

**READING BOROUGH COUNCIL**  
**REPORT BY HEAD OF FINANCE**

<b>TO:</b>	<b>POLICY COMMITTEE</b>		
<b>DATE:</b>	<b>20 JULY 2015</b>	<b>AGENDA ITEM:</b>	<b>16</b>
<b>TITLE:</b>	<b>BUDGET MONITORING 2015/16</b>		
<b>LEAD COUNCILLOR:</b>	<b>COUNCILLORS</b>	<b>PORTFOLIO:</b>	<b>FINANCE</b>
<b>SERVICE:</b>	<b>LOVELOCK/ PAGE</b>	<b>WARDS:</b>	<b>BOROUGHWIDE</b>
	<b>FINANCE</b>		
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**1. EXECUTIVE SUMMARY**

- 1.1 This report set out the budget monitoring position for the Council to the end of May 2015. These forecasts need to be treated with caution given the early stage in the current financial year and are therefore subject to change and further refinement in the coming months.
- 1.2 The report builds upon the outturn position for 2014/15 with regard to the level of general fund balances and reserves, although it should be noted that the statement of accounts are still subject to external audit in July/ August.

**2. RECOMMENDED ACTION**

- 2.1 **POLICY COMMITTEE** is asked to note the budget monitoring position for 2015/16 as at the end of May.

### 3. BUDGET MONITORING

3.1 The results of the Directorate budget monitoring exercises are summarised below:

	Emerging Variances £000	Remedial Action £000	Net Variation £000
Environment & Neighbourhood Services	500	(200)	300
Childrens, Education & Early Help Services	1,352	(1,352)	0
Adults Care and Health Services	1,875	(1,875)	0
Corporate Support Services	140	(140)	0
<b>Directorate Sub total</b>	<b>3,867</b>	<b>(3,567)</b>	<b>300</b>
Treasury	(250)		(250)
<b>Total</b>	<b>3,617</b>	<b>(3,567)</b>	<b>50</b>

#### 3.2 Environment & Neighbourhood Services

Despite increasing this year's budget for bed and breakfast costs, it has not been possible to contain the growth in the number of placements and the cost of rooms has also risen more than expected. A range of mitigating measures are being implemented and/or are proposed, including: increasing the amount of temporary accommodation available, launching a new Guaranteed Rent Scheme (GRS) offer to landlords and strengthening prevention activity. The current forecast is for a £500k overspend at year end, but this will be closely monitored. The overspend will be partially offset by a one-off £200k saving in culture and leisure budgets.

#### 3.3 Children, Education & Early Help Services

Despite growth in the 2015/16 budget there are early pressures within Childrens Service of £1,169k, largely comprising placements, agency & interim staffing, allowances (flowing from agreed rate changes) and bed and breakfast costs. Within Education services there is a pressure of £183k arising from an unachieved saving within business support. At present there are no pressures reported within Early Help and Family Intervention although this is being kept under review. Overall, these pressures will mean that the Directorate will need to make use of the strategic reserve to balance the financial position.

Within the DSG there is a budget gap of £1m on the high needs block in 2015/16. The Schools Forum is considering measures to address this at its meeting on 9 July.

#### 3.4 Adult Care & Health Services

Adult Services delivered a small underspend against budget in 14/15; however, this was only possible because of one off funding from additional health service funding (e.g. £325k winter pressures) and grants. Without these elements the budget would have been around £800k overspent. The budget monitoring review for May has identified significant additional

pressures across the whole of Adult Services, resulting in a significant (predicted) overspend. However at the start of the financial year the predictions are generally higher than the end of the year and further work is underway to determine likely changes to the forecast, as mitigating measures are implemented. The remainder of the Directorate is currently reporting spend in line with budget; however, within Public Health there may be significant challenges depending upon how the government chooses to allocate in year reductions to the public health budgets recently announced at a national level.

### **3.5 Corporate Support Services**

The financial review for the first two months is showing some pressures across various services however overall the Directorate is currently expecting to spend in line with budget.

## **4. FORECAST GENERAL FUND BALANCE**

- 4.1 Subject to audit, the General Fund Balance at the end of 2014/15 was £5.62m. As indicated in the table above, assuming remedial action highlighted is carried out, there is now expected to be an overspend on service revenue budgets of £300k.
- 4.2 Childrens, Education and Early Help Services and Adult Care and Health Services both have significant pressures and would only come in on budget by making use of the their respective Strategic Demand Reserves to do so. Based upon the forecasts above the Childrens reserve would be £0.7m at 31 March 2016 and the Adults reserve would be fully depleted. We are looking for mitigating measures to reduce significantly the level of call on the reserve.
- 4.3 The pressure on service directorate budgets is partly offset by a favourable treasury position, which when taken together with a planned use of balances by £142k should mean we end the financial year above the £5m minimum level for balances.

## 5. CAPITAL PROGRAMME 2015/16

5.1 The current forecast level of capital expenditure for the year is £89.6m, of which £76.6m relates to General Fund services and £13m to the HRA.

