



Committee and date

Cabinet

08 February 2017

FINANCIAL MONITORING REPORT – QUARTER 3 2016/17

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1. Summary

This report consolidates the previous separate Revenue and Capital Monitoring reports into one Financial Monitoring Report. Capital and revenue decisions have always had a close interdependency and impact on each other. This has been strengthened by the Government's change of policy on the Flexible Use of Capital Receipts and the Council's new focus on capital schemes that will create additional revenue or generate cost savings. As a result it is important to consider revenue and capital decisions and the Council's total finances jointly.

The report sets out the forecast expenditure for 2016/17 as at Quarter 3 and for revenue identifies the current projections on delivery of savings included within the forecast. For capital this also includes details of any budget increases and decreases and any re-profiling of budgets between 2016/17 and future years.

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 for 2017/18 has been developed and is included on this agenda for consideration, prior to going to Council on 23 February 2017 for approval.

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

To aid reporting of revenue 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 3, evidence currently suggests that of the £23.1m of proposals to be delivered in 2016/17, £20.8m are rated as Green – with a high degree of certainty of being delivered.

The Quarter 3 position indicates that £1.3m of the £23.1m savings planned are categorised as red, and it is recognised that these saving proposals are not deliverable in this financial year therefore compensatory underspends and one off funds are being used to offset this pressure. Furthermore additional service pressures to a net value of £3.2m 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 revenue outturn is an underspend of £0.244m which includes savings pressures of £1.286m.
- Management action will continue to ensure the budget is delivered within a balanced position.
- The projected General Fund Balance as at 31 March 2017 is £18.614m.
- The projected capital outturn is £53.951m, in line with the current budget. This follows a net budget decrease of £6.215m in Quarter 3.
- Current capital expenditure of £26.979m, representing 50% at Quarter 3, with 75% of the year elapsed

2. Recommendations

It is recommended that Members:

- A. Note that at the end of Quarter 3 (31 December 2016), the full year revenue forecast is a potential underspend of £0.244m;
- B. Consider the impact of this on the Council's General Fund Balance.
- C. Approve net budget variations of £6.215m to the 2016/17 capital programme, detailed in Appendix 3/Table 6 and the re-profiled 2016/17 capital budget of £53.951m.
- D. Approve re-profiled capital budgets of £66.058m for 2017/18 and £25.800m for 2018/19 and £2.320m for 2019/20 as detailed in Appendix 1/Table 9.
- E. Accept the capital expenditure to date of £26.972m, representing 50% of the revised capital budget for 2016/17, with 75% of the year having elapsed.

REPORT

3. Background

- 3.1 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, any budget changes (including re-profiling on Capital) forecast any significant variances to the budget, and enables corrective action to be taken to ensure a balanced budget at year end.
- 3.3 Revenue 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

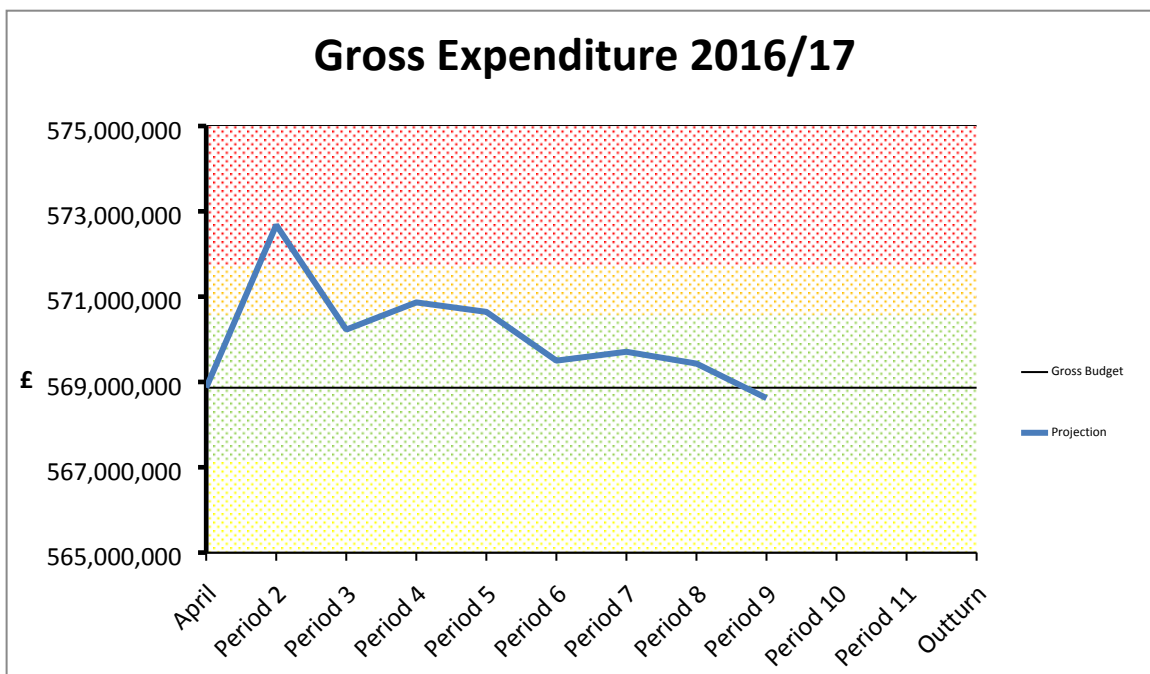
Amber – Saving identified but not yet confirmed

