REVENUE BUDGET & CAPITAL PROGRAMME MONITORING AS AT 30 SEPTEMBER 2016

Purpose of the Report

1. This report provides the Month 6 monitoring statement on the City Council's Revenue Budget and Capital Programme for September 2016. The first section covers Revenue Budget Monitoring, and the Capital Programmes are reported from paragraph 18.

REVENUE BUDGET MONITORING

Summary

2. For the purpose of this report, we have presented the Council's financial position in two elements, namely the underlying position on the services commissioned/provided by the Council, and the position on services that are commissioned and funded jointly with the health service. This is on the basis that the approach to achieving a balanced outturn for 2016/17 will require parallel strategies.

3. The latest monitoring position at month 6 for the services commissioned/provided by the Council shows the potential for a forecast underspend of £5.2m to the year end. The position is summarised in the table below:

Portfolio	FY Variance: £000s
CYPF	5,152
COMMUNITIES	3,286
PLACE	(170)
POLICY, PERFORMANCE & COMMUNICATION	326
RESOURCES	93
CORPORATE	(13,877)
GRAND TOTAL	**(5,190)**

4. In terms of the month 6 overall forecast position of £5.2m underspend, the key reasons are:

- **Children, Young People and Families (CYPF**) based on trends to date are forecasting to overspend by £5.2m. Placements are reporting a £3.0m overspend; this reflects the full year impact on the current number of placements and the costs for the remainder of the year, Fieldwork Services forecast overspend of £1.0m resulting from pressures on social workers as a result of increased number of caseloads. Additional pressures within the service include delayed savings of £695k on Short Break and Direct Payments and £484k on integrated residential and disability services with health.
- **Communities** based on trends to date are forecasting an overspend of £3.3m, due primarily to demand pressures in Care and Support relating to Learning Disability Services and Long Term Support.
- **Place** are forecasting an underspend of £170k primarily due to small cost reductions over a number of service areas within Business Strategy and Regulation.
- **Policy, Performance and Communications** are forecasting an overspend of £326k due to lower than anticipated advertising income as a result of contract delays.
- **Corporate** are showing a forecast underspend of £13.9m due a number of factors resulting from a major review of corporate budgets: the release of £3.0m from the Better Care Fund contingency to relieve pressure on the Mental Health budget, £3.0m on the Corporate Redundancy budget due to lower than anticipated VER/VS applications, an anticipated £2.7m pressure relating to the Independent Living Fund not materialising in 2016/17, £2.0m reduction in borrowing costs as a result of an increase in cash balances available for investment, the use of £1.6m of Social Care reserves, and the release of £0.9m corporate contingencies set aside for potential city centre redevelopment costs as well as pay inflation in line with Living Wage Foundation rates.

5. In parallel to the above position, the Council faces a series of significant challenges in delivering savings in conjunction with the health care system. Since the 2016/17 revenue budget was set, various cost pressures and risks to funding levels have emerged. These challenges are as follows.

   - **Children, Young People and Families (CYPF**) are showing a forecast overspend of £750k as a result of not yet securing agreement to joint contributions with the CCG for Children’s Services.

- **Communities** are showing a forecast overspend of £4.0m, due mainly to an emerging overspend against Commissioned Mental Health Services of £3.5m and £500k of pressures arising from CCG activity in the Learning Disability Service, as the profile of demand has shifted to costs funded by SCC and not the NHS. A more integrated approach is being urgently explored.

- **Corporate** are showing a forecast overspend of £5.8m, which is due to an anticipated shortfall in the Better Care Fund (BCF). We and the CCG agreed when the BCF was set up that £9.3m of funds would be made available in total by the two partners. The NHS would fund £5m, and the Council would fund £4.3m as a one-off in 2015/16, with the aim that the BCF would identify savings to eliminate the need for this contribution after 2015/16, or the CCG would identify a source of funds for it. However we now have a significant concern that slippage on this approach is occurring without the underlying savings yet emerging on a joint budget of £280m. SCC is the junior financial partner in this arrangement. Consequently the £4.3m is now a corporate pressure, and in addition the CCG is currently only able to guarantee £3.5m of the £5m of its share of the funding. We and the CCG continue to discuss the funding and management of the BCF.

6. The combined impact of the forecast potential underspend in Council-run services and the forecast potential overspend in services run jointly with the NHS is a forecast overspend of £5.4m at month 6. This is an improved position of £10.4m since the month 5 monitoring report. The combined position is summarised in the table below.

