

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

<b>TO:</b>	<b>POLICY COMMITTEE</b>		
<b>DATE:</b>	<b>16 JANUARY 2017</b>	<b>AGENDA ITEM:</b>	<b>17</b>
<b>TITLE:</b>	<b>BUDGET MONITORING 2016/17</b>		
<b>LEAD COUNCILLOR:</b>	<b>COUNCILLORS LOVELOCK/ PAGE</b>	<b>PORTFOLIO:</b>	<b>FINANCE</b>
<b>SERVICE:</b>	<b>FINANCIAL</b>	<b>WARDS:</b>	<b>BOROUGHWIDE</b>
<b>LEAD OFFICER:</b>	<b>RACHEL MUSSON &amp; ALAN CROSS</b>	<b>TEL:</b>	<b>01189372058 (x72058)</b>
<b>JOB TITLE:</b>	<b>INTERIM DIRECTOR OF FINANCE &amp; HEAD OF FINANCE</b>	<b>E-MAIL:</b>	<b>Rachel.Musson@reading.gov.uk Alan.Cross@reading.gov.uk</b>

**1. EXECUTIVE SUMMARY**

1.1 This report set out the budget monitoring position for the Council to the end of November 2016.

**2. RECOMMENDED ACTION**

2.1 To note that based on the position at the end of November 2016 budget monitoring forecasts an overspend of around £7.6m.

**3. BUDGET MONITORING**

3.1 The results of the Directorate budget monitoring exercises are summarised below. The overall overspend has decreased by £62k since the previous report.

	<b>Emerging Variances £000</b>	<b>Remedial Action £000</b>	<b>Net Variation £000</b>	<b>% variance budget</b>
Environment & Neighbourhood Services	3,672	(4,257)	(585)	-1.8%
Children's, Education & Early Help Services/	6,919	0	6,919	20.4%
Adults Care and Health Services Inc. Public Health	3,980	(2,913)	1,067	2.7%
Corporate Support Services	837	(363)	474	3.8%
<b>Directorate Sub total</b>	<b>15,408</b>	<b>-7,533</b>	<b>7,875</b>	
Treasury	(302)	0	(302)	
<b>Total</b>	<b>15,106</b>	<b>-7,533</b>	<b>7,573</b>	

### 3.2 Environment & Neighbourhood Services

Overall, the Directorate is now reporting an underspend of £585k. This is less than 1% of the Directorate's gross General Fund budget of circa £68m. This is an aggregation of a number of relatively minor changes as a result of positive action to reduce spend; one off savings achieved; and additional income in some areas which is hard to predict with complete accuracy. This includes overall underspends of £201k within Transport and Streetcare, (largely arising from additional income) and £307k in Planning Development & Regulatory Services (additional planning & sundry property income more than offsetting reported pressures in this area).

All of the services directly delivered within Economic & Cultural Development generate significant levels of income to offset operational costs and this is the key unpredictable variable in delivering to budget. Based on the information currently available a potential income shortfall of £536k is reported this month relating to known pressures, offset with £431k savings. Officers will continue to review any opportunities to further mitigate these pressures through alternative income streams in the coming months.

The 2016-17 net budget for Bed and Breakfast was increased by £600k above 2015/16 budget levels reflecting increased homelessness pressures. Forecasting outturn is challenging as this is a demand led budget - with a range of factors impacting beyond our control and demand does not follow predictable patterns. However, projections (and scenarios) have been, and will continue to be recast regularly based on latest demand forecasts and project delivery plans. Having reviewed progress and the impact of mitigations in place and planned, additional measures have been implemented to prioritise moves for larger families and those who have been in placements for longer periods. There were 120 families and 36 singles in B&B at the end of November 2016. Numbers have remained steady for the past 2 months and the latest projection is that there will be a net underspend of £60k on the B&B budget at year end.

### 3.3 Children, Education & Early Help Services

The forecast overspend has risen by £228k since the last report. Detail regarding the full overspend is provided below.

