



Shropshire Council
Legal and Democratic Services
Shirehall
Abbey Foregate
Shrewsbury
SY2 6ND

Date: 8 November 2016

**Committee:
Performance Management Scrutiny Committee**

Date: Wednesday, 16 November 2016

Time: 2.00 pm

Venue: Shrewsbury Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND

You are requested to attend the above meeting.
The Agenda is attached

Claire Porter
Head of Legal and Democratic Services (Monitoring Officer)

Members of Performance Management Scrutiny Committee

Claire Wild (Chairman)

Vince Hunt

Steve Davenport (Vice Chairman)

Miles Kenny

Joyce Barrow

David Lloyd

Gerald Dakin

Alan Mosley

Roger Evans

Dave Tremellen

Your Committee Officer is:

Amanda Holyoak

Tel: 01743 257723

Email: amanda.holyoak@shropshire.gov.uk

AGENDA

1 Apologies for Absence and Substitutions

2 Disclosable Pecuniary Interests

Members are reminded that they must not participate in the discussion or voting on any matter in which they have a Disclosable Pecuniary Interest and should leave the room prior to the commencement of the debate.

3 Minutes of the meeting held on 14 September 2016 (Pages 1 - 4)

To consider the Minutes of the Performance Management Scrutiny Committee meeting held on 14 September 2016, attached marked: 3

4 Public Question Time

To receive any public questions or petitions from the public, notice of which has been given in accordance with Procedure Rule 14. Deadline for notification is 5.00 pm on Friday 11 November 2016.

5 Member Question Time

To receive any questions of which Members of the Council have given notice. Deadline for notification is 5.00 pm on Friday 11 November 2016.

6 Revenue Monitoring Report - Quarter 2 2016/17 (Pages 5 - 24)

Report of the Head of Finance, Governance and Assurance [s151 Officer], attached marked: 6

Contact: James Walton Tel: 01743 258915

7 Capital Monitoring Report Quarter 2 2016 - 2017 (Pages 25 - 32)

Report of the Head of Finance, Governance and Assurance [s151 Officer], attached marked: 7

Contact: James Walton Tel: 01743 258915

8 Report of Financial Strategy Task and Finish Group

To receive a report from the Financial Strategy Task and Finish Group, TO FOLLOW marked: 8

Contact: Tom Dodds, Commissioning Support Manager and Statutory Scrutiny Officer, tom.dodds@shropshire.gov.uk

9 Arrangements for 2017/18 Budget Scrutiny

The Head of Finance, Governance and Assurance [s151 Officer] will provide an update at the meeting.

Contact: James Walton, tel 01743 258915

10 Work Programme (Pages 33 - 34)

To consider proposals for the Committee's Work Programme, attached marked: 10

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SHOPSHIRE COUNCIL

PERFORMANCE MANAGEMENT SCRUTINY COMMITTEE

Minutes of the meeting held on 14 September 2016

2.00 - 3.55 pm in the Shrewsbury/Oswestry Room, Shirehall, Abbey Foregate,
Shrewsbury, Shropshire, SY2 6ND

Responsible Officer: Linda Jeavons
Email: linda.jeavons@shropshire.gov.uk Tel: 01743 257716

Present

Councillor Claire Wild (Chairman)
Councillors Steve Davenport (Vice Chairman), Joyce Barrow, Gerald Dakin, Roger Evans,
Vince Hunt and David Lloyd

21 Apologies for Absence and Substitutions

Apologies for absence were received from Councillors Miles Kenny, Alan Mosley and Dave Tremellen.

22 Disclosable Pecuniary Interests

Members were reminded that they must not participate in the discussion or voting on any matter in which they had a Disclosable Pecuniary Interest and should leave the room prior to the commencement of the debate.

23 Minutes

The minutes of the meetings held on 9 June and 20 July 2016 were confirmed and signed by the Chairman.

24 Public Question Time

There were no questions or petitions from members of the public.

25 Member Question Time

Councillor Roger Evans asked the following question and the written response was tabled.

“I note the message sent around to Members on behalf of the Enterprise & Growth Scrutiny Committee on the 7TH July re the setting up of a Task and Finish Group to look at some aspects of Planning carried out by Shropshire Council.

This was queried by myself at the Performance Scrutiny, as per the minutes, and it was agreed that a joint T&F would be set up to look at the whole process of planning with a view of holding their first meeting in September.

Since the last meeting I have sent two emails regarding this to officers (Monday 1st August and Tuesday 30 August 2016). Neither message have been acknowledged or answered.

Hence because of the none reply to my e-mailed question I ask this question at today's scrutiny.

Can I please be told when members will be asked if they wish to be members of this joint T&F group. I note that on the future work programme the following sentence. Considering the statement which appears in the minutes can we be told when the first meeting is to be actually held."

The following response from the Portfolio Holder for Planning, Housing, Regulatory Services and Environment was tabled at the meeting:

"I apologise that Councillor Evans has not received a reply to his requests to date. meeting is being arranged shortly with the Scrutiny Chairman to confirm the programme for the Task and Finish Group and we anticipate the first meeting to be convened in the near future."

Following a discussion, it was **AGREED:**

- That the joint Planning Task and Finish Group comprising Members of the Enterprise and Growth Scrutiny Committee and the Performance Management Scrutiny Committee (as agreed at the Performance Management Scrutiny Committee held on 20 July 2016) be established and now cover all aspects of Planning;
- All Members be welcomed and encouraged to attend the meetings of the Task and Finish Group and take part at the Chair's discretion; and
- Terms of Reference and a forward plan of dates to be agreed at the first meeting of the Planning Task and Finish Group.

26 Council Tax - Empty Property Charging Policy and Responsibility for Banding

At this juncture, Members considered a paper circulated by the Commissioning Data Analysis & Intelligence Manager at the meeting and entitled "Council Tax – Empty Property charging policy and responsibility for banding" (copy attached to the signed minutes).

In the ensuing debate, and in noting the potential loss of income that resulted from 900+ empty properties being empty, it was:

RESOLVED: That a further update on Council Tax – Empty Properties be reported to a future meeting.

27 Additional Information for Quarter 1 Performance Report 2016/17

The Commissioning Support Manager was in attendance and presented the report.

Members considered the presentation and individual slides relating to:

- Leisure Service Visitors
- Library Service Visitors
- Theatre Severn & Market Hall Visitors
- Visits to Outdoor Recreation Centres
- Visitor Attraction Visitors
- Number of People Killed or Seriously Injured on Roads
- Number of Young Claimants
- Rate of Looked After Children
- Rate of Children with a Child Protection Plan
- Quarterly Volunteering Hours
- Standards for Littering
- Standards for Detritus
- Household Recycling and Reuse Rates
- Delayed Transfer – Number of Patients
- Residential Admissions – Aged 65+

With reference to the consultation on Customer Service Points Opening Times Review, Members noted that the existing and proposed opening times for each of the individual locations, ie Shrewsbury, Ludlow, Oswestry, Market Drayton, Bridgnorth and Whitchurch were listed under each venue on the consultation pages on Shropshire Council's website.

RESOLVED: That, the key underlying and emerging issues detailed in the report and appendices and the new way of online reporting from quarter 2 via the Performance Portal and the Commissioning Support Unit, be noted.

28 **Big Conversation Action Plan**

The Commissioning Support Manager was in attendance and presented the report.

Members considered the Big Conversation Action Plan and the recommendations and responses as set out Appendix 1 to the report. Members stressed the importance of maintaining a continued dialogue, negotiations and good relations with Town/Parish Councils.

RESOLVED:

That, the key underlying and emerging issues detailed in the report and appendices, be noted; and regular updates be presented to this Committee.

29 **Corporate Plan 2016/17 to 2018/19**

The Commissioning Support Manager was in attendance and presented the report.

In the ensuing debate, Members noted that the Financial Strategy Budget Setting Task and Finish Group would consider the Strategic Action Plans, which were

currently being formulated, during October. These Action Plans would be shared with all Members sometime in October.

RESOLVED: That a Task and Finish Group comprising Members from all over the County be set-up to consider feedback received from staff and Members and to make changes to the draft Corporate Plan and make evidence based recommendations to Cabinet on changes they believe should be made.

30 Performance Management Scrutiny Committee Work Programme

RESOLVED: That the following be added to the Work Programme

- Establishment of a Corporate Plan Task and Finish Group;
- Establishment of a joint Planning Task and Finish Group comprising Members of the Enterprise and Growth Scrutiny Committee and the Performance Management Scrutiny Committee (as agreed at the Performance Management Scrutiny Committee held on 20 July 2016) to cover all aspects of Planning; and
- Council Tax – Empty Properties - update

31 Date/Time of next meeting of the Committee

RESOLVED:

That it be noted that the next meeting of the Performance Management Scrutiny Committee will be held at 2.00 pm on Wednesday, 16 November 2016 in the Shrewsbury Room, Shirehall, Shrewsbury, SY2 6ND.