Portfolio	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 5
CYPF	73,029	67,127	5,902	⇧
COMMUNITIES	144,582	137,296	7,286	⇔
PLACE	144,776	144,946	(170)	⇔
POLICY, PERFORMANCE & COMMUNICATION	2,393	2,067	326	⇔
RESOURCES	54,308	54,215	93	⇔
CORPORATE	(413,728)	(405,651)	(8,077)	⇩
TOTAL	**5,360**	**(0)**	**5,360**	⇩

7. The cumulative effect of funding cuts due to the national austerity programme, combined with emerging social care pressures and the challenge of securing funding from Health are making the Council's current financial predicament

extremely difficult. Based on the current trajectory, and in spite of a major review of corporate budgets, it would appear highly likely that the Council is going to overspend this year. Although emergency measures are being considered, and plans are being put in place to balance the budget for 2017/18, the strategy to bring social care pressures under control will take at least a year to implement.

Commentary

8. The main variations since Month 5 are:

- **CYPF** are forecasting an adverse movement of £133k since Month 5. This is due predominantly to £3.0m of additional costs on placements; this reflects the full year impact on the current number of placements and the cost of these placements for the remainder of the year.

- **Corporate** are showing a forecast improvement of £10.5m due to the release of £3.0m from the Better Care Fund contingency to relieve pressure on the Mental Health budget, £3.0m on the Corporate Redundancy budget due to lower than anticipated VER/VS applications, £2.0m reduction in borrowing costs as a result of an increase in cash balances available for investment, the use of £1.6m of Social Care reserves, and the release of £0.9m corporate contingencies set aside for potential city centre redevelopment costs as well as pay inflation in line with Living Wage Foundation rates.

9. Full details of all reductions in spend, overspends and movements from the previous month within Portfolios are detailed in **Appendix 1**.

Public Health

10. The Public Health ring-fenced grant is currently forecasting a £302k underspend against the original grant allocation. Further details of the forecast outturn position on Public Health are reported in **Appendix 2**.

Housing Revenue Account

11. The 2016/17 budget is based on an assumed in year surplus of £13m which is to be used to fund the ongoing HRA Capital Investment Programme. In accordance with the HRA's financial strategy any further in-year funds

generated by the account will be used to provide further funding for the future HRA Capital Investment programme.

12. As at month 6, early indications suggest an improved full year outturn position of £4.1m. As such, the funding contribution to the capital investment programme will be revised from £13m to £17.1m. Further details of the HRA forecast outturn can be found in **Appendix 3** of this report.

New Homes Bonus Fund

		£m
Income	Reserves as at 1/04/16	-7.1
	Anticipated 16/17 NHB Grant	-9.3
	Total Income	-16.4
Expenditure	2016/17 Spend to Date	0.8
	Forecast to Year End	1.0
	Future Years' Approved Commitments	2.2
	Total Expenditure	4.0
	Funds Available for Investment	**-12.4**

13. Progress continues on the delivery of the approved programme. There has been no significant variance in the period.

Collection Fund

14. As at the end of Quarter 2 the Collection Fund is forecasting an overall deficit of £0.1m made up of a £1.7m surplus on Council Tax and a £1.8m deficit on Business Rates.

15. The Valuation Office Agency (VOA) has revalued all the business properties in the country and produced a draft list that will form the basis of the rating list for 2017 onwards. However, as a result of this work there has been a slowdown in the processing of appeals. It is anticipated by the VOA that they will begin tackling the backlog of appeals in the second half of the year, which could have a negative impact upon the outturn position for Business Rates.

16. Further details about the Quarter 2 performance of the Collection Fund can be found in **Appendix 4**.

Corporate Risk Register

17. The Council maintains a Corporate Financial Risk Register which details the key financial risks facing the Council at a given point in time. The most significant risks are summarised in **Appendix 5** along with any actions being undertaken to manage each of the risks.

Capital Summary

18. The forecast for 2016/17 has decreased by £5.1m on the Month 5 forecast to £236.3m. The Approved programme budget is £250.2m, a difference of £13.8m. This represents a slippage rate of 5.5% which is up from 3.4% at Month 5. The majority of the difference is in the Housing programme which is forecasting an underspend of £9.0m arising on acquiring or building new council housing stock and refurbishment of existing properties.
19. Further details of the Capital Programme monitoring are reported in **Appendices 6 to 6.2**.

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