A new structure was proposed in February 2015 for Children's Social Care based on the need of having manageable caseloads. This structure cost £750k more than the approved budget for 2016/17 and remains unfunded. Currently there are a significant number of agency workers covering vacancies whilst the service is going through a continuous recruitment campaign. Recruitment to some of the vacant posts has been achieved through recruitment of overseas applicants. This initial recruitment strategy has been changed recently to a wider recruitment campaign (with a UK focus). This has resulted in the extended use of agency workers than previously anticipated. The current predicted overspend based upon staffing is £3.6m (including the unfunded £750k). This estimate is based upon predicted start dates of workers and handover time for agency workers.

There is a risk with this forecast in that the recruitment strategy needs to have more accurate profile, which could impact on this projection.

Service demand pressures continue for the service with external placements currently predicted to be overspent by over £2.2m, including the LDD external placements. This estimate is based upon current usage and assumes the LAC numbers will plateau until the end of the year. A current profiling exercise is being undertaken which will assist in improved monitoring of this area. There is also a saving of £545k allocated against the service which is currently unachievable following the OFSTED report.

With regard to other services areas there continues to be a pressure on Education with regard to home to school transport unachieved savings of £500k. In addition to this there is a pressure of £160k for short breaks and direct payments, where further analysis is required. Early Help services are underspent by £281k, mainly to holding of vacant posts and early achievement of 2017/18 savings. There is a pressure of £293k within Governance and Transformation all in relation to staff costs. £223k of this is through the need to use agency to cover vacant posts along with a further £70k of unfunded costs within the Structure.

Whilst the above represents the position with regard to the General Fund, we are forecasting a £3.6m pressure on the high needs block funded by the Dedicated Schools Grant as was reported to Schools Forum in July, and will be considered further at the next meeting in January 2017.

### **3.4 Adult Care & Health Services**

During November the forecast overspend being reported by DACHS has decreased, from £1,158k to £1,067k. Elements of the BCF are being redirected to cover expenditure within the Adult Services budget, within the equipment, telecare and adaptations budgets. However the usage of this has been slightly negated by the expectation of the transformation programme achieving required savings, mainly within CHC and Mental Health projects. As reported last month, the Directorate holds most of the training budgets across the Council, which have been reduced significantly in the last two years. Analysis of our essential training needs and existing training commitments has highlighted that the much reduced budget will be overspent by around £550k.

- 3.5 Adult Services continue to experience demand pressure in excess of available budgets in both residential and community based services. There are a number of projects within Transformation and Deficit Reduction designed to alleviate some of the pressure but this will not currently take the Service to a break-even position either in-year or on an ongoing basis.

### **3.6 Corporate Support Services**

The review of CSS has identified an increased adverse variance of £338k. £200k of this arises from an increased shortfall in HB grant in comparison with HB payments, and much of the balance is in Finance, arising from additional agency costs and additional audit fees.

#### **4. TREASURY MANAGEMENT**

- 4.1 A review of the capital financing budget has identified a potential underspend of £302k, a minor improvement from last month's position. In terms of treasury activity, we have arranged £73.8m of temporary borrowing during the year (with £177m borrowed for various periods from various other local authorities (or similar) for various periods to manage the cash flow), and this should ensure we have enough cash available until at least mid February. The impact of this has been to reduce the average interest rate we are paying from 3.6% to around 3.2%. The forecast incorporates our latest estimates of the capital programme and its financing for the year.

#### **5. FORECAST GENERAL FUND BALANCE**

- 5.1 The recently approved accounts show the General Fund Balance at the end of 2015/16 was £5.6m. As indicated in the table above, assuming remedial action highlighted is carried out, there is now expected to be a net overspend on service revenue budgets of £7.9m.
- 5.2 The pressure on service directorate budgets is offset by a favourable treasury position (see para 4.1), so there is an overall £7.6m overspend forecast. We will continue to look for opportunities to reduce the overspend.
- 5.3 However, the final overspend at the year end will need to be financed. The arrangements for doing this will be set out as part of the budget report for 2017/18 in February 2017.

