

CABINET

20th August 2019

QUARTER 1 FINANCE MANAGEMENT REPORT

Report of the Strategic Director for Resources

Strategic Aim:	Sound Financial and Workforce Planning	
Key Decision: Yes	Forward Plan Reference: FP/030519	
Exempt Information	N/A	
Cabinet Member(s) Responsible:	Mr G Brown, Deputy Leader and Portfolio Holder for Planning, Environment, Property and Finance.	
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Ward Councillors	N/A	

DECISION RECOMMENDATIONS

That Cabinet:

1. Notes the 2019/20 estimated revenue and capital outturn positions as at Quarter 1
2. Notes the approved changes to the original budget detailed in Appendix A including the decision to use ring fenced BCF reserves to part fund the 19/20 programme
3. Notes the additional pressures for 2020/21 detailed in para 2.4

1 PURPOSE OF THE REPORT

- 1.1 To inform Cabinet and all members of the full year forecast position as at Quarter 1 for 2019/20 and to highlight 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 Overall position

2.1.1 This reports sets out the latest financial position as at Quarter 1. It includes:

- A summary of the revenue budget forecast for 19/20 (2.2)
- Details of high risk/pressures (2.3)
- Forward look to 20/21 (2.4)
- A summary of the capital budget forecast for 19/20 (2.5)
- Other updates (2.6)

2.2 2019/20 Revenue forecast

2.2.1 The Council approved its 2019/20 budget in February 2019. Since the budget was approved, Cabinet has approved further budget changes as detailed in Appendix A. The Q1 revenue position is that the Council is forecasting a surplus of £261k compared to a budgeted deficit of £249k.

	Ref	Budget (Report 44/2019) £000	Revised Budget £000	Q1 Forecast Outturn £000	Latest Forecast Year End Variance £000
People	B,C,D	18,079	18,501	18,334	(167)
Places		12,253	12,509	12,433	(76)
Resources		6,492	6,738	6,467	(271)
Directorate Totals		36,824	37,748	37,234	(514)
Pay Inflation		65	65	0	(65)
Social Care Contingency		300	165	165	0
Net Cost of Services		37,189	37,978	37,399	(579)
Appropriations		(2,310)	(2,310)	(2,310)	0
Capital Financing		1,764	1,764	1,764	0
Interest Receivable	E	(200)	(200)	(300)	(100)
Net Operating Expenditure		36,443	37,232	36,553	(679)
Financing		(36,827)	(36,840)	(36,886)	(46)
Revenue contribution to capital	F	0	248	248	0
Transfers to/(from) reserves	B	438	(391)	(176)	215
(Surplus)/Deficit		(384)	249	(261)	(510)
General Fund 1 April 19	A	(8,970)	(8,963)	(8,963)	0
General Fund 31 March 20		(8,916)	(8,714)	(9,224)	(510)

2.2.2 Whilst the overall position is favourable when compared with the budget, it is still early in the financial year, the key issues to note are:

- a) The starting position of the General Fund balance brought forward from 1 April has reduced by £7k because the Quarter 3 18/19 position was used when the 19/20 budget was set. The Revenue and Capital Outturn Report (79/2019) details the actual outturn and balance on the General Fund for 1 April 2019.
- b) The budget has been updated as per Appendix A and decisions made by Cabinet. The Council is proposing to use BCF ring fenced reserves to fund an element of the 19/20 programme.
- c) At Directorate level, the net position is an underspend of £514k, although this includes £215k relating to ring fenced funding which will be transferred to earmarked reserves should the position not change. Appendices D1-D3 shows the detailed position of each directorate.
- d) There are 7 functional areas where forecast overspends are more than £25k over budget. More detail are given in Appendix B. Some of these are emerging pressures and the impact of future years is shown in 2.4.1. There are also a number of large underspends which are shown in 2.3.3.
- e) Income received on investments has been better than predicted and it is anticipated that this will be over achieved by £100k. The main reasons for this is that the Council has higher balances than budgeted as there are no projects coming through to utilise the £10m capital investment fund
- f) There are 3 capital projects that were approved during quarter 1 with a funding source of Revenue contributions. See para 2.5.2 for more details.

