

## CABINET

17 November 2015

### QUARTER 2 FINANCIAL MANAGEMENT REPORT

#### Report of the Director for Resources

Strategic Aim:	<i>Delivering Council Services within the Medium Term Financial Plan (MTFP)</i>		
Key Decision: Yes	Forward Plan Reference: FP/310715/03		
If not on Forward Plan:	Chief Executive Approved	N/A	
	Scrutiny Chair Approved	N/A	
Reason for Urgency:	N/A		
Exempt Information	No		
Cabinet Member(s) Responsible:	Councillor Terry King, Portfolio Holder for Resources		
Contact Officer(s):	Debbie Mogg, Director for Resources	Tel: 01572 758358 dmogg@rutland.gov.uk	
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Ward Councillors	N/A		

#### DECISION RECOMMENDATIONS

That Cabinet:

- Note the 2015/16 revenue and capital outturn position as at Quarter 2.
- Note the proposed transfers from earmarked reserves as shown in the table at Appendix 1, para 1.44 (to be finalised and agreed in the 2015/16 outturn).
- Note that there are a number of functions which are forecast to be £25k overspent (highlighted in Appendices 4 to 6) but these forecast over spends can currently be contained within overall Directorate budgets.
- Note that there is one function (Homecare) which is forecast to be in excess of £100k over budget but this can be contained within the overall Directorate budget as set out in Appendix 7.
- Note that the MTFP includes the Highways saving previously agreed by Cabinet and that work is ongoing to identify further savings and pressures for the future.

6. Note that some Care Act pressures built into the MTFP for 16/17 and beyond can be removed.
7. Approve a £25k investment into school improvement from General Fund resources as set out in Appendix 3B.
8. Approve a sum of £75k for market supplements for social workers for inclusion in the MTFP for 2016/17 onwards as set out in Appendix 3B.
9. Recommend to Council that £812k of the Oakham North contribution from Larkfleet is used to fund decisions already made as per para 2.12 – 2.15 of Appendix 1.
10. Note that the MTFP has been updated since Q1 to reflect various changes as set out in para 3.2 of Appendix 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 2015/16 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 The Council approved its 2015/16 budget in February 2015. This section provides some answers to questions that Members might ask about the budget.

	<b>Key questions</b>	<b>Comments and where you can find out more</b>
1	Are we on track to achieve overall budget (within a tolerance of 1%)?	<p>The Q1 forecast revenue position is favourable in that the Council is forecasting a surplus of £415k compared to a budgeted deficit of £610k. Whilst the position looks favourable, there are inevitably a number of important factors on the horizon that could impact this position favourably or adversely. Appendix 1 para 1.7 gives more detail. The Council will keep these issues under review.</p> <p>The budget is split into functions within directorates. The financial performance of each function is shown in summary in Appendix 4 to 6. Further detail can be obtained in detailed workbooks via the Council website.</p> <p><a href="http://www.rutland.gov.uk/council_and_democracy/council_budgets_and_spending.aspx">http://www.rutland.gov.uk/council_and_democracy/council_budgets_and_spending.aspx</a></p>
2	What changes have we made to the budget since it was approved?	Since Q1 budget was approved various changes have been made. These are itemised in Appendix 2A.

