

CABINET

19 November 2019

QUARTER 2 FINANCIAL MANAGEMENT REPORT

Report of the Strategic Director for Resources

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| Strategic Aim: | Sound Financial Planning | |
| Key Decision: Yes | Forward Plan Reference: FP/090819 | |
| Exempt Information | No | |
| Cabinet Member(s) Responsible: | Councillor Gordon Brown, Deputy Leader and Portfolio Holder for Corporate Finance | |
| Contact Officer(s): | Saverio Della Rocca, Strategic Director for Resources | Tel: 01572 758159 sdrocca@rutland.gov.uk |
| | Andrew Merry, Finance Manager | Tel: 01572 758152 amerry@rutland.gov.uk |
| Ward Councillors | N/A | |

DECISION RECOMMENDATIONS

That Cabinet:

- a) Notes the forecast 2019/20 revenue and capital outturn position as at Quarter 2 (Appendix A, section 1 and section 2).
- b) Recommends to Council to remove two projects from the capital programme: officers mess and OEP Phase 2
- c) Approves an addition to the capital programme of £30k for new air conditioning units for the IT Server room
- d) Notes the impact on the MTFP of the Spending Round 2019 (Appendix A Section 3)
- e) Notes potential future pressures and savings (Appendix A, Section 1.4)

1 PURPOSE OF THE REPORT

- 1.1 To inform Cabinet and all members of the full year forecast position as at Quarter 2 for 2019/20 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.

1.2 The detailed report is included at Appendix A and gives an update on:

- Revenue Budget (section 1)
- Capital budget (section 2)
- Corporate finance updates (section 3)
- Debts and treasury matters (section 4)

2 BACKGROUND AND MAIN CONSIDERATIONS

2.1 Revenue and Capital position

2.1.1 The Council approved its 2019/20 revenue budget in February 2019. Since the budget was approved, Cabinet has approved further budget changes as detailed in Appendix B.

2.1.2 The Q2 revenue position is that the Council is forecasting a deficit of £123k compared to a budgeted deficit of £235k. The Council is in overall terms £111k under budget, a change of £385k since Q1.

2.1.3 At Directorate level, there have been significant (i.e. above £20k) movements across many areas (these are covered in each Directorate section in Appendix A, section 1.2) but the notable ones include: Commissioned Transport £180k, c£70k in Legal Services, £237k in Fostering and Adoption; and £200k in Adult Social care.

2.1.4 Where functional forecasts are projected to be more than £25k over budget, an explanation can be found in Appendix H. There is no request for additional budget in any area at Quarter 2 to enable the Council to keep clear visibility of where pressures exist. Moreover, all overspends can be contained within the overall budget at present.

2.1.5 The capital budget has changed as per Appendix A, section 2.2 with various small schemes added. Cabinet are asked to approve the additional programme relating to replacement of Air Condition Units in the Catmose IT Server Room. It is also being proposed to remove two schemes (OEP Phase 2 and the Officers Mess) due to the projects not having a suitable business case to take forward.

2.2 Beyond 19/20

2.2.1 In light of the Spending Review (detailed Appendix A para 3.2), Ministerial promises and the Government's Finance settlement technical consultation, the MTFP has been updated to show our best estimate of the latest position. In overall terms, the latest MTFP shows a better position for 2020/21 than that anticipated at the time the 2019/20 budget was set, but there is still uncertainty until the Council receive the Final Local Government Settlement.

2.2.2 The question is 'what has changed?' There are two key factors:

- a) the Government has not completed its review of Fairer Funding and the Business Rates Retention scheme. Both of these reforms were anticipated to leave the Council worse off from 20/21; and

b) the Spending Review has promised new funding.

- 2.2.3 Appendix A, Section 3.1 explains the detailed reasons why we have moved from projecting a 'loss' of c£1.6m to a near 'break-even' position for 20/21. Beyond 20/21, the Council is still projecting significant 'losses' given the level of uncertainty.

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 new Capital Project. Cabinet can choose to reject this request but this is not advised as the Council IT servers need to be maintained at a set temperature to prevent them from failing.
- 4.2 The Council is also requested to remove two projects. Cabinet could choose not to recommend this proposal to Council, however the projects will not progress in their own right at this time, so this is not advised.

5 FINANCIAL IMPLICATIONS

- 5.1 The report highlights the impact of the forecast on the MTFP. General Fund balances will decrease by c£0.123m 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 are four functions, Permanency and Protection Service, Fostering, Adoption and Care Leaver Service, ASC Support and Review - Residential & Nursing and Commissioned Transport, within the People and Places Directorates that fall into this category but no specific request has been made because overspends can be contained within the overall budget.
- 6.3 There are no other legal implications arising from this report.

7 DATA PROTECTION IMPLICATIONS

- 7.1 A Data Protection Impact Assessment (DPIA) has not been completed because there are no service, policy or organisational changes being proposed.

8 EQUALITY IMPACT ASSESSMENT

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

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 The Q2 position has changed significantly since Q1, but this movement represents 1% of the Net Cost of Services and is not unusual because officers now have more information to make forecasts in demand-led areas and a better understanding of the likelihood of recruiting to vacant posts and the costs of plugging any gaps with interims.

12 BACKGROUND PAPERS

- 12.1 None.

13 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: Revised MTFP

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