Red – Saving not achieved or unachievable

3.5 Capital schemes are also reported on an exception basis, based on being delivered within budget and expectation of being delivered within scheme timeframe.

4. Revenue Monitoring 2016/17 Budget - Overall Position

4.1 The projected revenue forecast for the year, based on the service generated monitoring at Quarter 3, shows a potential underspend of £0.244m (0.04%) on a gross budget of £568.8m (net £204.5m) for the full year. The forecast year end position for the whole council is 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 3 the projected year end underspend of £0.244m is falling within the green banding.



4.3 The projected underspend of £0.244m 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	86,439	86,331	(108)	Y
Children's Services	50,551	52,119	1,568	R
Place & Enterprise	79,393	78,883	(510)	Y
Public Health	6,981	6,784	(197)	Y
Resources & Support	2,924	3,106	182	R
Corporate	(21,761)	(22,940)	(1,179)	Y
TOTAL	204,527	204,283	(244)	Y

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	591	4,595	5,186
Children's Services	1,286	295	2,251	3,832
Place & Enterprise	0	0	6,758	6,758
Public Health	0	50	1,121	1,171
Resources & Support	0	0	980	980
Corporate	0	0	5,128	5,128
TOTAL SAVINGS	1,286	936	20,833	23,055

5.2 The figures presented above show that 90% of the 2016/17 savings target have been flagged as green with a further 4% 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 3 Projected Outturn £'000	Amber Savings £'000	Potential Outturn if Amber Savings not Achieved £'000
Adult Services	(108)	591	482
Children's Services	1,568	295	1,863
Place & Enterprise	(510)	0	(510)
Public Health	(197)	50	(147)
Resources & Support	182	0	182
Corporate	(1,179)	0	(1,179)
TOTAL	(244)	936	692

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 3 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	(90)	0	28	0	2	(120)
Contracts & Provider	(422)	0	120	(245)	0	(297)
Social Care Operations	548	0	893	(106)	0	(239)
Adult Services Management	(85)	0	0	0	0	(85)
Housing Health & Wellbeing	(60)	0	0	0	0	(60)
Adult Services	(109)	0	1,041	(351)	2	(801)
Learning & Skills	751	696	313	(54)	262	(466)
Children's Safeguarding	820	590	675	(288)	661	(818)
Children's Services Management	(3)	0	0	0	0	(3)
Children's Services	1,568	1,286	988	(342)	923	(1,287)
Director of Place & Enterprise	(1)	0	0	0	0	(1)
Business Enterprise & Commercial Services	222	0	500	0	726	(1,004)
Commissioning Support	(39)	0	0	0	0	(39)
Procurement & Contracts	(17)	0	0	0	0	(17)
Economic Development	(163)	0	0	0	397	(560)
Infrastructure & Communities	(512)	0	250	0	2,024	(2,786)
Place & Enterprise	(510)	0	750	0	3,147	(4,407)
Coroners & Bereavement	46	0	22	0	24	0

	Quarter 3 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
Multi Agency	47	0	83	0	0	(36)
Public Health	(79)	0	0	0	0	(79)
Public Protection	(198)	0	0	0	0	(198)
Registrars	(14)	0	0	0	0	(14)
Public Health	(198)	0	105	0	24	(327)
Customer Involvement	665	0	644	0	356	(335)
Finance, Governance & Assurance	(164)	0	258	0	52	(474)
Human Resources	(121)	0	102	0	63	(286)
Legal, Democratic & Strategy	(18)	0	107	0	26	(151)
SMB	(178)	0	0	(135)	3	(46)
Resources & Support	184	0	1,111	(135)	500	(1,292)
Corporate	(1,179)	0	0	0	174	(1,353)
Corporate	(1,179)	0	0	0	174	(1,353)
TOTAL	(244)	1,286	3,995	(828)	4,770	(9,467)

6.2 The only savings pressures not projected to be delivered in the Quarter 3 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. General Fund Balance

7.1. 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 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 (underspend)	244
Projected Balance at 31 March 2017	18,614

8. Original and latest proposed Capital Programme for 2016/17

- 8.1 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 3 there has been a net budget decrease of £6.215m, compared to the position reported at Quarter 2. Table 6 summarises the overall movement, between that already approved, and changes for Quarter 3 that require approval.

