the 2016/17 outturn is forecast at £1.73m. The government is currently consulting on the mechanism for uplifting compensation through s31 grant for the impacts of amendments to Small Business Rate Relief entitlement, the indicative increase in the Council's grant funding is in the region of £1.2m which will partly offset the impact of the collection fund deficit. As set out in the Budget Report, the Business Rates Reserve will be utilized to fund the residual deficit and this position has been reflected in the 2018/19 budget. 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 loss of income from conversion of commercial property to student accommodation continues to be a risk. The collection rate for Non Domestic Rates was 84.37% at the end of December 2017 compared to the target of 83.25%.

- 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 £131.688m (excluding contingency) is for a forecast spend of £97.582m which is less £34.106m than the budget.

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

Portfolio Summary Monitor  Capital Monitor April 2017 to December 2017	Current Year 2017/2018 Forecast Outturn		
	Forecast Actual Expenditure	Annual Current Budget	Forecast In-Year Variance
	£'million	£'million	£'million
Finance & Efficiency	43.072	54.622	(11.500)
Transformation & Customer Services	0.209	0.209	0
Adult Care, Health & Wellbeing	1.384	1,594	(.210)
Children & Young People	9.592	15,964	(6.372)
Economic & Community Regeneration	11.176	21.032	(9.856)
Development & Neighbourhoods	20.049	23.773	(3.723)
Transport & Environment	12.099	14.495	(2.395)
<b>TOTAL</b>	<b>97.582</b>	<b>131.688</b>	<b>(34.106)</b>

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

5.19 The forecast outturn figures shown in the table above mainly represents scheme re-profiling into future years and will be rephased as part of budget setting for 2018/19, the key schemes being:-

- a) Finance & Efficiency; £6.3m on Property Company Investment;
- b) Children & Young People: £5.7m on schools expansion works continuing into next financial year; including Castle Primary, Whitchurch Primary, St Nicholas's Primary expansion Swainswick Primary expansion;
- c) Community Regeneration; £3.4m for the Archway Project now profiled into a multi-year programme and £6m on Community Regeneration projects, schemes now aligned to a revised delivery programme;
- d) Development & Neighbourhoods: 1.8m on Leisure, profiling improvement on a multi-year programme and £1.2m on Vehicle replacements no longer expected to complete before 31st March;
- e) Transport & Environment: £2.2m on various schemes including Bath Transport Package, Highways Maintenance and Salford Station.

5.20 Capital investment of £4.7m is no longer required for the Grand Parade & Undercroft, where the programme now envisages a disposal.

5.21 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.

5.22 Following a very recent decision by HLF the Cleveland Pools Trust has requested the Council to support it to make a new bid. The HLF is supporting this approach. Following consultation with the Portfolio Holder a further £75,000 is to be treated as fully approved to enable further development of the project.

## 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>	