Signed (Chairman)

Date:



<u>Committee and date</u> Cabinet 09 November 2016 Performance Management Scrutiny 16 November 2016

<u>Item</u>

REVENUE MONITORING REPORT – QUARTER 2 2016/17

Responsible Officer James Walton

Email: james.walton@shropshire.gov.uk

Tel: (01743) 258915

1. Summary

The report sets out the Revenue forecast for 2016/17 as at Quarter 2 and identifies the current projections on delivery of savings included within the forecast.

2016/17 represents the third and final year of the Council's previous three year Medium Term Financial Plan running from 2014/15 to 2016/17. A new Financial Strategy is being developed with the latest draft approved by Council on 21 July 2016. The Council's new Financial Strategy is predicated on the delivery of the existing, approved savings plans of £23.1m for 2016/17. Cabinet are receiving updates on a quarterly basis, with the latest on 28 September 2016, to monitor the Council's overall finances reviewing delivery against the proposals put forward, but also monitoring of the whole Council budget to identify any other pressures or concerns not contained within savings proposals.

This monitoring report is the second produced for this Financial Year and is based on financial information held for the first six months of the year extrapolated to year end to produce an estimated outturn position. The quality of the estimates has improved from quarter one, from the additional financial information available and from the Management action that was instigated as a result of the Quarter 1 monitoring projections.

To aid reporting of savings delivery the Council uses a RAG (Red, Amber, Green) rating to identify a rating for the delivery of savings proposals (more details provided in the report below). As at Quarter 2, evidence currently suggests that of the £23.1m of proposals to be delivered in 2016/17, £20.1m are rated as Green – with a high degree of certainty of being delivered.

The Quarter 2 position indicates that £1.3m of the £23.1m savings planned are categorised as red, and further work is required within service areas to ensure that the total value of savings proposals are fully deliverable within the financial year. Furthermore additional service pressures to a net value of £2.7m are already being highlighted, which services will need to address alongside delivering their savings targets. These pressures have been partially offset by the identification of a number of one off sources of funding that have not been committed and will instead be held to partially address the service pressures identified in year.

The key issues highlighted by this report are that:

- The projected outturn is an overspend of £0.635m which includes savings pressures of £1.314m and the carry forward of one off funds to 2017/18 as agreed in the Financial Strategy.
- Management action will continue to attempt to bring the budget back into balance but, when considering the size and complexity of the Council's overall Budget, delivery of such an outturn would still be considered a "reasonable variance", as described below.
- The projected General Fund Balance as at 31 March 2017 is £17.735m.
- A review and reallocation of the New Homes Bonus Reserve has been undertaken.

2. Recommendations

It is recommended that Members:

- Note that at the end of Quarter 2 (30 September 2016), the full year forecast is a potential overspend of £0.635m;
- Consider the impact of this on the Council's General Fund Balance.
- Approve the reallocation of funding from the New Homes Bonus Reserve as detailed in Appendix 3.
- Recommend to Council the virement of funding allocations as set out in paragraphs 7.2 to 7.5.

REPORT

3. Background

3.1 Revenue budget monitors are produced to report on the period from June (Period 2) to February (Period 11) of each financial year and show the anticipated year end projection. Reports are presented quarterly to Cabinet and monthly to Directors.

3.2 The reports track progress against the agreed budget decisions, forecast any significant variances to the budget, and enables corrective action to be taken to ensure a balanced budget at year end.

3.3 Variances are reported on an exceptions basis depending on the total variance from budget, and the percentage change in projection in any one period.

Green Variance +/- 1% (or £0.05m if budget less than £5m)

Amber Overspend between 1%-2% (or £0.05m-£0.1m if budget less than £5m)

Red Variance over 2% (or £0.1m if budget less than £5m)

Yellow Underspend more than 1% (or £0.05m if budget less than £5m)

3.4 In addition, given the level of savings proposals identified for delivery in 2016/17, this report also includes a second RAG rating, specifically relating to the delivery of savings. The ratings are as follows:

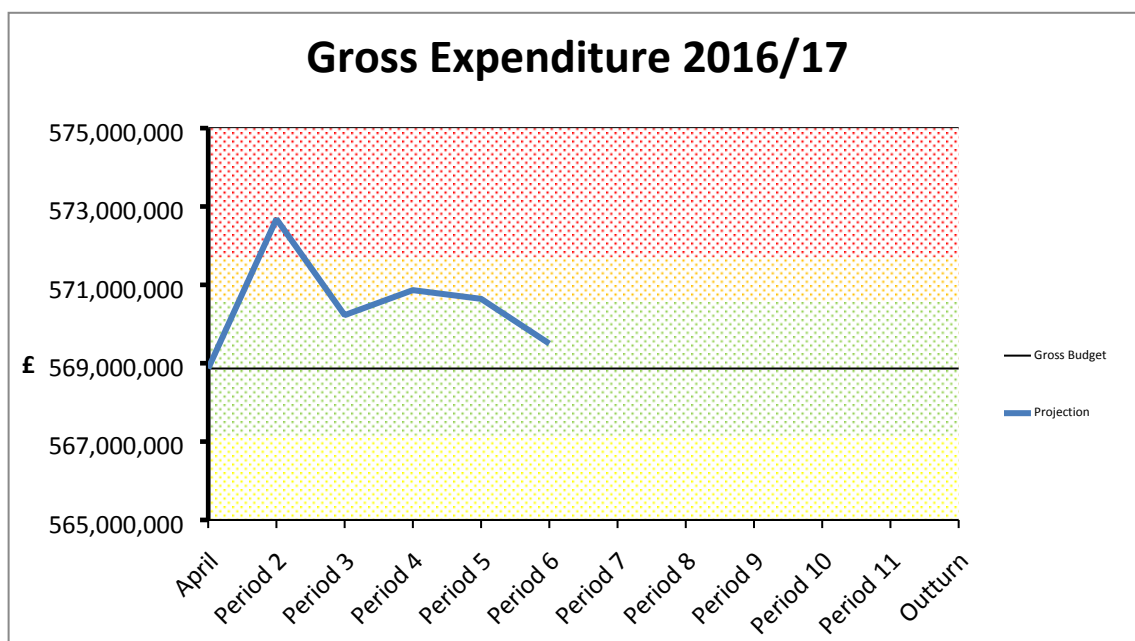
Green – Saving identified, quantified and confirmed

Amber – Saving identified but not yet confirmed

Red – Saving not achieved or unachievable

4. Monitoring 2016/17 Budget - Overall Position

- 4.1 The projected revenue forecast for the year, based on the service generated monitoring at Quarter 2, shows a potential underspend of £1.215m (0.18%) on a gross budget of £568.8m (net £204.5m) for the full year. However it should be noted that the financial strategy assumes that the funding gap for 2017/18 would be partially funded from the early delivery of 2017/18 savings in 2016/17 (£0.890m) and the generation of one off underspends in 2016/17 (£0.960m). A number of these proposals are being achieved in the £1.005m underspend position and so once these 2017/18 funding requirements are removed from the projection, this produces a net overspend of £0.635m for 2016/17.
- 4.2 The forecast year end position for the whole council will be revised each month and reported using the graph below. The area of the graph banded green shows the extent of variance from the budget that would be seen as reasonable given the size and complexity of the Council's budget. At Quarter 2 the projected year end overspend of £0.635m is falling within the green banding.



- 4.3 The projected overspend of £0.635m for 2016/17 is presented below and analysed in more detail at Appendix 1.

Table 1: 2016/17 Projected Budget Variations Analysed by Service Area

Service Area	Revised Budget £'000	Forecast Outturn £'000	(Under) / Overspend £'000	RAGY Classification
Adult Services	86,417	86,294	(123)	Y
Children's Services	50,551	52,216	1,665	R
Place & Enterprise	79,294	79,069	(225)	Y
Public Health	6,982	6,908	(74)	Y
Resources & Support	2,924	3,402	478	R
Corporate	(21,641)	(22,727)	(1,086)	Y
TOTAL	204,527	205,162	635	G

5. Update on Savings Delivery

5.1 The savings projections for 2016/17 have been RAG rated in order to establish the deliverability of the savings and any potential impact on the outturn projection for the 2016/17 financial year. The RAG ratings have been categorised as follows:

- Red – Savings are not solved on an ongoing basis, nor have they been achieved in the current financial year
- Amber – Savings have been identified on an ongoing basis in the current financial year, however there is no clear evidence to support the delivery as yet
- Green – Savings have been identified on an ongoing basis in the current financial year, with evidence of delivery.

The RAG ratings are updated monthly to determine progress on delivery. Details of the current assessment of savings delivery for each service area are shown in Table 2.

Table 2: Update on Delivery of 2016/17 Savings Proposals

Service Area	Red £'000	Amber £'000	Green £'000	Total Savings £'000
Adult Services	0	1,250	3,936	5,186
Children's Services	1,314	295	2,223	3,832
Place & Enterprise	0	0	7,307	7,307
Public Health	0	50	571	621
Resources & Support	0	0	980	980
Corporate	0	0	5,128	5,128
TOTAL SAVINGS	1,314	1,595	20,145	23,054

5.2 The figures presented above show that 87% of the 2016/17 savings target have been flagged as green with a further 7% with plans in place to be delivered. Those areas not delivered within 2016/17 have been assessed as part of the Financial Strategy to identify those areas deliverable but subject to a delay in delivery, and those areas identified as undeliverable.

