



Quarter 2 Revenue Budget Monitoring 2016/17

SUMMARY

- 1.1 This report provides details of the latest financial position and forecast outturn for the 2016/17 Revenue Budget as at 2 October 2016. This is in line with the agreed strategy of reporting revenue budget monitoring figures on a monthly basis to Chief Officer Group and on a quarterly basis to Cabinet for approval and action as necessary.
- 1.2 The Council is currently forecasting an overspend of £1.023m, 0.47% against the budget requirement of £219,224,736.
- 1.3 Savings targets of £19.009m are included within the 2016/17 budget figures and the forecast achievement of these savings is included within the overall budget forecast.
- 1.4 As at period 6 the Council is forecasting to achieve permanent savings as planned of £17.993m (94.66%), with the balance and any part year one off costs being met from within overall Directorate budgets.

RECOMMENDATION

- 2.1 To note the financial monitoring position and the current progress of savings delivery as at 2 October 2016.
- 2.2 To note the approved use of reserves by delegated authority, in line with financial procedure rules within section 5.
- 2.3 To approve the transfers between budgets in Organisation and Governance as detailed within section 4.

REASONS FOR RECOMMENDATION

- 3.1 To update Cabinet of the Council's financial position as at 2 October 2016 and to provide a forecast of the projected outturn for the 2016/17 Revenue Budget.
- 3.2 The Council has an agreed strategy of reporting revenue budget monitoring figures on a quarterly basis to Cabinet for approval and action as necessary.

- 3.3 Under Section 28 of the Local Government Act 2003 the Council must review its performance against budget and, if there has been deterioration in its financial position, must take appropriate action to deal with the situation.
- 3.4 Where actions are required to meet the Council's statutory obligation to achieve a balanced budget position the solutions presented in this report are deemed to be the most appropriate.

**SUPPORTING INFORMATION****4 UPDATE ON REVENUE BUDGET 2016/17**

- 4.1 The summary revenue budget variance is shown below. Services and directorates with net pressures are taking actions to bring their budgets back into balance. This includes transfers from budgets which have forecast net savings and the requested use of reserves detailed in this report.

Table 1: Summary of Revenue Budget Variances

Directorate	Net Controllable Budget 2016/17 £000s	Forecast Outturn Position £000s	Position at Period 6 £000s	Net Controllable Budget %
Peoples Services	151,718	155,255	3,537	2.33
Communities and Place	42,962	43,349	387	0.90
Organisation and Governance	44,681	41,780	(2,901)	(6.49)
Sub Total	239,361	240,384	1,023	0.43
Use of Reserves	(19,389)	(19,389)	0	0
RCCO	(747)	(747)	0	0
Net Budget Requirement	219,225	220,248	1,023	0.47

Peoples Services

- 4.2 The total variance for the People Services Directorate is an overspend of £3,537,000 although there are some significant variances contained within that. Both Adults and Children services continue to focus their work on the demand management aspects of the services.
- 4.3 At quarter 2 Adults Services is reporting a forecast overspend of £2,737,000. This is mainly as a result of forecast pressures for residential and community based care together with rising costs relating to extra care and voluntary sector grants, these costs are currently being partially offset by reduced costs relating to carers. The forecast will continue to be monitored as the financial year progresses with any changes in demand reflected accordingly.
- 4.4 The Children and Young People directorate is forecasting a pressure of £800,000 for the financial year 2016/17 this is mainly due to pressures within specialist services surrounding the costs of children looked after and special needs support for those children with disabilities. There will continue to be robust challenge and review of directorate expenditure by the management team in order to mitigate the potential year end pressure.

Communities and Place

- 4.5 The Communities and Place directorate is forecasting a net overspend of £387,000. This forecast position is due to a number of variances across the directorate, including the overachievement of income in Streetpride and operational pressures across the directorate.

The Network management income stream is wholly dependent on the behaviour of utility companies and is currently expected to overachieve by (£50,000) in 2016/17, based on historic trends. Parking services is also expected to overachieve on fine and fee's income and is forecast to underspend by (£874,000) despite poor performance on season tickets.

Estates are forecasting an overachievement of (£123,000) in rental income but there is an expected £90,000 pressure in engineering due to a reduction in rechargeable works due in part to the reduced capital programme. There is also a forecast pressure for Queens Leisure Centre of between £150,000 and £200,000 as a result of the forced closure of the centre whilst repairs are carried out on the structural integrity of the roof. Design and Property Services are forecasting an overachievement of income of (£142,000) and there is a one-off saving of (£177,000) on the carbon reduction commitment budget.

There are a number of pressures on expenditure budgets based on the expected demands on services. This includes a pressure of £297,000 costs for the disposal of additional waste tonnages, £200,000 pressure for NNDR on the Arena, £127,000 of additional cost of planning appeals within development control and a £66,000 pressure in building consultancy as a result of dangerous structure costs.