Table 6: Revised Capital Programme Quarter 3 2016/17

Service Area	Agreed Capital Programme - Council 25/02/16	Slippage and budget changes approved to Quarter 2 2016/17	Quarter 2 budget changes to be approved	Revised 2016/17 Capital Programme Quarter 2
General Fund				
Place & Enterprise	36,978,211	2,229,190	(4,195,159)	35,078,055
Adult Services	2,019,000	1,137,550	68,175	3,224,725
Public Health	-	925,942	(150,410)	675,942
Children's Services	9,303,765	(133,964)	(1,300,156)	8,114,514
Resources & Support	220,000	(220,000)	442,770	442,770
Total General Fund	48,520,976	3,938,718	(5,134,780)	47,536,006
Housing Revenue Account	7,347,311	147,293	(1,079,819)	6,414,785
Total Approved Budget	55,868,287	4,086,011	(6,214,599)	53,950,791

- 8.2 Full details of all budget changes are provided in Appendix 3 to this report. A summary of the significant changes for 2016/17 and future years are detailed below:

Budget Increases

- New additional allocations of Department for Transport funding of £5.398m in 2017/18. Pothole Action Fund (£1.335m) to repair potholes or to stop them forming in the first place. Incentive/Efficiency Funding (£1.236m) based on self-assessment submission on asset management and efficient and best practice in highway maintenance. National Productivity Investment Fund (£1.915m) for local highway and other local transport improvements which aim to reduce congestion at key locations, upgrade or improve the maintenance of local highway assets, to improve access to employment and housing, to develop economic and job creation opportunities.
- New Department of Health funding of £2.415m across 2016/17 and 2017/18 through the 'Home Ownership for Clients with Long Term Disabilities' (HOLD) scheme, to help people with disabilities live independently.

- Further BDUK Broadband funding of £6.655m across 2017/18 and 2018/18 for Phase 2b of the broadband programme.
- £0.672m for the HRA New Build Phase 3 programme, financed from HRA ring-fenced capital receipts, Home & Communities Agency Grant and Section 106 contributions.
- Revenue contribution of £9.699m to ICT Digital Transformation as included in the Q2 Revenue Monitoring report and approved by Council 15/12/16.

Budget Virement

- Re-allocation of unallocated budget and budget from schemes not proceeding and completed, towards the £0.400m budget for the demolition of the Tannery building and works to the retaining wall, to enable the future development of the site.

Budget Re-profiling

- Place & Enterprise: £4.120m has been re-profiled. Significant areas are £0.325m for acquisition of land for In Vessel Composting Facility, as purchase will now not take place in 2016/17. £0.250m in relation to the Shrewsbury Integrated Transport Package based on latest expenditure forecast report. £3m in relation to the Broadband Phase 1 scheme, based on latest profile of when monies will be drawn down.
- Adult Services: £0.432m, mainly in relation to unallocated monies and monies for IT Hardware Implementation of Care Bill.
- Children's Services: £1.572m of Learning & Skills budget from school devolved DFC monies and unallocated monies that will now not be able to be allocated to deliverable schemes in year and for retention payments that will not be due until 2017/18.
- Resources & Support: £9.256m of the monies allocated to the ICT Digital Transformation, based on expected level of expenditure to be incurred in 2016/17 from the latest project programme.
- Housing Revenue Account: Re-profile of forecast underspend (£1.530m) in delivery of HRA Major Repairs Programme.

9. Current Capital Programme and Forecast Outturn

- 9.1 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 7 summarises the outturn position for 2016/17.