5.3 Management have provided assurance that plans are in place to deliver the savings that have been categorised as amber, however as evidence of the delivery has not yet been identified, there is still a risk that these could cause a pressure on the outturn position for 2016/17. As the year progresses, these amber savings should gradually turn to green as the evidence does become available. However if the amber rated savings are not delivered as planned, the effect on the service generated outturn position is shown in Table 3 below:

Table 3: Effect of Non-Delivery of Amber Savings in 2016/17

Service Area	Quarter 2 Projected Outturn £'000	Amber Savings £'000	Potential Outturn if Amber Savings not Achieved £'000
Adult Services	(123)	1,250	1,127
Children's Services	1,665	295	1,960
Place & Enterprise	(225)	0	(225)
Public Health	(74)	50	(24)
Resources & Support	478	0	478
Corporate	(1,086)	0	(1,086)
TOTAL	635	1,595	2,230

6. Analysis of Outturn Projections including Delivery of Savings

6.1 The monitoring position detailed in Table 1 includes the current position on delivery of savings proposals for 2016/17 in addition to new monitoring pressures identified and one off solutions to reduce the projected overspend. Table 4 provides further analysis of the projected overspends for each service area.

Table 4: Reconciliation of Monitoring Projections to Savings Delivery

	Quarter 2 Projection £'000	Savings Pressure in 2016/17 £'000	Ongoing Monitoring Pressures Identified £'000	Ongoing Monitoring Savings Identified £'000	One Off Monitoring Pressures Identified £'000	One Off Monitoring Savings Identified £'000
Adult Business Support & Development	(114)	0	27	0	0	(141)
Contracts & Provider	(90)	0	89	(105)	0	(74)
Social Care Operations	117	0	752	(374)	0	(261)
Adult Services Management	(36)	0	0	0	0	(36)
Housing Health & Wellbeing	0	0	0	0	0	0
Adult Services	(123)	0	868	(479)	0	(512)
Learning & Skills	808	724	285	(77)	258	(382)
Children's Safeguarding	847	590	665	(288)	404	(524)
Children's Services Management	10	0	0	0	10	0
Children's Services	1,665	1,314	950	(365)	672	(906)
Director of Place & Enterprise	(2)	0	0	0	0	(2)
Business Enterprise & Commercial Services	23	0	180	0	478	(635)
Commissioning Support	(55)	0	0	0	0	(55)
Procurement & Contracts	(15)	0	0	0	0	(15)
Economic Development	(86)	0	0	0	236	(322)
Infrastructure & Communities	(90)	0	500	0	1,178	(1,768)
Place & Enterprise	(225)	0	680	0	1,892	(2,797)
Coroners & Bereavement	21	0	20	0	3	(2)
Multi Agency	54	0	85	0	0	(31)
Public Health	(32)	0	0	0	0	(32)
Public Protection	(74)	0	0	0	0	(74)
Registrars	(43)	0	0	0	0	(43)

	Quarter 2 Projection £'000	Savings Pressure in 2016/17 £'000	Ongoing Monitoring Pressures Identified £'000	Ongoing Monitoring Savings Identified £'000	One Off Monitoring Pressures Identified £'000	One Off Monitoring Savings Identified £'000
Public Health	(74)	0	105	0	3	(182)
Customer Involvement	776	0	644	0	318	(186)
Finance, Governance & Assurance	(89)	0	254	0	55	(398)
Human Resources	(17)	0	102	0	65	(184)
Legal, Democratic & Strategy	(28)	0	56	0	24	(108)
SMB	(164)	0	0	(136)	9	(37)
Resources & Support	478	0	1,056	(136)	471	(913)
Corporate	(1,086)	0	0	0	65	(1,151)
Corporate	(1,086)	0	0	0	65	(1,151)
TOTAL	635	1,314	3,659	(980)	3,103	(6,461)

6.2 The only savings pressures not projected to be delivered in the Quarter 2 position are within Children's Services. These include savings relating to the redesign of Education Support Services, following their transfer back from ip&e, savings within help support provision, reduction of external residential placements and savings within back office processes not being fully delivered.

6.3 A number of ongoing pressures are being identified within service areas including increased pressure of Care Leavers, and school transport due to extra days in this academic year; however these are being partially offset by mitigating ongoing savings that have been identified. Further work is required within service areas to find an ongoing basis for managing and funding these pressures so that further growth is not required within the financial strategy and hence an increase in the funding gap.

7. Corporate Funding

7.1 A source of corporate funding that is received each year in the Council's budget is New Homes Bonus. A number of allocations have been agreed from the funding received however commitments and changes to the projects has resulted in the Council holding a significant balance within the Earmarked Reserves for unspent monies. Appendix 3 details the latest position on the New Homes Bonus balances held and identifies alternative priority projects to be funded.

7.2 There are a number of uncertainties being managed in the current financial year that will have implications for future years. The two largest pressure areas, as considered in the Financial Strategy reports (July and September 2016), are Adult Services growth in the purchasing budget and Pension Fund revaluation as at 31 March 2016. In addition, the Council's largest investment pressure is to fund the Digital Transformation Programme (approved in July 2016) against which a number of funding proposals were identified. The Financial Strategy approved by Council on 21 July 2016 agreed that the funding gap for 2017/18 could be reduced through the use of base budget corporate funding resources of £5.868m. In addition, a review of corporate

grants has enabled other corporate funds including S31 Business Rate Grants to be reallocated. When combined these funds are estimated to total £7.099m and are earmarked against the pressures highlighted above. It is proposed that this balance is wholly allocated to the Digital Transformation Programme, as current evidence suggests that the 2016/17 budget can still be brought into balance, specifically considering the pressures identified above.

- 7.3 There were also a number of projections built into the 2016/17 budget strategy to plan for anticipated cost pressures including the impact of the minimum wage increase, the introduction of the apprenticeship levy and other inflationary pressures. These pressures (totaling £1.570m) have been acknowledged within modelling for Adult Services growth where the bulk of this growth budget would be allocated. Growth assumptions for future years have likewise been considered within growth model estimates through to 2018/19 considered by Council in July. On this basis, the Financial Strategy approved by Council in July 2016 removed the National Living Wage assumptions from 2017/18 and 2018/19 but the allocation was held in 2016/17 to provide some protection for Adult Services before robust in-year monitoring projections could be produced (i.e. from quarter 2 monitoring onwards).
- 7.4 When re-considering the Minimum Revenue Provision policy for the Council as approved within the Treasury Strategy for 2016/17, it was agreed that a budget of £1m would be held to fund any prudential borrowing costs for investments within the capital programme. As the discussions around the new capital programme and identification of priority projects are still in the initial stages, it is unlikely that any significant investment will take place in 2016/17 other than the aforementioned ICT Digital Transformation Programme.
- 7.5 As referenced in the Council's Financial Strategy approved in July, the authority has requested approval to make use of new powers for the use of capital monies. These powers alongside the proposed allocations identified in paragraphs 7.2 to 7.4 above (in total £9.699m) provide a value for money funding solution for a proportion of the Council's Digital Transformation Programme (for example by reducing the requirement for internal borrowing there is the potential to deliver cashable and non-cashable savings in base budget earlier within the estimated timeline). This programme is not currently identified within the Council's Capital Programme while awaiting the sign off of the full business case and finalised expenditure profile. The funding envelope, however, has already been approved by Council and it is anticipated that it would be appropriate for Full Council in December 2016 to formally authorise the creation of the Digital Transformation Project within the Capital Programme and the consequent virement of the above referenced funds from the revenue account. This approval will request either a revenue contribution to the capital programme in order to release capital receipts commitments or will allow for prudential borrowing to be paid off early to reduce revenue costs in future budget strategies. The Council is actively reviewing the Capital Programme in order to free up commitments against capital receipts in order to reinvest this funding in priority projects that will benefit the longer term financial strategy for the Council. Final determination of the value of capital receipts to be released will be confirmed when the spend levels within the capital programme are finalised at the year end, therefore this will also

determine the value that can be used to offset current prudential borrowing. Approval for this virement affecting the capital programme financing will be requested in the Financial Strategy Report considered by Full Council in December 2016.