5.2 The table shows the expenditure by priority area and its current estimated funding.

<b>CAPITAL PROGRAMME</b>	<b>£m</b>
Safeguarding & Protecting those that are most vulnerable	3.9
Providing the best life through education, early help & healthy living	37.8
Providing homes for those most in need	11.2
Keeping the town clean, green and active	7.9
Proving infrastructure to support the economy	20.8
Remaining financially sustainable to deliver these service priorities	8.0
<b>Total</b>	<b><u>89.6</u></b>

<b>FORECAST FUNDING</b>	<b>£m</b>
Grants	23.4
Receipts (inc. S106 and HRA Major Repairs Reserve)	17.8
Borrowing	48.4
<b>Total Funding</b>	<b><u>89.6</u></b>

5.3 As at the end of May, £3m of the capital programme had been spent. Over the three years to 2017/18 we anticipate that borrowing will be at similar levels overall, but will generally arise in later years than forecast in February.

## 6. TREASURY MANAGEMENT

6.1 At present an under spend of £250k is forecast based upon current projections of borrowing costs and interest and investment income.

## 7. HRA

7.1 There is no overall projected variance at this stage

## 8. RISK ASSESSMENT

8.1 There are risks associated with delivering the Council's budget and this was subject to an overall budget risk assessment. At the current time those risks are being reviewed as part of budget monitoring and can be classed as follows:

- High use of agency staffing & consultants due to management turnover and staff recruitment & retention issues in social work;
- In year reductions in grant flowing from the new government;
- Demand for adult social care which could deplete the reserve;
- Demand for children's social care which could deplete the reserve;

- Homelessness, and the likely need for additional bed & breakfast accommodation (this also affects other Directorates notably DCEEHS);
- Demand for special education needs services
- Not complying fully with grant conditions for capital projects by spending the required money during the current financial year.

## 9. BUDGET SAVINGS RAG STATUS

9.1 The RAG status of savings and income generation proposals included in the 2015/16 budget are subject to a monthly review. The RAG status in terms of progress is summarised below:

	£000	%
Red	355	4
Amber	2,578	30
Green	5,572	66
<b>Total</b>	<b><u>8,505</u></b>	<b><u>100</u></b>

9.2 The RAG status of budget savings supplements the analysis in budget monitoring above, and the red risks do not represent additional pressures to those shown above.

## 10. COUNCIL TAX & BUSINESS RATE INCOME

10.1 We have set targets for tax collection, and the end of May 2015 position is:

Council Tax	2015/16 £000	Previous Year's Arrears £000	Total £000
Target	16,334	570	16,904
Actual	16,239	303	16,542
<b>Variance</b>	<b>95 below</b>	<b>267 below</b>	<b>362 below</b>

10.2 For 2015/16 as a whole the minimum target for Council Tax is 96.5%, (2014/15 collection rate 96.7%). At the end of May 2015, collection for the year was 20.1% compared to a target of 20.3%, and collection is slightly behind 2014/15 (20.2% by end of May 2014).

10.3 **Business Rates Income to the end of May 2015**

Business Rates	2015/16 £000	2015/16 %
Target	19,138	18.00
Actual	19,647	17.43
<b>Variance</b>	<b>509 above</b>	<b>0.67% below</b>

The target for 2015/16 as a whole is 98.50%. The pattern of business rates payments has been changing following regulatory changes, and the target profile has been adjusted to reflect the new arrangements. At the end of May 2014, 18.82% of rates had been collected, but there are some limitations to that as a comparative figure.

## **11. OUTSTANDING GENERAL DEBTS**

- 11.1 The Council's outstanding debt total as at 31 May 2015 stands at £2,545k in comparison to the 31<sup>st</sup> March figure of £3,176k. This shows a decrease of £631k, but we note that £1,861k of the balance as at 31 May 2015 is greater than 151 days old.

## **12. CONTRIBUTION TO STRATEGIC AIMS**

- 12.1 The delivery of the Council's actual within budget overall is essential to ensure the Council meets its strategic aims.

## **13. COMMUNITY ENGAGEMENT AND INFORMATION**

- 13.1 None arising directly from this report.

## **14. LEGAL IMPLICATIONS**

- 14.1 The Local Government Act 2003 places a duty on the Council's Section 151 Officer to advise on the robustness of the proposed budget and the adequacy of balances and reserves.

- 14.2 With regard to Budget Monitoring, the Act requires that the Authority must review its Budget "from time to time during the year", and also to take any action it deems necessary to deal with the situation arising from monitoring. Currently Budget Monitoring reports are submitted to Policy Committee regularly throughout the year and therefore we comply with this requirement.

## **15. FINANCIAL IMPLICATIONS**

- 15.1 The main financial implications are included in the report.

## **16. EQUALITY IMPACT ASSESSMENT**

- 16.1 None arising directly from the report. An Equality Impact Assessments was undertaken and published for the 2015/16 budget as a whole.

## **17. BACKGROUND PAPERS**

- 17.1 Budget Working & monitoring papers, save confidential/protected items.