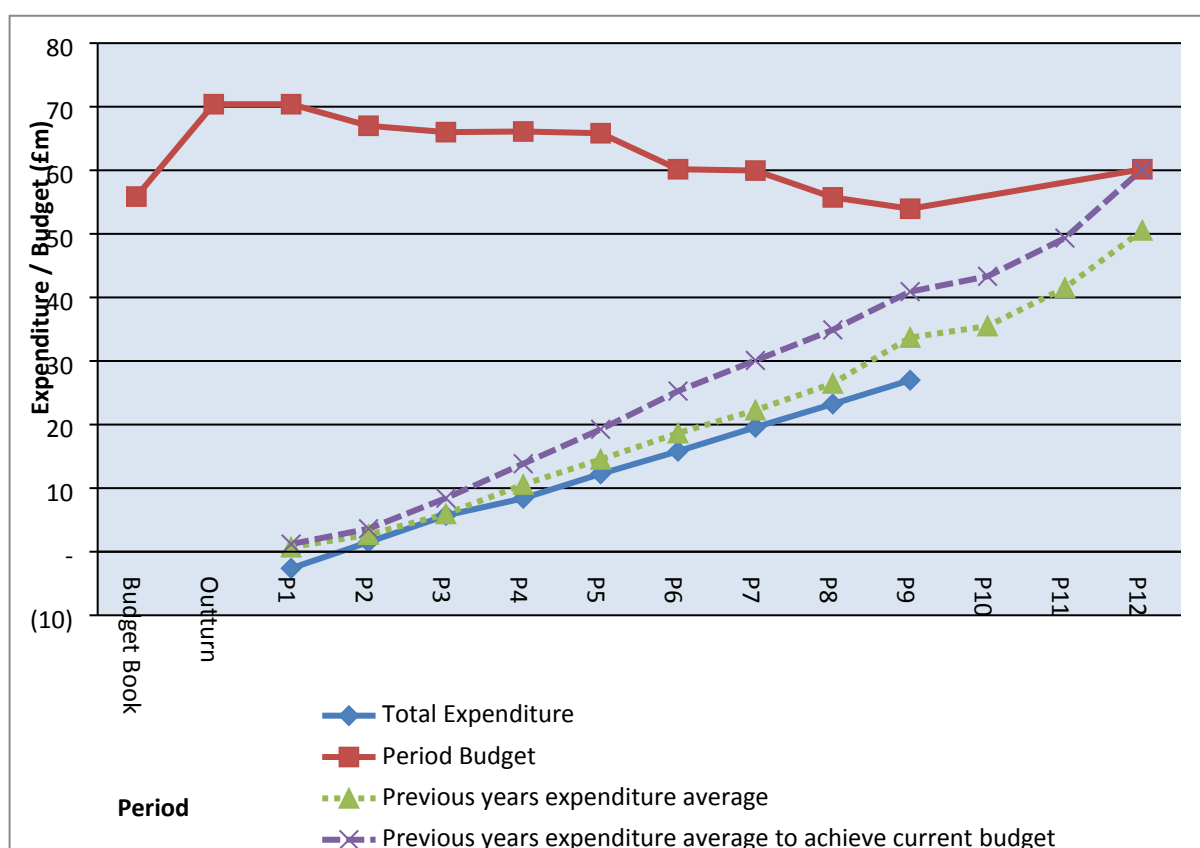
Table 7: Current Capital Programme and Forecast Outturn Quarter 3 2016/17

	2016/17 Revised Capital Programme	2016/17 Forecast Outturn	Variance
General Fund			
Expenditure	47,536,006	47,536,006	0
Financing	(47,536,006)	(47,536,006)	0
Shortfall/(surplus) In Resources	0	0	0
Housing Revenue Account			
Expenditure	6,414,785	6,414,785	0
Financing	(6,414,785)	(6,414,785)	0
Shortfall/(surplus) In Resources	0	0	0

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

- 10.1 The actual capital expenditure at Quarter 3 is £26.972m, which represents 50% of the revised capital budget at Quarter 3, 75% of the year. This is low in comparison to the total budget and below expenditure at this point in recent years, despite funding being removed from the programme in Quarter 2 and significant re-profiling in the programme, with the budget now lower than the original budget for the year; despite the slippage from 2015/16 and additional funding added to the programme. Based on recent years, the capital programme has outturned at around 85% of the outturn budget, and there will be no further re-profiling in the final quarter, prior to year end.
- 10.2 The level of spend is low across the programme, in terms of the major areas the spend position is as follows: Highways 57% (budget £22.567m), LEP schemes 32% (£2.815m), Broadband 44% (£4.360m), Adult Social Care 31% (£1.146m), Housing Health & Wellbeing 55% (£2.79m), Learning & Skills Programme 47% (£8.115m), HRA Major Repairs 55% (£3.446m) and HRA New Build Programme 65% (£2.875m).
- 10.3 Graph One below shows actual expenditure by period and also tracks the period by period changes to the budget.

Graph 1: Total capital expenditure and budget changes



11. Financing of the capital programme

11.1 Appendix 1 provides a full summary of the financing of the 2016/17 capital programme. Table 8 summarises the financing sources and changes made to Quarter 2 and to be approved to Quarter 3.