8. General Fund Balance

- 8.1. The effect on the Council's Reserves of the forecast is detailed below. The Council's policy on balances is to have a general fund balance (excluding schools balances) of between 0.5% and 2% of the gross revenue budget. For 2016/17 the minimum balance required is £2.844m. The risk based target for the General Fund as calculated in the Robustness of Estimates and Adequacy of Reserves reported to Council on 25 February 2016, was £28.196m. Based on the current monitoring position, the General Fund Balance will be significantly below this target and the below the Council's policy on balances, as shown in Table 5 below:

Table 5: Projected General Fund Balance As At 31 March 2017

	(£'000)
General Fund Balances as at 1 April 2016	18,370
This report – projected outturn (overspend)	(635)
Projected Balance at 31 March 2017	17,735

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Revenue & Capital Budget 2016/17
Financial Rules

Cabinet Member (Portfolio Holder)

Councillor Malcolm Pate, Leader of the Council

Local Member

All

Appendices

- 1 - Service Area Pressures and Actions 2016/17
- 2 - Amendments to Original Budget 2016/17
- 3 – New Homes Bonus

Service Area Pressures and Actions 2016/17Summary

	Full year			RAGY
	Budget	Forecast	Variance	
	£	£	£	
Adult Services	86,417,560	86,294,343	(123,217)	Y
Children Services	50,550,920	52,216,690	1,665,770	R
Place & Enterprise	79,293,690	79,068,346	(225,344)	Y
Public Health	6,981,480	6,907,998	(73,482)	Y
Resources & Support	2,924,030	3,402,116	478,086	R
Corporate	(21,640,560)	(22,727,016)	(1,086,456)	Y
Total	204,527,120	205,162,476	635,356	G

Detail

ADULT SERVICES	Full year			RAGY
	Budget	Forecast	Variance	
	£	£	£	
Total	86,417,560	86,294,343	(123,217)	Y

Adult Business Support & Development	Portfolio Holder Adult Services	2,606,870	2,493,153	(113,717)	Y
Forecast surplus is attributable to a combined £0.032m surplus on Community Services Training (Joint Training) , Welfare to Work (Enable) and Joint Training and an £0.095 underspend on pay and non-pay, the main areas being Development Team (£0.033m), Financial Assessments (£0.024m) ,Senior Admin (£0.035m), Agreement and Contract team (£0.014m) and Client Property (£0.003m). There is a recurring net cost pressure of £0.027m with respect to the CM2000 electronic homecare monitoring system.					
Contracts & Provider	Portfolio Holder Adult Services	6,045,220	5,995,576	(89,644)	Y
Overspends on external contracts £0.115m (includes £0.007m re Kempfield), at Four Rivers £0.061m (resulting from pay related cost pressures), assistive services £0.009m are offset by savings in Day Services £0.262m.					
Social Care Operations	Portfolio Holder Adult Services	70,981,580	71,098,284	116,704	G
Significant growth has been applied to the purchasing budget for 2016/17 to meet the historical shortfall and predicted future demand. Current forecasts have been derived using the new monitoring/forecasting model which is still in development. At this stage it is anticipated that purchasing will be contained within the current budget. We are currently updating the methods that we use to analyse the new clients seen into service, however, using old methods there have been in the region of 650 new clients since the beginning of the year adding £6.6m to projections. We continue to see a pressure on the DoLS function as the current establishment is underfunded and demand continues to outstrip resources. The DoLS funding position is the subject of a Judicial Review case which will be brought to court in the Autumn. In addition some £3m of Continuing Healthcare (CHC) Debt remains unpaid by the CCG and would constitute a further cost if it proves to be unrecoverable. A large amount of CHC debt has also not yet been raised in relation to Joint packages as we await agreement as to which tool may be used to assess appropriate funding splits. We are already starting to see a rise in requests for funded support as we head into the winter pressures period. To some degree this growth is expected and allowed for in the purchasing model, any unusual growth will however, cause more cost pressure. In previous years the CCG has made funding available to assist with the cost of meeting winter					

ADULT SERVICES		Full year			RAGY
		Budget	Forecast	Variance	
		£	£	£	
pressures however there is no money available this year which pushes further cost pressure onto ASC. Not only is there no funding this year for winter pressures there are serious concerns about the disinvestment intentions and actions of the CCG particularly around the removal of Discharge to Assess beds from the market. There are further material cost implications which are also now coming to light as we assess how sleeping and waking nights are delivered. These potential costs are not reflected in the reported position.					
Adult Services Management	Portfolio Holder Adult Services	2,233,780	2,197,220	(36,560)	Y
Underspend on pay £0.024m and non-pay expenditure of £0.013m.					
Housing Health	Portfolio Holder Planning, Housing, Regulatory Services and Environment	4,550,110	4,550,110	0	G
Housing is reporting a break even position. This is on the understanding that the grants/reserves held on the balance sheet for Keep Shropshire Warm (£0.041m), Pioneer Places (£0.006m) and SHIP & Community Housing Grant (£0.072m) will be treated as ringfenced allocations i.e. will be drawn down to match what is required at year end. We have received confirmation that these can be retained and used by the service. There are other reserves totalling £0.182m within Housing which are not tied to external funder requirements, namely the Supporting People reserve £0.177m and £0.005m for the funding of beetle removal. For both of these, in the absence of the reserves, alternative funding streams will be explored by Housing prior to agreeing to any significant commitment in spend.					

CHILDRENS SERVICES		Full year			RAGY
		Budget	Forecast	Variance	
		£	£	£	
Total		50,550,920	52,216,690	1,665,770	R

Learning & Skills	Portfolio Holder Children and Young People	22,734,370	23,543,054	808,684	R
<p>The current monitoring position reflects unachieved savings in year totalling £0.724m. £0.461m of unachieved savings relate to delays in implementing staffing reductions in Education Support Services and redesigning back office functions. Of this £0.461m, £0.317m of unachieved savings relates to Services that have transferred back into the Council from ip&e Ltd and the original proposal had been to reduce commissioning from ip&e Ltd. Some of this £0.317m should be achieved in year but staffing structures are still being finalised. In addition to this, a £0.263m savings target was assigned to County Training in 2016/17 to reduce the Service's budget from £0.263m to £0 as the Learning, Employment and Training Service was due to externalise on 1st April 2016. Due to some ongoing commitments in 2016/17 this saving will not be achieved and is being solved through a one-off contribution. Where savings targets have not been realised Service Managers are tasked with bringing forward savings from 2017/18 or identifying alternative proposals, the position should improve in-year.</p> <p>There is a forecast overspend of £0.275m in relation to Home to School Transport. £0.100m of this is an estimate based on the additional number of "Academic Days" within 2016/17 compared to the 2015/16</p>					

CHILDRENS SERVICES		Full year			RAGY
		Budget	Forecast	Variance	
		£	£	£	
Total		50,550,920	52,216,690	1,665,770	R
<p>financial year and is a one-off monitoring pressure since the number of academic days reduces by 4 in 2017/18. The remaining £0.175m relates to a reported increase in the number of SEN Students requiring transport for the 2016/17 academic year. A possible shortfall in income of £0.109m has been identified in relation to reduced buyback of Education Improvement Services by Schools. Other one-off monitoring pressures have been identified totalling £0.123m. £0.039m of this relates to the aforementioned delay in externalisation of the Learning, Employment and Training Service.</p> <p>These forecast overspends are partially offset by future year's savings being partially achieved early. A staffing saving has occurred in part this year, earlier than proposed resulting in an ongoing saving of £0.027m while the Educational Psychology Service is reporting an ongoing saving of £0.050m towards their 2017/18 savings target. There are some smaller in-year one-off savings on supplies and services and vacancy management totalling £0.083m.</p>					
Children's Safeguarding	Portfolio Holder Children and Young People	26,903,110	27,750,522	847,412	R
<p>The current monitoring position reflects unachieved savings in year totalling £0.590m. £0.325m of this value is due to a shortfall in increased contributions towards the Council's Early Help provision from other sources where only £0.600m of the targeted £1.000m alternative funding has been secured to date. The gap of £0.075m has been found from a reduction in two Early Help contracts as well as some secondment savings. Furthermore, monitoring of the Council's external residential placements estimates that £0.250m of the targeted £1.100m Savings target is unachieved. This figure can change significantly in-year if the numbers of placements increase or decrease. The Service has managed to reduce costs in this area through ongoing careful management of placements and efficiencies have been realised through joining the Birmingham and Worcester Fostering Frameworks. A further saving target of £0.060m against the Commissioned Early Help budget has only been partially achieved with £0.015m slipping to 2017/18.</p> <p>An ongoing budget pressure of £0.396m within Case Management caused by Agency Staffing costs has been identified. This pressure has reduced since 2015/16. The majority of Social Worker vacancies have now been recruited to, however some agency workers have stayed on beyond 1st September as part of a handover period due to the high number of newly qualified Social Workers now in post. Additional temporary capacity has been put into place to address high caseloads of social workers and to ensure that case records are complete and up to date which has resulted in an additional pressure of £0.041m. This in line with actions agreed in the Peer Review action plan. There is also an ongoing pressure relating to Leaving Care Allowances of £0.269m within the 16+ Team partly as a result of increased (national) policy emphasis on extended support for care leavers.</p> <p>This is partially offset by bringing forward 2017/18 proposed savings of £0.238m that will be achieved by a restructure of Children's Centres staffing, and £0.050m relating to the All in Community non-assessed short breaks contracts. There are some smaller in year one-off savings on contracts and vacancy management totalling £0.161m.</p>					
Children's Services Management	Portfolio Holder Children and Young People	913,440	923,114	9,764	G
Minor variation from budget as at Quarter 2.					

