

CABINET

21 November 2017

QUARTER 2 FINANCIAL MANAGEMENT REPORT

Report of the Director for Resources

Strategic Aim:	Delivering Council Services within the Medium Term Financial Plan	
Key Decision: Yes	Forward Plan Reference: FP/260517	
Exempt Information	No	
Cabinet Member(s) Responsible:	Councillor Tony Mathias, Leader and Portfolio Holder for Corporate Finance	
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Ward Councillors	N/A	

DECISION RECOMMENDATIONS

That Cabinet:

- a) Note the 2017/18 revenue and capital outturn position as at Quarter 2 (Appendix A, section 1 and section 2).
- b) Approve the use of £80k from the Invest to Save reserve to fund Green Waste costs (as requested in Appendix A para 1.7.3) to be repaid over a 3 year period and £20k from the Legal reserve (as requested in Appendix A para 1.7.4)
- c) Note the proposed transfers from earmarked reserves as shown in the table in Appendix A, para 1.7 (to be finalised and agreed in the 2017/18 outturn).
- d) Approves the removal of the £594k funding for OEP capital investment from the capital programme pending further proposals.
- e) Note the changes to the Approved Capital Programme as outlined in Appendix A para 2.2.1

1 PURPOSE OF THE REPORT

- 1.1 To inform Cabinet and all members of the full year forecast position as at Quarter 2 for 2017/18 and to alert them to issues that may impact on the Medium Term Financial Plan to enable them to maintain sound financial management of the Council's operations.

2 BACKGROUND AND MAIN CONSIDERATIONS

2.1 Revenue and Capital forecast

- 2.1.1 The Council approved its 2017/18 budget in February 2017. Since the budget was approved, Cabinet and Council have approved some budget changes in the Outturn report (111/2017) and Quarter 1 report (147/2017) and further changes made since then are summarised in Appendix A 1.1 and itemised in Appendix B. Key points to note are:

- The Q2 revenue position is that the Council is forecasting a deficit of £769k compared to a budgeted deficit of £487k. The increasing deficit reflects continued pressure in a number of areas including an increase pupils requiring Special Educational Needs transport requirements and investments in Permanency and Protection service to reduce the likelihood of children being brought into care. More detailed information on the overall forecast can be found in Appendix A (paras 1.2 and 1.3).
- The Council has also settled an outstanding planning claim (details given in Appendix A, 1.3.13) after authority was given by Full Council. The legal costs of settling this claim had been budgeted at £68k. The actual costs incurred are £88k and the it is proposed to fund the additional costs from the Legal reserve.

- 2.1.2 Further to the approval by Council (Report 166/2017) of the introduction of a Green Waste charge, officers have begun putting in place arrangements and are forecasting set up costs of just under £80k. It is proposed that these costs are met from the Invest to Save reserve and then repaid over a three year period from Green Waste income.

- 2.1.3 There are two issues to note re the capital programme.

- The Library and Children Centre project has now completed at a final cost of £997k.
- Cabinet previously approved capital projects in respect of Oakham Enterprise Park (OEP) for solar panels (£100k) and new development (£500k). Only £6k has been spent to date and it is now requested that these projects are removed from the capital programme and that a further report is brought forward outlining plans for OEP.

- 2.1.4 A summary of the position is shown in Appendix I.

2.2 Medium Term Financial Plan (MTFP)

- 2.2.1 The MTFP was updated as part of the budget setting process, then further updated in the outturn report (Report 111/2017) and adjusted again In the Quarter 1 Finance Report (147/2017). Further changes have been made in Quarter 2

which are detailed in Appendix A, section 3.

- 2.2.2 The New Homes Bonus/Council tax income changes reflect the updated position on housing trajectory (number of properties to be built and when). The number of completions in the New Homes Bonus year (Oct – Sept 17) was less than expected.
- 2.2.3 The business rate changes reflect the likelihood of a business rates reset in 20/21. Since 2013/14, business rates have grown and this means that a number of authorities retain business rates way above their baseline – what the Government equates to need. In order to ensure fairness, the Government indicated it would “reset” the system from time to time which means those authorities keeping rates above the baseline will pay an extra tariff and therefore retain less. Rutland is likely to be a “loser” in this scenario.
- 2.2.4 The Government has issued a technical consultation document in respect of the Local Government Finance Settlement. Details are summarised in Appendix 1 (para 3.2). The consultation document does not highlight any likelihood of new funding and if anything further changes proposed to New Homes Bonus (in particular reducing payments for decisions overturned on appeal) could reduce funding further by up to £100k.

3 CONSULTATION

- 3.1 Formal consultation is not required for any decisions being sought in this report. Internal consultation has been undertaken with officers to assess the impact of the forecast on the budget in future years.

4 ALTERNATIVE OPTIONS

- 4.1 Cabinet are requested to approve the use of earmarked reserves. Cabinet can choose to approve the requests or request that budget managers assess whether such expenditure can be absorbed within existing budgets thereby deferring any decision until later in the year when more information is known. In the case of Green Waste, use of reserves will be repaid so over the medium term there is no impact.
- 4.2 Under existing arrangements Cabinet and Council are responsible for approving changes to the capital programme. Cabinet could choose not to approve deletion of the OEP capital projects but as further proposals are forthcoming this is not recommended.

5 FINANCIAL IMPLICATIONS

- 5.1 The report highlights the impact of the forecast on the MTFP. General Fund balances will decrease by c£0.769m compared to £0.487m budgeted for if all recommendations are approved.

6 LEGAL AND GOVERNANCE CONSIDERATIONS

- 6.1 Where Directors wish to increase a functional budget by over £100k OR they anticipate that the overall Directorate budget is likely to be overspent (there is no de-minimis level) they must seek approval in advance from Cabinet or Council for a virement to cover any increase.

- 6.2 There is one function, Property Services, within the Places Directorate that falls into this category but no specific request has been made because the overall Directorate overspend is small can be contained within the Directorate budget.
- 6.3 There are six functions (see Appendix H) within the People Directorate that fall into this category and the Directorate has a whole is forecasting to overspend.
- 6.4 The over spend on these functions cannot be contained within the overall directorate budget, however for transparency purposes no request for additional budget is made at this stage. This will allow issues to be tracked for future budget setting purposes and give officers time to assess whether any action can be taken.
- 6.5 There are no other legal implications arising from this report.

7 EQUALITY IMPACT ASSESSMENT

- 7.1 An Equality Impact Assessment (EqIA) has not been completed because there are no service, policy or organisational changes being proposed.

8 COMMUNITY SAFETY IMPLICATIONS

- 8.1 There are no community safety implications.

9 HEALTH AND WELLBEING IMPLICATIONS

- 9.1 There are no health and wellbeing implications.

10 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

- 10.1 The Q2 position is broadly as expected.

11 BACKGROUND PAPERS

- 11.1 None

12 APPENDICES

Appendix A: Q2 Budget Report
Appendix B: Approved Budget Changes
Appendix C: Reconciliation of Directorate Budgets
Appendix D: Virements
Appendix E: People Directorate
Appendix F: Places Directorate
Appendix G: Resources Directorate
Appendix H: Adverse Variances over £25k
Appendix I: Detailed Capital Programme
Appendix J: Medium Term Financial Plan

A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.