Table 8: Revised Capital Programme Financing

Financing	Agreed Capital Programme - Council 25/02/16	Slippage and budget changes approved to Quarter 2	Quarter 3 budget changes to be approved	Revised 2016/17 Capital Programme Quarter 3
Self-Financed Prudential Borrowing*	-	-	-	-
Government Grants	26,879,829	8,432,694	(618,579)	34,693,944
Other Grants	-	111,780	-	111,780
Other Contributions	426,381	513,859	(158,174)	782,066
Revenue Contributions to Capital	1,269,659	663,118	9,667,691	11,600,468
Major Repairs Allowance	5,441,865	239,624	(1,230,000)	4,451,489
Corporate Resources (expectation - Capital Receipts only)	21,850,553	(5,663,972)	(13,875,537)	2,311,044
Total Confirmed Funding	55,868,287	4,297,103	(6,214,599)	53,950,791

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

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

- 12.1 The updated capital programme is summarised by year and financing in Table 9 below:

Table 9: Capital Programme 2017/18 to 2019/20

Service Area	2017/18	2018/19	2019/20
General Fund			
Place & Enterprise	38,301,000	25,784,041	2,320,000
Adult Services	2,369,825	-	-
Public Health	500,000	-	-
Children's Services	9,978,855	-	-
Resources & Support	9,256,230	-	-
Total General Fund	60,405,910	25,784,041	2,320,000
Housing Revenue Account	5,652,467	16,319	-
Total Approved Budget	66,058,377	25,800,360	2,320,000
Financing			
Self-Financed Prudential Borrowing*	300,000	-	-
Government Grants	39,314,074	24,904,962	1,636,372
Other Grants	-	-	-
Other Contributions	382,750	-	-
Revenue Contributions to Capital	709,040	-	-
Major Repairs Allowance	4,833,074	-	-
Corporate Resources (expectation - Capital Receipts only)	20,519,439	895,398	683,628
Total Confirmed Funding	66,058,377	25,800,360	2,320,000

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

- 12.2 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. Current expectation is these will all be through capital receipts, see section 13 for the current projected position. Proposals are currently been considered through the Capital Investment Board for new schemes for the Council to invest in, with an emphasis on invest to save schemes or schemes that create revenue generation.

13. Capital Receipts Position

- 13.1 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 10 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 10: Projected capital receipts position

Detail	2016/17 £	2017/18 £	2018/19 £	2019/20 £
Corporate Resources Allocated in Capital Programme	2,672,901	20,136,147	895,398	683,628
To be allocated from Ring Fenced Receipts	149,648	4,874,890	-	-
Total Commitments	2,822,549	25,011,037	895,398	683,628
Capital Receipts in hand/projected:				
Brought Forward in hand	16,989,451	21,009,734	-	-
Generated 2016/17 YTD	4,088,167	-	-	-
Projected - 'Green'	2,754,665	1,407,780	50,000	-
Total in hand/projected	23,832,283	22,417,514	50,000	-
Shortfall to be financed from Prudential Borrowing / (Surplus) to carry forward	(21,009,734)	2,593,523	845,398	683,628
Further Assets Being Considered for Disposal	419,500	20,184,390	2,555,400	-

- 13.2 Capital receipts of £16.989m were brought forward from 2015/16 and £4.088m has been generated to date in 2016/17. A further £2.755m is currently projected as 'Green' for 2016/17. Following the re-profiling and cuts to the capital programme and the revenue contribution of £9.699m to 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 of receipts in hand 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.
- 13.3 Based on the current approved position, across the life of the programme there is significant headroom in capital receipts in-hand/projected above the current expenditure commitments. There is, however, still the requirement to progress the disposals programmed for future years, to ensure they are realised, together with realising the revenue running cost savings from some of the properties. Considerable work is required to realise these receipts, with generally a lead 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 Capital 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.
- 13.4 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.

14. Unsupported borrowing and the revenue consequences

- 14.1. 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 around 2.3% and currently only projected to rise to 2.6% across the next two years. As covered in section 13 above there are sufficient receipts in hand/projected to finance the existing approved programme. If there were to be a requirement for new schemes financed from borrowing, this could be accommodated from within existing borrowing and current cash balances in the short term, without the requirement to undertake new borrowing. This would, however, create an additional MRP cost, which would need to be met from the revenue budget.

