



Committee and date

Cabinet
09 November 2016

Item

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:

- A. Note that at the end of Quarter 2 (30 September 2016), the full year forecast is a potential overspend of £0.635m;
- B. Consider the impact of this on the Council's General Fund Balance.
- C. Approve the reallocation of funding from the New Homes Bonus Reserve as detailed in Appendix 3.
- D. 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:

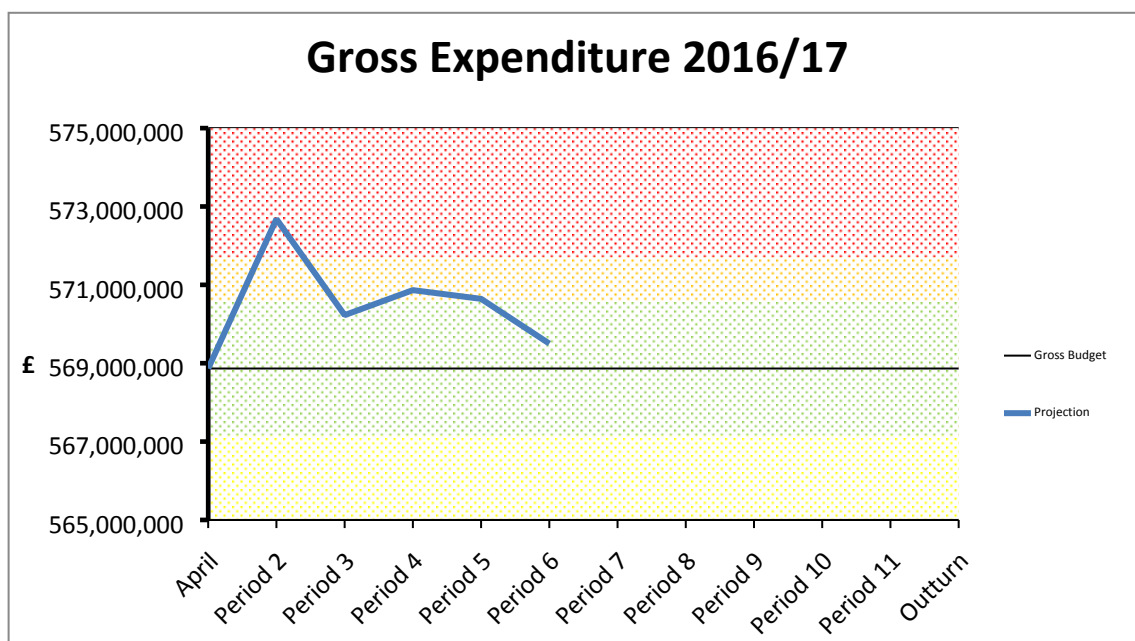
Green – Saving identified, quantified and confirmed

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 | |
| 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) | |
| 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.