2.3 High risk/pressure areas

2.3.1 Whilst it is still early in the financial year and many forecasts can change quickly particularly those in demand-led areas (social care, fostering and adoption, homelessness for example), the position at Quarter 1 is as follows:

Directorate	Within budget?	Ceilings>25k overspent?	Ceilings>£25k underspent?	Requests for budget changes?
Places	Yes	1	1	No
Resources	Yes	0	6	No
People	Yes	6*	9	No

* In the People Directorate, individual functions (e.g. Direct Payments) may be overspent with corresponding underspends elsewhere as part of the strategy to manage needs within the overall Adult Social Care budget.

2.3.2 Where functional forecasts are projected to be more than £25k over budget, an explanation can be found in Appendix B. There is no request for additional budget in any area at Quarter 1 to enable the Council to keep clear visibility of where pressures exist. This may be reviewed at Q2.

Function	Forecast overspent	Further Detail Appendix B
Peoples		
Permanency and Protection Service	£39,000	B1
Fostering, Adoption and Care Leaver Service	£160,000	B2
Early Intervention - SEND & Inclusion	£63,000	B3
ASC Prevention and Safeguarding	£31,000	B4
ASC Support and Review - Direct Payments	£66,000	B5
ASC Support and Review - Residential & Nursing	£240,000	B6
Places		
Planning Policy	£27,000	B7

2.3.3 A summary of significant under spends (above £50k) is shown below:

Function	Under spend	Comments
Places		
Commercial Properties	52,000	This is mainly due to the occupation levels at the Kings Centre being above projections. The plan assumed 80% occupancy where we are running at 100%
People		
Directorate Management	86,000	Underspends relate to staffing vacancies that are being recruited to.
Early Intervention	176,000	A child with a high cost support package has transitioned into Adult Social Services.
ASC Housing	103,000	Homelessness Prevention grant received and carried forward from 2018/19. This will be transferred to ear-marked reserves at year end
ASC Support and Review - Homecare	114,000	This underspend relates to pilot the MiCare project, which is funded by BCF. The project has been expanded and the under spend relates to delays in the Phase two roll out.
ASC Hospital & Reablement	94,000	Underspends relate to staffing vacancies that are being recruited to.
Resources		
Revenues and Benefits	96,000	The service is carrying vacant posts and a better than predicted recovery of Housing Benefit Overpayments

2.4 Forward look to 20/21

Potential pressures and savings

2.4.1 The Quarter 1 position has highlighted pressures that may have an impact beyond this financial year alongside some potential savings. All figures are provisional and are summarised in the table below:

Area	Saving £	Pressure £
SEN high needs - see para Appendix B3		£100k +
Local Plan - see Appendix B7		£195k
Adult Social Care - two high cost placements have transferred into the service - see Appendix B6		£170k
Printing – going Digital First has seen the Council reduce the number of printers and the amount of printing undertaken. A saving of £20k is included at Q1 and up to £40k is anticipated	£40k	
Dog Warden contract – the Council has moved from a fixed price contract to a “pay as you go” which is estimated to deliver a saving of up to £20k	£20k	
Interest receivable – based on current returns and level of balances available to invest, the Council expects to exceed budgeted investment income	£60k	
Collection Fund surplus – the Council is likely to have a surplus on the Collection Fund arising from more houses coming into the rating system and lower than expected council tax support.	£130k	

Medium Term Financial Plan

2.4.2 The MTFP presents a position based on various assumptions and estimates about variables that are predominantly outside the control of the Council. The Council's experience is that these can change over time and sometimes quite significantly. The MTFP is updated regularly to take account of government decisions, ministerial announcements and other information which means that assumptions need to be revisited.

2.4.3 In recent times, the Government has indicated that the Comprehensive Spending Review may not be completed this year with the 20/21 local government finance settlement similar to 19/20. This is likely to be favourable to the Council.