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 – Capital Budget and Expenditure 2016/17

Service Area Pressures and Actions 2016/17Summary

	Full year			RAGY
	Budget	Forecast	Variance	
	£	£	£	
Adult Services	86,438,690	86,330,566	(108,124)	Y
Children Services	50,550,920	52,118,721	1,567,801	R
Place & Enterprise	79,392,790	78,883,332	(509,458)	Y
Public Health	6,981,480	6,783,825	(197,655)	Y
Resources & Support	2,924,030	3,106,325	182,295	R
Corporate	(21,760,790)	(22,939,565)	(1,178,775)	Y
Total	204,527,120	204,283,204	(243,916)	Y

Detail

ADULT SERVICES	Full year			RAGY
	Budget	Forecast	Variance	
	£	£	£	
Total	86,438,690	86,330,566	(108,124)	Y

Adult Business Support & Development	Portfolio Holder Adult Services	2,592,900	2,503,017	(89,883)	Y
This forecast underspend is mainly attributable to (£0.107m) underspend on pay and non-pay. There is also a recurring net cost pressure of £0.028m with respect to the CM2000 electronic homecare monitoring system.					
Contracts & Provider	Portfolio Holder Adult Services	6,047,760	5,625,466	(421,994)	Y
Forecast mainly attributable to underspends in Day Services totalling £0.326m and a contribution from Public Health towards the Age Concern contract of £0.100m towards preventative outcomes.					
Social Care Operations	Portfolio Holder Adult Services	71,053,310	71,601,589	548,279	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 new demand seen in the service, however, using previous methods we have seen in the region of 1185 new clients since the beginning of the year costing in the region of £9.612m. Some of this new cost will be offset by people leaving the system. 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 Spring. In addition some £1.8m of Continuing Healthcare Debt remains unpaid by the CCG and would constitute 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 continue 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 forecasting; 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 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					

ADULT SERVICES		Full year			RAGY
		Budget	Forecast	Variance	
		£	£	£	
serious concerns about the disinvestment intentions and actions of the CCG particularly around the removal of Discharge to Assess beds from the market. Separately, 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	2,149,254	(84,526)	Y
Underspend on pay £0.073m due to in-year vacancies and delays in appointing and non-pay £0.012m.					
Housing Health	Portfolio Holder Planning, Housing, Regulatory Services and Environment	4,511,240	4,451,240	(60,000)	Y
Within the budget, non-recurring surpluses have been identified for utilisation for ICT developments and also for contribution towards the recently announced 'Home Ownership for Clients with Long Term Disabilities' (HOLD) scheme bid, successfully won by Shropshire Council, assuming the funds can be ring-fenced in reserves for next year to cover an 18 month coordinator post. The underspend is around delayed spending on ICT developments which will now have to be paid from 2017-18 budgets.					

CHILDRENS SERVICES		Full year			RAGY
		Budget	Forecast	Variance	
		£	£	£	
Total		50,550,920	52,118,721	1,567,801	R

Learning & Skills	Portfolio Holder Children and Young People	22,734,370	23,485,409	751,039	R
<p>The current monitoring position reflects unachieved savings in year totalling £0.696m. £0.433m of unachieved savings relate to delays in implementing staffing reductions in Education Support Services and redesigning back office functions. Of this £0.433m, £0.309m 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. 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 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 £0.107m has been identified in relation to reduced buyback of Education Improvement Services by Schools. Other one-off monitoring pressures have been identified totalling £0.162m. £0.037m of this relates to the aforementioned delay in externalisation of the Learning, Employment and Training Service.</p>					

CHILDRENS SERVICES		Full year			RAGY
		Budget	Forecast	Variance	
		£	£	£	
Total		50,550,920	52,118,721	1,567,801	R
<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 £0.025m while the Educational Psychology Service is reporting an ongoing saving of £0.029m towards their 2017/18 savings target. There are some smaller in-year one-off savings on supplies and services and vacancy management totalling £0.172m.</p>					
Children's Safeguarding	Portfolio Holder Children and Young People	26,903,110	27,722,998	819,888	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 Worcestershire 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 £0.412m 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 was 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 £0.263m partly as a result of increased (national) policy emphasis on extended support for care leavers, this has reduced significantly following a team restructure which has in turn shifted some pressure into residential services, overall this should help realise efficiencies in 2017/2018.</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 £0.198m.</p>					
Children's Services Management	Portfolio Holder Children and Young People	913,440	910,314	(3,126)	Y
Minor variation from budget as at Quarter 3.					

PLACE & ENTERPRISE	Full year			RAGY
	Budget	Forecast	Variance	
	£	£	£	
Total	79,392,790	78,883,332	(509,458)	Y

Director of Place & Enterprise	Portfolio Holder Leisure and Culture	729,510	728,890	(620)	Y
Minor variation from budget as at Quarter 3.					
Director of Place & Enterprise Total		729,510	727,874	(1,636)	