PLACE & ENTERPRISE	Full year			RAGY
	Budget	Forecast	Variance	
	£	£	£	
Total	79,293,690	79,068,346	(225,344)	Y

Director of Place & Enterprise	Portfolio Holder Leisure and Culture	729,510	727,874	(1,636)	Y
Minor variation from budget as at Quarter 2.					
Director of Place & Enterprise Total		729,510	727,874	(1,636)	

Head of Business Enterprise & Commercial Services	Portfolio Holder Corporate Support	135,260	134,541	(719)	Y
Minor variation from budget as at Quarter 2.					
Commercial Services	Portfolio Holder Corporate Support	2,455,970	2,479,495	23,525	G
Corporate Landlord has projected overspends of £0.658m which relate predominantly to unbudgeted expenditure items such as reactive repairs and maintenance, however these overspends are partially offset by other areas within Commercial Services, and will also be partially offset by drawing down a proportion of the repairs and maintenance reserve. Significant areas of underspend within Commercial services are as follows: One-off unbudgeted income (£0.060m), staffing efficiencies (£0.086m), efficiencies within supplies and services budgets (£0.052m) and increased solar photovoltaic income (£0.051m).					
Shire Services	Portfolio Holder Corporate Support	881,940	881,940	0	G
No projected variation from budget as at Quarter 2.					
Business Enterprise & Commercial Services Total		3,473,170	3,495,976	22,806	

Commissioning Support	Portfolio Holder Corporate Support	1,710	(53,272)	(54,982)	Y
There is a significant projected variance on employee costs due to a vacancy within the team, and an available budget that isn't currently required that will be taken as a saving in 2017/18.					
Commissioning Support Total		1,710	(53,272)	(54,982)	

Procurement & Contracts	Portfolio Holder Corporate Support	167,190	152,242	(14,948)	Y	
Minor variation from budget as at Quarter 2.						
Procurement & Contracts Total		167,190	152,242	(14,948)		

Head of Economic Development	Portfolio Holder for Business and Economy	211,980	204,487	(7,493)	Y
Minor variation from budget as at Quarter 2.					
Development Management	Portfolio Holder Planning, Housing, Regulatory Services and Environment	87,600	14,814	(72,786)	Y
Income within Development Management, mainly relating to planning applications, is projected to be greater than the budgeted level for a further successive year, more than offsetting the additional costs incurred during the year to process the number of applications received.					

PLACE & ENTERPRISE		Full year			RAGY
		Budget	Forecast	Variance	
		£	£	£	
Economic Growth	Portfolio Holder for Business and Economy	826,210	813,274	(12,936)	Y
Minor variation from budget as at Quarter 2.					
Broadband	Portfolio Holder for Business and Economy	153,360	153,360	0	G
No projected variation from budget as at Quarter 2.					
Planning Policy	Portfolio Holder Planning, Housing, Regulatory Services and Environment	539,520	546,792	7,272	G
Minor variation from budget as at Quarter 2.					
Economic Development Total		1,818,670	1,732,727	(85,943)	Y

Head of Infrastructure & Communities	Portfolio Holder Highways and Transportation	185,610	186,310	700	G
Minor variation from budget as at Quarter 2.					
Arts	Portfolio Holder Leisure and Culture	95,230	95,179	(51)	Y
Minor variation from budget as at Quarter 2.					
Community Working	Portfolio Holder for Rural Services and Communities	822,660	817,810	(4,850)	Y
Minor variation from budget as at Quarter 2.					
Environmental Maintenance	Portfolio Holder Highways and Transportation	26,881,500	27,072,319	190,819	G
The variance relates to the settlement with Ringway of historic permit costs (£0.112m) and forecast additional expenditure on reactive works (safety defects).					
Highways & Transport	Portfolio Holder Highways and Transportation	3,976,030	3,912,862	(63,168)	Y
There are a number of variations within H&T, the most significant being the additional projected income within the Streetworks team. This income has offset the considerable savings target that is yet to be fully achieved within Public Transport, made more difficult following the collapse of GHA coaches.					
Outdoor Partnerships	Portfolio Holder Leisure and Culture	1,350,380	1,345,518	(4,862)	Y
Minor variation from budget as at Quarter 2.					
Leisure	Portfolio Holder Leisure and Culture	3,348,210	3,414,837	66,627	A
The majority of the variance relates to the leisure facilities that are managed in-house, where income is projected to be lower than budgeted for while costs continue to rise. The transfer of Idsall Leisure Centre to school management has been delayed, which has added an additional budget pressure.					
Libraries	Portfolio Holder Leisure and Culture	3,637,080	3,831,640	194,560	R
One-off overspends are forecast in 2016/17 due to the delay in the achievement of the savings resulting from the management and administration staff restructure and the reduction in library opening hours. Implementation of the savings is now underway, with the reductions in opening hours scheduled to take place from October and a redesigned staff structure in place at the same time.					

PLACE & ENTERPRISE		Full year			RAGY
		Budget	Forecast	Variance	
		£	£	£	
Locality Commissioning	Portfolio Holder for Rural Services and Communities	490,230	495,325	5,095	G
Minor variation from budget as at Quarter 2.					
Passenger Transport	Portfolio Holder Highways and Transportation	643,540	643,496	(44)	Y
Minor variation from budget as at Quarter 2.					
Theatre Severn	Portfolio Holder Leisure and Culture	530,420	368,398	(162,022)	Y
Net income is projected to over-achieve the budgeted level for a further successive year.					
Visitor Economy	Portfolio Holder Leisure and Culture	1,678,990	1,720,058	41,068	A
Work is currently underway to redesign the service and increase the level of income generated. A management staff restructure has been initiated that will achieve the remainder of the savings required in 2016/17.					
Waste	Portfolio Holder Planning, Housing, Regulatory Services and Environment	29,463,560	29,109,047	(354,513)	Y
Examination of the 2015/16 annual reconciliation has identified several areas of expenditure where the rebate due to the council is greater than originally forecast.					
Infrastructure & Communities Total		73,103,440	73,012,799	(90,641)	Y

PUBLIC HEALTH		Full year			RAGY
		Budget	Forecast	Variance	
		£	£	£	
Total		6,981,480	6,907,998	(73,482)	Y

Coroners & Bereavement	Portfolio Holder Health & Wellbeing	187,600	208,310	20,710	G
The previous forecast was a £0.002 underspend mainly attributable to a forecast underspend in Bereavement Services. However, since Period 5 the position is now forecasting a £0.021m adverse variance which is largely attributable to a revision to the forecast income for the sale of burial rights from £0.090m to £0.070m.					
Multi Agency	Portfolio Holder Health & Wellbeing	1,004,210	1,058,010	53,800	A
Areas in which there are forecast deficits include the Drugs & Alcohol Team – an inherited budget pressure of originally £0.054m. This has been reduced to £0.020m due to various savings made elsewhere. This cost centre relates to the old Drugs and Alcohol structure pre Public Health. The other main area is Community Safety - where there is a forecast deficit in the region of £0.059m which is a combination of inherited budget pressures and unmet savings targets. There is also a forecast deficit for the Shropshire Partnership £0.007m. There is a forecast surplus for targeted mental health in schools and the healthy child programme of £0.019m, £0.012m for Emergency Planning and £0.001m re LINKs.					
Public Health	Portfolio Holder Health & Wellbeing	385,330	353,783	(31,547)	Y
This includes the ring-fenced Public Health services funded by DoH grant. Reserves and resources for future development are utilised to ensure that Public Health as whole (with the exception of Public Protection) achieve a balanced budget at the end of the year					
Public Protection	Portfolio Holder Health & Wellbeing	5,174,920	5,101,438	(73,482)	Y
Additional income pressures are offset with staffing efficiencies but the underspend is predominantly generated by the enforcement activity which is projecting to overachieve the budget.					

PUBLIC HEALTH		Full year			RAGY
		Budget	Forecast	Variance	
		£	£	£	
Registrars	Portfolio Holder Health & Wellbeing	229,420	186,457	(42,963)	Y
Income is projected to achieve an £0.087m surplus with respect to registration and request fees. However, a further exercise is required in Period 7 to ensure that the projected pay overspend circa £0.056m is sufficient to meet the demands placed on the service in the light of the substantial increase in forecast income. Postage costs are forecast to be underspent by £0.015m.					