#### **6. CAPITAL PROGRAMME 2016/17**

- 6.1 To the end of November £41.0m of the c.£79m programme had been spent. Capital spending is normally weighted to the latter part of the year, although this year significant parts of the schools building programme were needed by the beginning of the present school term in September. Of the Primary School Expansion Programme, so far £13.6m has been spent against budget of £16.0m.

#### **7. HRA**

- 7.1 There are currently projected to be various over and underspends within both revenue repairs and capital works but it is currently projected that this will be managed to the budgeted amount for both revenue and capital aspects. A provisional budget of £600k was included for Coley Water Main but this project has not progressed and this will not be spent this year.
- 7.2 Current projected expenditure for capital financing (debt interest, Minimum Revenue Provision and debt management expenses) is projected to be £225k less than budgeted due to the interest rate on borrowing being less than budgeted.
- 7.3 There are various under and overspends within supervision and management including £300k underspend on the PFI budget as it is now projected that there will not be a requirement to add to the PFI reserve in this financial year.

7.4 The rent income budget includes budgets of £720k for voids loss and £720k for addition to the bad debt provision. Due to better than budgeted void loss (projected loss of £330k compared to a budget of £710k) and continued good collection rates the projected rental income is £920k better than budget. Service charge and other income is currently projected to be £449k above budgeted levels.

**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 (and tax changes affecting some of them from next financial year);
- Pressures on pay costs in some areas to recruit staff or maintain services;
- In year reductions in grant;
- Demand for adult social care;
- Demand for children’s social care;
- Increased requirement for childcare solicitors linked to activity on the above;
- Homelessness, and the risk of a need for additional bed & breakfast accommodation;
- Demand for special education needs services;
- Housing Benefit Subsidy does not fully meet the cost of benefit paid

**9. BUDGET SAVINGS RAG STATUS -**

9.1 The RAG status of savings and income generation proposals included in the 2016/17 budget are subject to a monthly review. The RAG status in terms of progress is summarised below:

	£000	%
Red	2,275	20
Amber	5,755	47
Green	4,001	33
Total	<b>12,131</b>	<b>100</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 November 2016 position is:

Council Tax	2016/17 £000	Previous Year's Arrears £000	Total £000
Target	64,316	1,350	65,666
Actual	64,039	1,292	65,331
Variance	277 below	58 below	335 below

10.2 For 2016/17 as a whole the minimum target for Council Tax is 96.5%, (2015/16 collection rate 96.8%). At the end of November 2016, collection for the year was 73.85% compared to a target of 73.88%, and collection is slightly behind of 2015/16 (73.92% by end of November 2015).

10.3 Business Rates Income to the end of November 2016

Business Rates	2016/17 £000	2016/17 %
Target	83,062	72.00%
Actual	81,815	70.92%
Variance	1,247 below	1.08% below

The target for 2016/17 as a whole is 98.50%. By comparison, at the end of November 2015, 70.21% of rates had been collected.

## 11. OUTSTANDING GENERAL DEBTS

11.1 Most other money owed to the Council is collected through the General Debtors System. The amounts outstanding can vary significantly from month to month depending upon levels of invoicing, and the extent to which people pay on time, and we allow a month for "normal" payment before recognising the debt as outstanding and overdue. In particular at any point in time we are usually owed large amounts of money by other public sector bodies; notably in the health sector linked to the close working between health and social care.

11.2 As at the end of November, the Council's outstanding debt was £7.501m. £2.853m of the balance as at 30<sup>th</sup> November 2016 is more than 151 days old, the majority of which relates to adult social care, some of which is awaiting the sale of a property before settlement.

**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 2016/17 budget as a whole.

**17. BACKGROUND PAPERS**

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