Head of Business Enterprise & Commercial Services	Portfolio Holder Corporate Support	135,260	134,861	(1,074)	Y
Minor variation from budget as at Quarter 3.					
Strategic Asset Management	Portfolio Holder Corporate Support	2,561,980	2,945,536	383,556	R
Significant overspends in Corporate Landlord include unbudgeted rents, rent and service charge review pressures, increased costs of WAN across all properties and unachievable income. The majority of the estimated overspend in Corporate Landlord is offset by forecast underspends elsewhere in Strategic Asset Management, including staffing efficiencies, one-off income, solar photovoltaic income and use of reserves.					
Premises Services	Portfolio Holder Corporate Support	(16,380)	(145,804)	(129,424)	Y
Estimated income is currently expected to achieve significantly more than budgeted for. This has partly been offset by resulting overspends on staffing and supplies and services, as some staff are funded through income generation.					
Shire Services	Portfolio Holder Corporate Support	881,940	850,860	(31,080)	Y
There is a forecast budget surplus on non-statutory catering, predominantly due to savings on staffing budgets.					
Business Enterprise & Commercial Services Total		3,562,800	3,784,778	221,978	R

Commissioning Support	Portfolio Holder Corporate Support	1,710	(37,272)	(38,859)	Y
There is a significant projected variance on employee costs due to a vacancy within the team and maternity leave, plus small expenditure savings on supplies and services budgets.					
Commissioning Support Total		1,710	(37,272)	(38,859)	

Procurement & Contracts	Portfolio Holder Corporate Support	167,190	149,801	(17,389)	Y
Minor variation from budget as at Quarter 3.					
Procurement & Contracts Total		167,190	149,801	(17,389)	

Head of Economic Development	Portfolio Holder for Business and Economy	211,980	203,761	(8,219)	Y
Minor variation from budget as at Quarter 3.					

PLACE & ENTERPRISE		Full year			RAGY
		Budget	Forecast	Variance	
		£	£	£	
Development Management	Portfolio Holder Planning, Housing, Regulatory Services and Environment	87,600	(28,015)	(115,615)	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.					
Economic Growth	Portfolio Holder for Business and Economy	826,210	784,010	(42,200)	Y
There are a number of staff related variances within the service area.					
Broadband	Portfolio Holder for Business and Economy	153,360	153,360	0	G
No projected variation from budget as at Quarter 3.					
Planning Policy	Portfolio Holder Planning, Housing, Regulatory Services and Environment	518,390	521,519	3,129	G
Minor variation from budget as at Quarter 3.					
Economic Development Total		1,797,540	1,634,635	(162,905)	Y
Head of Infrastructure & Communities	Portfolio Holder Highways and Transportation	185,610	186,093	483	G
Minor variation from budget as at Quarter 3.					
Arts	Portfolio Holder Leisure and Culture	95,230	94,672	(558)	Y
Minor variation from budget as at Quarter 3.					
Community Working	Portfolio Holder for Rural Services and Communities	822,660	820,750	(1,910)	Y
Minor variation from budget as at Quarter 3.					
Environmental Maintenance	Portfolio Holder Highways and Transportation	26,881,500	26,964,215	82,715	G
The variance relates to the settlement with Ringway of historic permit costs, partially offset by net reductions in maintenance expenditure.					
Highways & Transport	Portfolio Holder Highways and Transportation	3,976,030	3,595,982	(380,648)	Y
There are a number of variations within Highways & Transport, 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	1,371,255	20,875	G
Minor variation from budget as at Quarter 3.					
Leisure	Portfolio Holder Leisure and Culture	3,378,210	3,459,383	81,173	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 (particularly at Meole Brace Golf Course), while costs have increased on last year. The transfer of Idsall Leisure Centre to school management has been delayed, which has added an additional budget pressure.					

PLACE & ENTERPRISE		Full year			RAGY
		Budget	Forecast	Variance	
		£	£	£	
Libraries	Portfolio Holder Leisure and Culture	3,662,450	3,888,524	226,074	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. The restructure and reduction to opening hours have now been implemented, with full year savings being achieved from 2017/18.					
Locality Commissioning	Portfolio Holder for Rural Services and Communities	490,230	482,681	(7,549)	Y
Minor variation from budget as at Quarter 3.					
Passenger Transport	Portfolio Holder Highways and Transportation	643,540	643,540	0	G
Minor variation from budget as at Quarter 3.					
Theatre Services	Portfolio Holder Leisure and Culture	530,420	353,576	(176,844)	Y
Net income is projected to over-achieve the budgeted level for a further successive year.					
Visitor Economy	Portfolio Holder Leisure and Culture	1,653,620	1,707,767	54,147	A
One-off overspends are forecast in 2016/17 due to the delay in the achievement of savings within the service. A staff restructure has taken place within the year, resulting in full year savings being achieved from 2017/18.					
Waste	Portfolio Holder Planning, Housing, Regulatory Services and Environment	29,463,560	29,053,939	(409,621)	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. Added to this is the significant forecast underspend on NNDR compared with the available budget, following the recent rates assessment for the Energy Recovery Facility.					
Infrastructure & Communities Total		73,134,040	72,622,377	(511,663)	Y