RESOURCES & SUPPORT		Full year			RAGY
		Budget	Forecast	Variance	
		£	£	£	
Total		2,924,030	3,402,115	478,085	R

Customer Involvement	Portfolio Holder Corporate Support	180,700	957,001	776,301	R
The delayed savings within Customer Access of £0.228m and income shortfall of £0.099m have been mostly resolved from planned savings of £0.267m within Benefits, SLA Performance and Customer Services. The outstanding savings of £0.060m will be achieved in the next financial year. Savings in relation to the Credit Union Contract of £0.072m have been delayed and alternatives are being investigated. Additional savings of £0.071m have been identified in relation to staffing across Marketing & Engagement and Service Management, which are being offset against pressures within IT Services. Budget pressures within IT Services continue to be experienced; these relate to the delayed savings expected from the Lync rollout of £0.120m, licensing pressures continue to result in an overspend £0.513m and there is a shortfall of £0.089m in relation to Schools IT SLA buy back. These pressures are partly offset by in-year savings of £0.089m from reduced system costs and £0.026m from vacancy management and traded income. Pressures continue within the costs of the MFD Fleet and Print Unit of £0.042m. Additional overspends on a number of other expenditure lines amount to £0.039m.					
Finance, Governance & Assurance	Portfolio Holder Strategy, Financial Strategy, Budget and Business Plan	1,698,400	1,609,305	(89,095)	Y
Pressures within Revenues & Benefits £0.255m have been offset against additional one-off grant income not budgeted for (£0.045m), staffing efficiencies of (£0.136m) and further savings on expenditure of (£0.034m). There are further reported overspends on general expenditure of £0.021m and further underspends from staffing efficiencies of (£0.059m) across variance teams within Finance. Budgets of (£0.091m) have also been identified as surplus to requirements in year.					
Human Resources & Development	Portfolio Holder Corporate Support	202,250	184,929	(17,321)	Y
Savings due to vacancy management have been realised within the H&S unit of -£0.022m alongside a small underspend against Occupation Health and First Aid budgets of -£0.006m. Further savings have been achieved on a one off basis within the Communication and Business Design teams due to vacancies being filled part way through the year and maternity leave not back filled of £0.071m. Within HR&D there are existing overspends of £0.081m due partly to lost external income; this has been partly offset in year by vacancy management and from the securing of new contracts for future years.					
Legal, Democratic & Strategy	Portfolio Holder Corporate Support	527,330	499,090	(28,240)	Y
Underspends of (£0.024m) have been identified across Committee Services, (£0.012m) has arisen from vacancy management efficiencies. A further (£0.034m) has been identified across Members Services, mainly on telephones (£0.006m) with an additional (£0.028m) identified across various headings across the service. Staffing efficiencies within Legal Services have contributed a further (£0.020m) but have been offset against lost income totalling £0.043m alongside increased disbursement costs of £0.020m. Overspends on various expenditure lines amount to £0.013m.					

RESOURCES & SUPPORT	Full year			RAGY
	Budget	Forecast	Variance	
	£	£	£	
Total	2,924,030	3,402,115	478,085	R

Strategic Management Board	Portfolio Holder Strategy, Financial Strategy, Budget and Business Plan	315,350	151,790	(163,560)	Y
Vacancy management savings have been identified across the service to the total of (£0.162m). Additional one-off monitoring savings of (£0.010m) are being offset by small overspends on subscriptions and equipment totalling £0.010m.					

CORPORATE	Full year			RAGY
	Budget	Forecast	Variance	
	£	£	£	
Total	(21,640,560)	(22,727,016)	(1,086,456)	Y

Corporate Budgets	Portfolio Holder Strategy, Financial Strategy, Budget and Business Plan	(21,640,560)	(22,727,016)	(1,086,456)	Y
Within corporate budgets, a (£0.377m) reduction in MRP has been identified as well as a combination of an increase of interest receivable and decrease of interest payable resulting in a further (£0.056m) saving. There are also staffing efficiencies of (£0.091m), and unused budget for Audit Fees of (£0.205m). Overspends on various expenditure lines amount to £0.096m.					

Appendix 2**Amendments to Original Budget 2016/17**

	Total £'000	Adult Services £'000	Children's Services £'000	Place & Enterprise* £'000	Public Health £'000	Resources & Support £'000	Corporate £'000
Original Budget as agreed by Council	204,527	86,330	50,535	81,082	1,807	6,294	(21,521)
<u>Quarter 1</u>							
Inflation for LETS	0	0	76	0	0	0	(76)
Realignment of Commercial Services budget	0	0	0	0	0	47	(47)
Other minor changes	0	0	27	(13)	0	(18)	4
<u>Quarter 2</u>							
Transfer of Commercial Services and Public Protection, as part of realignment of services under renaming Commissioning to Place & Enterprise	0	0	0	(1,775)	5,175	(3,400)	0
Transfer of Occupational Therapist posts	0	87	(87)	0	0	0	0
Revised Budget	204,527	86,417	50,551	79,294	6,982	2,923	(21,640)

* Commissioning renamed Place & Enterprise from Quarter 2.

APPENDIX 3**New Homes Bonus**

Since 2011/12 the Council has been in receipt of New Homes Bonus funding from the Government. A number of reports and recommendations have been made to Cabinet and Council depending on appropriate approval levels to outline how this funding will be committed each year.

Any unspent balance of New Homes Bonus is contributed to an earmarked reserve at the end of each year, and as at the end of 31st March 2016 a balance of £5.547m was held on this reserve. The balances held against this reserve have been reviewed against the funding allocations approved by Cabinet and Council to determine if this balance is still required to fulfil the requirements of the agreed project or whether these funds can be reallocated to new initiatives.

Detailed below is the breakdown of specific schemes funded from the earmarked reserve held:

Scheme	£	Commitments
Supported Registered Providers	1,605,000	Yes, within capital programme
Land Supply	455,553	Yes, within capital programme
Recycling Empty Properties	196,352	Yes, within capital programme
LEP Post	8,377	No, can be reallocated
LEP Regeneration	1,000,000	No, can be reallocated
Parish Planning	17,360	No, can be reallocated
Affordable Housing Rolling Fund	440,346	Yes, within capital programme
LEP Oswestry Business Park	108,000	Yes, need for feasibility study
Exception Grant	225,000	Yes, required for Neighbourhood Fund over next 3 years
EXACOM software	10,000	No, can be reallocated
Housing Supply Evidence Base	50,000	Yes, will be spent in revenue budget
Policy & Strategy Posts	79,572	No, can be reallocated
EU Match Funding	80,000	Yes, required for match funding to LEP
Planning team	206,000	Yes, will be spent in revenue budget
Unallocated to specific scheme	1,065,539	No, can be reallocated
TOTAL	5,547,099	

Spend is projected against the majority of the schemes however as shown by the shaded lines above, some of these original schemes have not come to fruition, and therefore there are no commitments planned against these sums and therefore it is recommended that these funds are reallocated to alternative commitments. The total uncommitted funds are £2,180,848 from the reserve and there is an additional £74,674 available from the New Homes Bonus funding received in 2016/17 that has not been allocated, giving a total of £2,255,522 that is currently unallocated.

It is therefore proposed that the funds are reallocated to the following schemes:

Scheme	£	Details
Recycling Empty Homes	500,000	£250,000 per year for 2016/17 and 2017/18 to continue work with recycling Empty Properties which is contributing to the regeneration of Shropshire's communities.
Economic Growth Development	1,000,000	To allow team to fulfil agreed function, generating NNDR, capital receipts and income streams for Council. Projects include: <ul style="list-style-type: none"> • Outline planning application for Oswestry Innovation Park • Bridgnorth Employment land stage 1 site assessments • Feasibility study for Phase 3 Shrewsbury Business Park land • A contribution to Craven Arms feasibility study to enable future employment sites and relocation of EQL from Town Centre • Further proposition marketing and branding to attract take up of development sites in the County • Use of monies to support update of Local Plan through specific externally provided evidence base material • 5% match for £1m DfT funding for North West relief road feasibility study
Broadband	275,000	Required to fund phase 2b of the broadband project.
EU match funding	160,000	Continuation of £80,000 in 2017/18 and 2018/19 for match funding to the LEP.
Planning Team	103,000	Funding of planning team costs for £103,000 in 2018/19 only as funding already identified within the NHB Reserve for 2016/17 and 2017/18.
TOTAL	2,038,000	

The remaining £217,522 will be held within the Reserve as a contingency balance and will help towards any funding required within the budget strategy.

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Committee and Date
Cabinet
09 November 2016

Performance Management
Scrutiny Committee
16 November 2016

CAPITAL MONITORING REPORT – QUARTER 2 2016/17

Responsible Officer James Walton
e-mail: james.walton@shropshire.gov.uk

Tel: (01743) 258915

1. Summary

1.1 The purpose of this report is to inform Members of the current position for the Council's 2016/17 to 2019/20 capital programme taking into account the latest monitoring information on the progress of the schemes, any necessary budget increases and decreases and the re-profiling of budgets between 2016/17 and future years. The report reflects:

- The re-profiled 2016/17 budget of £60.2m and the future years capital programme budget;
- Expenditure to date of 26% of the revised budget;
- A projected outturn in line with the re-profiled budget of £60.2m; and
- The current funding of the programme and its future affordability.