2.4.4 In light of the above, the MTFP is under review and a presentation will be given on the updated MTFP in September.

2.5 Capital update

2.5.1 The table below shows the position at Quarter 1 on the capital programme. A detailed capital programme can be found in appendix C. The under spend of £16.240m relates to schemes that are currently hold and no expenditure is expected this financial year.

	Total Project Budget	Prior Years Outturn (A)	Estimated Future Outturn (B)	Total Project Outturn (A+B)	Total Project Variance
	£000	£000	£000	£000	£000
Approved Projects					
Commercialisation	13,366	227	110	337	(13,029)
Asset Management Requirement	7,149	793	3,302	4,095	(3,054)
Strategic Aims and Priorities	8,042	4,713	3,172	7,885	(157)
Total	28,557	5,733	6,584	12,317	(16,240)
Financed By:					
Grant	(12,347)	(4,148)	(5,146)	(9,294)	3,053
Prudential Borrowing	(13,069)	(582)	(686)	(1,268)	11,801
Capital Receipts	(1,555)	(159)	(192)	(351)	1,204
Revenue Contributions	(522)	(274)	(248)	(522)	0
Developers Contribution	(1,064)	(570)	(312)	(882)	182
Total Financing	(28,557)	(5,733)	(6,584)	(12,317)	16,240

2.5.2 The table below shows that the programme has increase by £17k since outturn, giving a revised capital programme of £28.557m. The changes in the programme are as follows:

Project	Amount £000	Amount £000
Approved Capital Programme (Outturn – Total Project C/F 79/2019)		28,540
Disabled Facilities Grant – additional 2019/20 Better Care Funding (Ring Fenced Grant)	17	
Disabled Facilities Grant – additional funding has been given from Winter Pressures (Revenue Contribution)	40	
Catmose Boiler Renewal – boiler replacement and associated equipment at Catmose House (Report 74/2019) (Revenue Contribution)	98	

Oakham Enterprise Park – Investments in Unit 2 & 4 to maximise the return on investment (Report 75/2019) (Revenue Contribution)	110	
Integrated Transport Block (ITB) – Transfer of underspend on completed projects back to ITB.	(248)	
Total Adjustments		17
Revised Capital Programme		28,557

2.6 Other updates

- 2.6.1 The position on outstanding debt with the CCG continues to improve with £161k outstanding, 60% of this debt is less than 90 days old.
- 2.6.2 New Homes Bonus is a crucial funding source to the council generating c£250k per annum of funding for the Council. New Homes Bonus is a reward based on the number of new homes delivered in Rutland between the 1st October and the 30th September. As part of the budget setting process the Council estimated that 203 band D equivalent houses would be delivered. Up to the 30th June there had been 153 new homes delivered with a further 67 planned before the 30th September. If these homes are delivered it will result in an additional £120k of income over the next 4 years.

3 CONSULTATION

- 3.1 Formal consultation is not required for any decisions being sought in this report. Internal consultation has been undertaken with all officers regarding pressures and forecasts.

4 ALTERNATIVE OPTIONS

- 4.1 No alternative options as the report is to note the current position.

5 FINANCIAL IMPLICATIONS

- 5.1 The report highlights the impact of the forecast on the MTFP. General Fund balances will increase by c£261k compared to a budgeted decrease of £249k based on current forecasts.

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 are two functions (Adult Social Residential Care and Fostering and Adoption) within the People Directorate that fall into this category. No request is being made to change the budget but will reviewed at Q2 as the overall Directorate spending remains within budget.

6.3 There are no 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 DATA PROTECTION IMPLICATIONS

8.1 A data protection impact assessment has not been completed as there are no data protection implications.

9 COMMUNITY SAFETY IMPLICATIONS

9.1 There are no community safety implications.

10 HEALTH AND WELLBEING IMPLICATIONS

10.1 There are no health and wellbeing implications.

11 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

11.1 As the Council is required to make savings over the medium term, the Q1 position is positive, despite a number of significant variances.

12 BACKGROUND PAPERS

12.1 None

13 APPENDICES

Appendix A: Approved Budget Changes 2019/20
Appendix B: Adverse Variances Greater than £25k
Appendix C: Capital position
Appendix D: Directorate Forecasts

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