PUBLIC HEALTH		Full year			RAGY
		Budget	Forecast	Variance	
		£	£	£	
Total		6,981,480	6,783,825	(197,655)	Y

Coroners & Bereavement	Portfolio Holder Health & Wellbeing	187,600	233,971	46,371	G
The shortfall forecast is largely attributable to a revision to the forecast income for the sale of burial rights the increased costs of mortuary services.					
Multi Agency	Portfolio Holder Health & Wellbeing	1,004,210	1,050,870	46,660	G
The main area causing this variance is Community Safety - where there is a forecast deficit in the region of £0.054m which is a combination of inherited budget pressures and unmet savings targets.					
Public Health	Portfolio Holder Health & Wellbeing	385,330	306,716	(78,614)	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	4,977,265	(197,655)	Y

PUBLIC HEALTH		Full year			RAGY
		Budget	Forecast	Variance	
		£	£	£	
Income particularly generated by enforcement activity is projected to over achieve the budgeted level plus there has been a reduction in the forecast pay.					
Registrars	Portfolio Holder Health & Wellbeing	229,420	215,003	(14,417)	Y
Income achievements are projected to be higher than budget creating a surplus in year.					

RESOURCES & SUPPORT		Full year			RAGY
		Budget	Forecast	Variance	
		£	£	£	
Total		2,924,030	3,106,325	182,295	R

Customer Involvement	Portfolio Holder Corporate Support	180,700	845,333	664,633	R
<p>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 £0.164m have been identified in relation to staffing and general expenditure 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 £0.052m 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 £0.046m from vacancy management and traded income. Pressures continue within the costs of the MFD Fleet and Print Unit of £0.042m. Additional spending of £0.492m has recently been approved within IT services to fund key upgrades to the current ICT Infrastructure and to enhance Disaster Recovery/Business Continuity services; that is required until the Digital Transformation Project identifies and delivers the long term solution, of this spend £0.373 has now been agreed to be funded via the Capital programme.</p>					
Finance, Governance & Assurance	Portfolio Holder Strategy, Financial Strategy, Budget and Business Plan	1,698,400	1,534,070	(164,330)	Y
<p>Pressures within Revenues & Benefits of £0.258m have been offset against additional one-off grant income not budgeted for (£0.045m), staffing efficiencies (£0.164m) and further savings on expenditure (£0.066). There are reported overspends on general expenditure of £0.052m and further underspends from staffing efficiencies of £0.108m across various teams within Finance. Budgets of £0.091m have also been identified as surplus to requirements in year.</p>					
Human Resources & Development	Portfolio Holder Corporate Support	202,250	80,806	(121,444)	Y
<p>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.</p>					
Legal, Democratic & Strategy	Portfolio Holder Corporate Support	527,330	508,994	(18,336)	Y

RESOURCES & SUPPORT	Full year			RAGY
	Budget	Forecast	Variance	
	£	£	£	
Total	2,924,030	3,106,325	182,295	R

Underspends of £0.028m have been identified across Committee Services, £0.020m has arisen from vacancy management efficiencies. A further £0.035m has been identified across various headings within Members Services to include £0.012m saving on postage and printing expenses. Staffing efficiencies within Legal Services have contributed a further £0.023m but have been offset against lost income totalling £0.041m alongside increased disbursement costs of £0.020m and an identified pressure on Elections postage of £0.059m. Child care spend is currently expected to underspend by £0.050m, but this is closely being monitored throughout the year and may change.					
Strategic Management Board	Portfolio Holder Strategy, Financial Strategy, Budget and Business Plan	315,350	137,122	(178,228)	Y
Vacancy management savings have been identified across the service to the total of £0.167m.					

CORPORATE	Full year			RAGY
	Budget	Forecast	Variance	
	£	£	£	
Total	(21,760,790)	(22,939,565)	(1,178,775)	Y

Corporate Budgets	Portfolio Holder Strategy, Financial Strategy, Budget and Business Plan	(21,760,790)	(22,939,565)	(1,178,775)	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 £0.122m saving. Budgets of £0.467m in relation to both MRP and Treasury Management have now been identified as surplus to requirement in year. There are also staffing efficiencies of £0.091m and unused budget for Audit Fees of £0.205m. Overspends on various expenditure lines amount to £0.109m.					

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
<u>Quarter 3</u>							
Transfer of SPARC grant budget from Corporate to Leisure				30			(30)
Transfer of post from Planning Policy to Housing		22		(22)			
Realignment of budget for Commercial Services following transfer to Place & Enterprise				91			(91)
Revised Budget	204,527	86,439	50,551	79,393	6,982	2,923	(21,761)

* Commissioning renamed Place & Enterprise from Quarter 2.