2. Recommendations

Members are asked to:

- A. Approve net budget variations of £5.8m to the 2016/17 capital programme, including cuts to capital receipts funded schemes of £4.4m; detailed in Appendix 1/Table 1 and the re-profiled 2016/17 capital budget of £60.2m.
- B. Approve the re-profiled capital budgets of £43.1m for 2017/18 and £18.8m for 2018/19 and £1.8m for 2019/20 as detailed in Appendix 1/Table 4. Including cuts to capital receipt funded schemes of £4.0m in 2017/18.
- C. Accept the expenditure to date of £15.8m, representing 26% of the revised capital budget for 2016/17, with 50% of the year having elapsed.

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1 Risk assessments are undertaken as part of the evaluation of all capital bids.

3.2 Capital receipt levels and the timing of receipts are dependant on planning approvals and prevailing market conditions.

3.3 Environmental appraisals are carried out for individual schemes as appropriate.

3.4 Community consultations are carried out for individual schemes as appropriate.

4. Financial Implications

4.1 This report considers the capital spend within the capital programme for 2016/17 and considers the impact that slippage within the programme will have on the financing of the capital programme in the future, including any future revenue implications.

5. Background

5.1 The capital programme for 2016/17 and future years, was updated as part of the Financial Strategy 2016/17 to 2018/19, approved by Council on 25 February 2016. This included updated allocations of capital grants and a review of and delivery schedule for schemes.

6. Original and latest proposed capital programme for 2016/17

6.1 The capital budget for 2016/17 is subject to change, the largest element being slippage from 2015/16 and re-profiling into future years. In Quarter 2 there has been a net budget decrease of £5.8m, compared to the position reported at Quarter 1. Table 1 summarises the overall movement, between that already approved, and changes for Quarter 2 that require approval.

Table 1: Revised Capital Programme Quarter 2 2016/17

Service Area	Agreed Capital Programme - Council 25/02/16	Slippage and budget changes approved to Quarter 2 16/17	Quarter 2 budget changes to be approved	Revised 2016/17 Capital Programme Quarter 2
General Fund				
Place & Enterprise*	36,978,211	5,326,678	(3,031,675)	39,273,214
Adult Services	2,019,000	2,482,141	(1,344,591)	3,156,550
Public Health*	-	826,352	-	826,352
Children's Services	9,303,765	1,350,096	(1,239,191)	9,414,670
Resources & Support*	220,000	(220,000)	-	-
Total General Fund	48,520,976	9,765,267	(5,615,457)	52,670,786
Housing Revenue Account	7,347,311	366,686	(219,393)	7,494,604
Total Approved Budget	55,868,287	10,131,953	(5,834,850)	60,165,390

* Commissioning renamed Place & Enterprise. Brought forward budgets adjusted to reflect change of Council structure: Private Sector Housing transferred from Place & Enterprise (Commissioning) to Public Health and Strategic Asset Services transferred from Resources & Support to Place & Enterprise.

6.2 Full details of all budget changes are provided in Appendix One to this report. A summary of the significant changes are detailed below:

Budget Increases

- Additional Section 106 funding of £0.370m, and revenue contributions from New Homes Bonus monies of £0.234m towards Affordable Housing schemes.
- New allocation of self-financed prudential borrowing for phase 2 purchase of equipment at Market Drayton, Shrewsbury Sports Village and Oswestry Leisure Centre. As approved as part of the phase 1 programme of works and equipment as it is better value for money for the Council to undertake the borrowing, than Shropshire Community Leisure Trust . The revenue costs will be met from the saving generated on the contract subsidy.
- Additional Local Enterprise Partnership (LEP) funding of £0.550m included in the current timeframe of the capital programme, following agreement funding can be brought forward (previously profiled for 2020/21).

Budget Decreases

- Following review of the existing programme and commitments against budget allocations, £8.4m has been removed from the programme. This is summarised below:

Schemes	2016/17 £	2017/18 £
Small Business Loans	437,552	
Shrewsbury Business Park Phase 2 Extension	40,636	
Market Towns Revitalisation - Bridgnorth	7,410	
Oswestry Play & Recreational Improvements	50,000	
Growth Point - Shrewsbury Growth Point / Shrewsbury Vision	1,060,077	
Growth Point - Shrewsbury Vision - New Riverside Development (Raven Meadows Multi-storey car park)	180,000	3,500,000
Social Care - various schemes/unallocated monies	942,345	470,000
Disabled Facilities Grants	402,246	
Learning & Skills - unallocated monies	1,247,449	
Total	4,367,715	3,970,000

The funding saving made against the capital programme will be re-allocated to new schemes, based on business cases submitted to the Investment Board. The focus will be schemes that create revenue generation (or maintain existing revenue streams), invest to save schemes and schemes that create social value.

Budget Re-profiling

- In quarter 2 there has been re-profiling of £1.825m, across the programme, based on schemes that will now not be delivered or budget required until 2017/18 or later years; the most significant areas are:
 - **Place & Enterprise:** Re-profile of £1.6m to future years against the Broadband – Phase 2 project, based on expected funding drawdown following signing of the contract.
 - **Housing Revenue Account:** Re-profiling of £0.219m of unallocated Major Repairs budget, which will not be required in 2016/17.

7. Current Capital Programme and Forecast Outturn

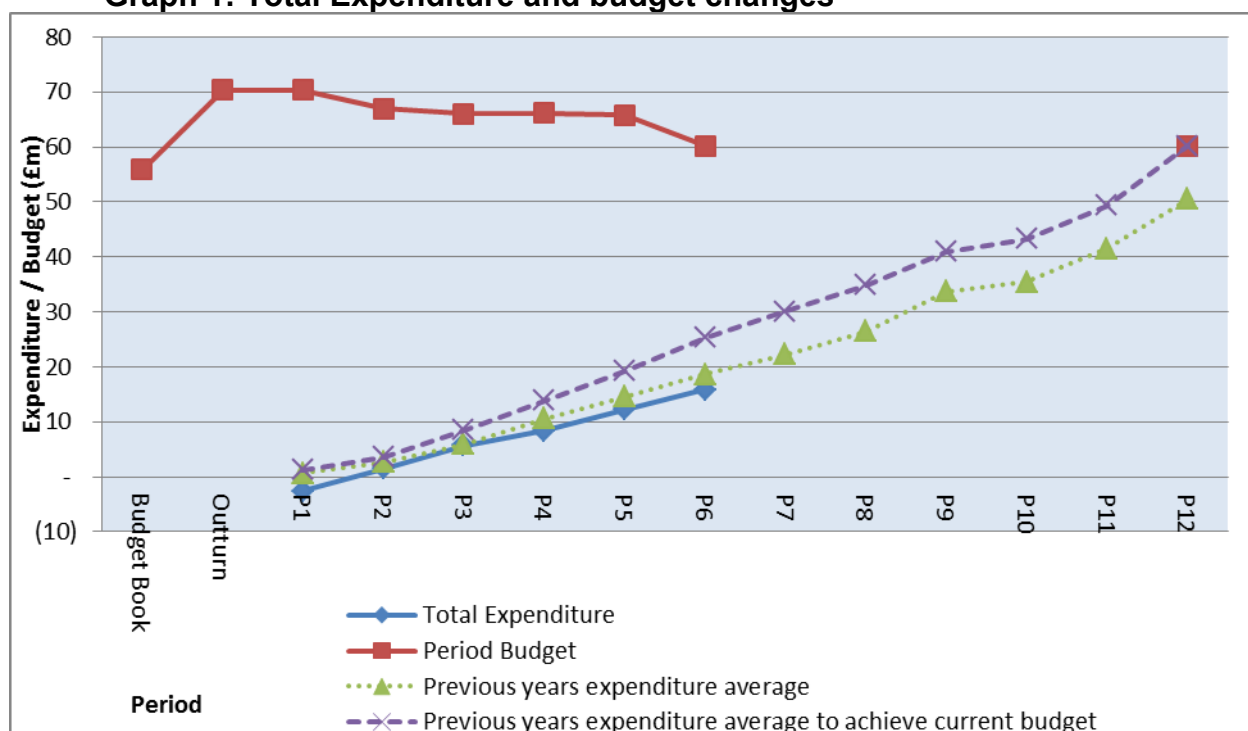
- 7.1 The capital programme is reviewed on a regular basis to re-profile the budget to reflect the multi-year nature of capital schemes, whereby spend may slip into later years. However, it is possible that a level of underspend or overspend may be experienced against the revised capital budget at outturn. Outturn projections are incorporated into the capital monitor to enhance the monitoring information provided and allow the early identification where schemes are deviating from budget. Table 2 summarises the outturn position for 2016/17.