	<b>Key questions</b>	<b>Comments and where you can find out more</b>
3	Have we got any functions forecast to be overspent by £25k?	Yes, in total 7 out of 74 (4 out of 74 at Q1). There is one in excess of £100k (Homecare). A detailed explanation is given in Appendix 7. Forecast over spends are currently contained with Directorate budgets.
4	Have we got any functions forecast to be underspent by £25k?	Yes, in total 17 out of 74 (15 out of 74 at Q1). Directors review of potential savings that can be carried forward to future years is ongoing.
5	Will we achieve savings built into the budget?	Yes, the budget included service pressure savings of £786k and £300k for PeopleFirst savings. As at Q2 (para 1.34), the Council is on target to achieve savings of £763k of the service pressure savings (para 1.35). The progress against the £300k PeopleFirst savings targets is that £283k has been included with Directorate budgets (para 1.36).
6	Are there new pressures emerging?	Yes, but pressures quantified can be contained within overall budget. Para 1.46 refers to potential pressures on the horizon for next years budget.
7	Are we on track to achieve the overall capital budget?	Yes, para 2.1 of Appendix 1 gives more detail.
8	Are there significant delays on any projects?	No – but the roll out of Digital Rutland project is deferred until 2016/17. Appendix E of the Q2 Performance Report gives more detail.
9	Are there changes to the approved capital programme?	Yes, there has been some reprofiling of the capital programme and other additions. Para 2.4 in Appendix 1 gives a full breakdown of changes.
10	Have there been changes to the MTFP?	The MTFP has been updated since Q1. A full list of all changes is included in 3.2 in Appendix 1. The updates and in particular the Highways savings of c£330k pa and housing growth have had a positive impact of over £3m on predicted balances.
11	Are we on track to receive our budgeted amount for New Homes Bonus (NHB) for 2016/17?	Yes, the target for 2016/17 has been exceeded (paras 3.3 – 3.5 of Appendix 1 give details).
12	Are we on target to achieve the Government estimate on Business Rates retention?	Yes, performance is in line with MTFP expectations. To date there have been no significant appeals lost resulting in a loss of business rates income.

	<b>Key questions</b>	<b>Comments and where you can find out more</b>
13	Is the cost of the Local Council Tax Scheme (LCTS) within budget?	Yes, the LCTS scheme remains under budget (para 3.11 of Appendix 1 gives details).
14	Are we recovering our debts?	Yes, the debt level is down from the year end.

### **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 whether savings and pressures built into the budget may still be needed in 2016/17.

### **4 ALTERNATIVE OPTIONS**

- 4.1 Cabinet is being asked to approve one change to the 2015/16 budget to match fund a £25k investment into school improvement from DSG (Dedicated Schools Grant) with £25k of General Fund resources. Cabinet could choose to reject this request but this may slow down the progress in improving school performance. Details of the request are set out in Appendix 3B (3.1).
- 4.2 Alongside this change, Cabinet are asked to approve market supplements for social workers as a means of facilitating their recruitment and retention and avoiding the need for high cost agency or interim workers. A sum of £75k is requested for inclusion in the MTFP for 2016/17 onwards. Details are set out in Appendix 3B (3.2). Cabinet could refuse this request or defer this decision until the 2016/17 budget is set.
- 4.3 The Council has now signed an agreement with Larkfleet regarding the Oakham North development totalling £4.8 (net of indexation). Council is asked to apply £812k of this funding to various schemes e.g. Adult Soccer (as set out in para 2.15 of Appendix 1). Council could choose to reduce its capital financing costs for those schemes already completed by applying a contribution to offset its capital financing requirement and fund existing schemes via revenue or other available capital balances. Should the Council decide to use revenue balances, there would be an ongoing revenue cost (currently not in the MTFP) of c£35k pa for the next 25 years. As the Council always intended that these schemes would be funded from s106 (should it be received) then applying the Oakham North contribution is consistent with that intention.

### **5 FINANCIAL IMPLICATIONS**

- 5.1 The report highlights the impact of the forecast on the MTFP. The General Fund balances for 2015/16 will increase by c£1.024m above that budgeted based on current forecasts and the approval of school improvement funding.

### **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. There is one function that falls into this category but no specific request has been made because the overspend can be contained within the overall directorate budget and some functional budgets may need to be rebased due to the introduction of functional budgets (Appendix 7 explains in more detail).

6.2 There are no legal implications arising from this report.

## **7 EQUALITY IMPACT ASSESSMENT**

7.1 Equality Impact Assessment (EqIA) screening has been completed. No adverse or other significant issues were found.

## **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 As the Council is required to make savings over the medium term, the Q2 continues to be positive with the Council under budget.

## **11 BACKGROUND PAPERS**

None

## **12 APPENDICES**

Appendix 1	Quarterly Monitoring Report
Appendix 2A	Approved Budget Changes
Appendix 2B	Virements
Appendix 3A	Reconciliation of Directorate Budgets
Appendix 3B	Requests for new investment
Appendix 4	Peoples Directorate
Appendix 5	Places Directorate
Appendix 6	Resources Directorate
Appendix 7	Variances over £100k
Appendix 8	Capital
Appendix 9:	MTFP

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