Staffing budgets have been affected due to the full year effect of restructures not realised in the year of implementation; £211,000 in City and Neighbourhoods Partnerships and £170,000 in Property Design and Maintenance.

There are also a number of savings targets unlikely to be achieved in 2016/17 as detailed in section 6.

Organisation and Governance

- 4.6 The Organisation and Governance directorate is currently forecasting an underspend of (£2,901,000). A number of historic unachieved savings totalling £298,000 are included within the directorate that have previously been offset against temporary underspends. Work on the Treasury budget is identifying alternative savings and it is recommended that these are used to permanently replace the unachieved savings. A number of key variances are included in this forecast, shown below after the transfer of budgets described.

- £2,700,000 anticipated underspend within treasury management as a result of changes to the MRP policy and additional service financing budgets to be transferred.

- £500,000 underspend in Housing Benefits from the identification of eligible overpayments.
- £810,000 overspend within the governance department due to ongoing pressures within insurance, legal cost, standards complaints and unachieved historic savings.
- £298,000 underspend in Job Evaluation budgets due to a full year cost not incurred the current year.
- £128,000 underspend in Strategic Services mainly due to savings in facilities management budgets for properties now vacated.

5 Reserves Monitoring

Chief Officer Group (COG) may approve the use of an earmarked reserve up to £100,000, per financial quarter, in line with the original intended use, including the general use of the budget risk reserve. Additionally the relevant portfolio member can approve the use of an earmarked reserve up to £250,000 per financial quarter. Below are the uses of reserves approved under delegated authority in the quarter 2:

Explanation	£000s
Approved by COG:	
Use of the Festive Lights Reserve to fund city centre festive lights in 2016	35
Total	35

6 Delivery of Savings

- 6.1 The Council's Revenue Budget for 2016/17 includes significant savings targets for each directorate in order to support a balanced budget position. Forecast achievement of these savings has been included within the overall forecast budget outturn position reported in section 4.

Table 3: Analysis of Achievement of Savings by Directorate:

Directorate	Savings Target in 2016/17 Budget	Savings Achieved at Period 6	Further Savings Forecast to be Achieved	Total Forecast Savings Delivery	Net Variance at Period 6	
	£000s	£000s	£000s	£000s	£000s	%

Peoples Services	(5,758)	(5,558)	(200)	(5,758)	0	0
Communities and Place	(5,453)	(2,494)	(1,943)	(4,437)	1,016	18.63
Organisation and Governance	(7,798)	(7,798)	0	(7,798)	0	0
Total	(19,009)	(15,850)	(2,143)	(17,993)	1,016	5.34

Peoples Services

- 6.2 The Children and Young People directorate has currently achieved savings of (£195,000) against a target of (£395,000). The remaining £200,000 is forecast to be achieved in 2016/17 and options for delivery of these savings are still being worked upon by the Directorate.

The Adults directorate has achieved permanent savings of (£5,363,000). However £227,000 of this savings target will not be achieved in 2016/17 due to the exit strategy around voluntary sector grants leading to a final payment being due to voluntary sector organisations. This pressure is included within the £2,737,000 Adults services forecast out-turn for 2016/17, but will be achieved in future years.

Communities and Place

- 6.3 The Communities and Place directorate is forecasting savings of (£4,437,000) will be achieved by the end of 2016/17. A number of savings are unlikely to be achieved in 2016/17 these are:

- The £47,000 saving for the withdrawal of Council funding for school crossing patrols is unlikely to be achieved in 2016/17 and alternative options for providing this saving are being investigated by the directorate.
- The delivery of education campaigns to encourage recycling and composting of waste saving of £177,000.
- The Realignment of waste management budgets to reflect current tonnages saving of £250,000.
- The Review of the Pool programme at Queens to maximise usage and income saving of £42,000. This is due to the temporary closure of the pool as a result of roofing issues. Potential impact could raise further issues into future years.
- Efficiencies in the management and operation of the Housing Management and Repairs services saving of £500,000.

Organisation and Governance

- 6.4 It is anticipated the Organisation and Governance directorate will achieve the entire £7,798,000 savings target.

OTHER OPTIONS CONSIDERED

- 7 The Council has a statutory obligation to achieve a balanced budget position and the above solutions are deemed to be the most appropriate.

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s)	Martyn Marples Director of Finance
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For more information contact: Background papers: List of appendices:	Mark Nash 01332 643364 e-mail mark.nash@derby.gov.uk None Appendix 1 – Implications
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IMPLICATIONS

Financial and Value for Money

1.1 As detailed in the main body of the report and appendices.

Legal

2.1 None directly arising.

Personnel

3.1 None directly arising

IT

4.1 None directly arising.

Equalities Impact

5.1 None directly arising

Health and Safety

6.1 None directly arising.

Environmental Sustainability

7.1 None directly arising.

Property and Asset Management

8.1 None directly arising.

Risk Management

9.1 There is a risk that the potential reduced savings are not fully achieved.

Corporate objectives and priorities for change

10.1 None directly arising.