Table 2: Current Capital Programme and Forecast Outturn Quarter 2 2016/17

	2016/17 Revised Capital Programme	2016/17 Forecast Outturn	Variance
General Fund			
Expenditure	52,670,786	52,670,786	0
Financing	(52,670,786)	(52,670,786)	0
Shortfall/(surplus) In Resources	0	0	0
Housing Revenue Account			
Expenditure	7,494,604	7,494,604	0
Financing	(7,494,604)	(7,494,604)	0
Shortfall/(surplus) In Resources	0	0	0

8. Actual Expenditure to Date – *is the programme being delivered to plan?*

- 8.1 The actual capital expenditure at Quarter 2 is £15.8m, which represents 26% of the revised capital budget at Quarter 2, 50% of the year. This is low in comparison to the total budget and below expenditure at this point in recent years, despite the funding removed from the programme in Quarter 2. However, again based on recent years the capital programme has outturned at around 85% of the outturn budget, which is also subject to further re-profiling prior to year end.
- 8.2 This position reflects the programme for the delivery of individual capital schemes within the programme, where generally the majority of expenditure is not evenly distributed across the year and there is a higher concentration of spend profiled later in the financial year, together with a time lag between incurring costs and that being reflected in expenditure, due to delays in the contractors submitting invoices. However, based on the current position and previous years, further re-profiling is likely to be required in Quarter 3.
- 8.3 Graph One below shows actual expenditure by period and also tracks the period by period changes to the budget.

Graph 1: Total Expenditure and budget changes

9. Financing of the capital programme

9.1 Appendix 1 provides a full summary of the financing of the 2016/17 capital programme. Table 3 summarises the financing sources and changes made to Quarter 1 and to be approved to Quarter 2.

Table 3: Revised Capital Programme Financing

Financing	Agreed Capital Programme - Council 25/02/16	Slippage and budget changes approved Quarter 1	Quarter 2 budget changes to be approved	Revised 2016/17 Capital Programme Quarter 2
Self-Financed Prudential Borrowing*	-	-	-	-
Government Grants	26,879,829	9,355,066	(922,372)	35,312,523
Other Grants	-	111,780	-	111,780
Other Contributions	426,381	343,859	170,000	940,240
Revenue Contributions to Capital	1,269,659	474,860	188,258	1,932,777
Major Repairs Allowance	5,441,865	239,624	-	5,681,489
Corporate Resources (expectation - Capital Receipts only)	21,850,553	(393,236)	(5,270,736)	16,186,581
Total Confirmed Funding	55,868,287	10,131,953	(5,834,850)	60,165,390

* Borrowing for which on-going revenue costs are financed by the Service, usually from revenue savings generated from the schemes.

10. Projected Longer Term Capital Programme to aid Medium Term Financial Plan

10.1 The updated capital programme is summarised by year and financing in Table 4 below:

Table 4: Capital Programme 2017/18 to 2019/20

Service Area	2017/18	2018/19	2019/20
General Fund			
Place & Enterprise	27,761,594	20,150,444	2,320,000
Adult Services	23,000	-	-
Public Health	250,000	-	-
Children's Services	8,406,576	-	-
Resources & Support	-	-	-
Total General Fund	36,441,170	20,150,444	2,320,000
Housing Revenue Account	3,822,467	-	-
Total Approved Budget	40,263,637	20,150,444	2,320,000
Financing			
Self-Financed Prudential Borrowing*	300,000	-	-
Government Grants	29,748,221	19,271,365	1,636,372
Other Grants	-	-	-
Other Contributions	204,750	-	-
Revenue Contributions to Capital	304,000	-	-
Major Repairs Allowance	3,603,074	-	-
Corporate Resources (expectation - Capital Receipts only)	6,103,592	879,079	683,628
Total Confirmed Funding	40,263,637	20,150,444	2,320,000

* Borrowing for which on-going revenue costs are financed by the Service, usually from revenue savings generated from the schemes.

- 10.2 Following the Business Plan and Financial Strategy 2016/17 to 2018/19 report the above programme has been made more affordable by matching capital receipts financing to projected receipts and reducing the potential element of corporately financed prudential borrowing that may be required and the associated ongoing revenue costs. The Corporate Resources financing line above is the element of internal resources through capital receipts and corporately financed prudential borrowing required to finance the programme. See section 11 for the current projected position.

11. Capital Receipts Position

- 11.1 The current capital programme is heavily reliant on the Council generating capital receipts to finance the capital programme. There is a high level of risk in these projections as they are subject to changes in property and land values, the actions of potential buyers and being granted planning permission on sites. Table 5 below, summarises the current allocated and projected capital receipt position across 2016/17 to 2018/19. A RAG analysis has been included for capital receipts projected, based on the current likelihood of generating them by the end of each financial year. Those marked as green are where they are highly likely to be completed by the end of the financial year, amber are where they are achievable, but challenging and thus there is a risk of slippage and red are highly unlikely to complete in year and thus there is a high risk of slippage. However, no receipts are guaranteed to complete in this financial year as there may be delays between exchanging contracts and completing.

Table 5: Projected capital receipts position

Detail	2016/17 £	2017/18 £	2018/19 £	2019/20 £
Corporate Resources Allocated in Capital Programme	16,186,581	6,103,592	879,079	683,628
To be allocated from Ring Fenced Receipts	149,648	6,319,150	-	-
Total Commitments	16,336,229	12,422,742	879,079	683,628
Capital Receipts in hand/projected:				
Brought Forward in hand	16,989,451	8,437,725		
Generated 2015/16 YTD	2,764,234			
Projected - 'Green'	5,020,269	350,000	50,000	
Total in hand/projected	24,773,954	8,787,725	50,000	-
Shortfall to be financed from Prudential Borrowing / (Surplus) to carry forward	(8,437,725)	3,635,017	829,079	683,628
Further Assets Being Considered for Disposal	4,651,201	15,017,590	550,000	

11.2 Capital receipts of £17m were brought forward from 2015/16 and £2.8m has been generated to Quarter 2 of 2016/17. A further £5m is currently projected as 'Green' for 2016/17. Following the re-profiling in the capital programme in year to date and the funding that has been cut from the programme, there are sufficient capital receipts in hand to finance the existing capital programme. Based on current projections there will also be a significant balance in hand, that can either be allocated to new schemes through the Investment Board or and there will be a balance of receipts to carry forward. Any surplus capital receipts the Council has at the end of 2016/17 can be set aside to generate a one-off revenue MRP saving in 2017/18 and be used to finance the future years capital programme.

11.3 Based on the current position, following the cuts to the programme, across the life of the programme there is significant headroom in capital receipts in-hand/projected and the current expenditure commitments. There is, however, still the requirement to progress the disposals programmed for future years, to ensure they are realised. Considerable work is required to realise these receipts, with generally a lead in in time of at least 12 to 18 months on larger disposals. In addition to the current expenditure commitments, the programme will also grow as new schemes are approved through the Investment Board or as the Council utilises the new flexibilities around the use of Capital Receipts for transformational revenue purposes over the 3 year period 2016/17 to 2018/19.

11.4 It is important that work progresses, to avoid a funding shortfall in future years. Failure to generate the required level of capital receipts will result in the need to further reduce or re-profile the capital programme, some of which will occur naturally as part of the review of the delivery of schemes; or undertake prudential borrowing, which will incur future year's revenue costs that are not budgeted in the revenue financial strategy.

12. Unsupported borrowing and the revenue consequences

12.1 The Council can choose what level of unsupported (prudential) borrowing to undertake to fund the capital programme, based on affordability under the prudential code. There is an associated revenue cost to fund the cost of the unsupported borrowing. This consists of the Minimum Revenue Provision

(MRP) charge for the repayment of the principal amount, based on the asset life method and the interest charge associated with the borrowing. The current PWLB borrowing rate over 25 years is projected to remain around 3.3% for 2015/16. At this rate, £1m of Prudential Borrowing would result in additional revenue financing costs of £0.073m (MRP and interest cost) in the following year, reducing by £1,320 each year over the 25 year period. The Council is working towards generating sufficient capital receipts (see section 11); to avoid any unsupported borrowing requirement at lower level of borrowing could also be sustained through internal borrowing against Council balances, removing the need for any new external borrowing.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Financial Strategy 2016/17 to 2018/19 – Council 25 February 2016

Capital Outturn Report – 2015/16 – Council 21 July 2016

Capital Monitoring Report – Quarter 1 2016/17 – Cabinet 27 July 2016

Cabinet Member (Portfolio Holder)

Malcolm Pate, Leader of the Council.

Portfolio holders

Local Member

All

Appendices

1. Capital Budget and Expenditure 2016/17

**PERFORMANCE MANAGEMENT SCRUTINY COMMITTEE
PROPOSED WORK PROGRAMME AS AT 8 NOVEMBER 2016**

DATE	ITEM	REASON FOR UNDERTAKING
16 November 2016	Report of the Financial Strategy Budget Setting Task and Finish Group Revenue Monitoring Q2 Capital Monitoring Q2	To receive the report of the Task and Finish group following its consideration of the redrafted Corporate Plan and the draft Strategic Action Plans.
15 February 2017	Quarter 2 2016/17 Performance Report	To consider and constructively challenge the performance of the Council and identify topics for future scrutiny investigation
29 March 2017		

Page 33

Proposed topics:

CIL/Section 106/NHB – How are these used by the Council?

Options and opportunities - Learning from the University of Chester

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