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## Revenue Budget Monitoring Provisional Forecast Outturn December 2016 (Q3)

Report of Cllr Richard Wenham, Executive Member for Corporate Resources  
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### **This report relates to a Non Key Decision**

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#### **Purpose of this report**

1. The report sets out the provisional forecast outturn financial position for 2016/17 as at the end of December 2016. It sets out spend against the approved budget and it excludes the Housing Revenue Account which is subject to a separate report. Explanations for the variances are set out below in Appendix A.
2. This report enables the Executive to consider the overall financial position of the Council.

#### **RECOMMENDATIONS**

##### **The Executive is asked to:**

1. **note the current forecast revenue outturn position which is an overspend of £1.2M;**
2. **request that officers continue to look for compensatory savings in order to deliver a balanced budget;**
3. **delegate authority to approve the 2016/17 revenue, capital and HRA provisional financial outturn positions, subject to audit, to the Chief Executive and the Director of Resources (s.151 Officer) in consultation with the Leader and Executive Member for Corporate Resources. The requirement for the delegation is set out in paragraphs 3 – 5 below the recommendation section; and**
4. **this delegation is subject to the final outturn position not being more than 1% over/under net budget.**

### **Provisional Financial Outturn 2016/17 (subject to audit)**

3. In previous years a report has been taken to Executive in June to formally agree the provisional financial outturn for the previous financial year, subject to audit. This year the Council is voluntarily working towards a shorter timescale for the approval of the Statement of Accounts (SoA), aiming to complete the draft set by end of May. The following year this timescale becomes compulsory but it is important for both the Council and its external auditors to try to achieve this timescale in 2017 in order to validate the process.
4. The schedule for Executive meetings does not match this aspiration, with 4 April 2017 being too early for the results to be made available and 6 June 2017 being too late to meet the desired sign off of the SoA.
5. The Recommendation is therefore that delegated authority is given to the Chief Executive and Director of Resources (s.151 Officer), in consultation with the Leader and Executive Member for Corporate Resources to agree the provisional financial outturns for revenue, capital and HRA accounts. There will still be a report to Executive in June on the outturn position, thus bringing the figures into the public domain.

### **Issues**

6. Forecast outturn position as at December 2016 is £1.2M over budget (£0.5M in November, £0.1M under budget last year). The year to date spend is £1.9M under budget (£2.1M in November) and so the rest of year forecast is effectively over by £3.1M.
7. SCHH forecast overspend is £1.8M (£1.9M in November). This forecast overspend is mainly due to flow through of overspends from 2015/16 and unachievable efficiencies against Care Act funding (£0.75M) and Care Packages (£0.7M).
8. Children's Services are under budget by £0.3M (£0.3M under in November). The variance is spread across numerous cost centres.
9. Community Services are over by £0.2M (£0.3M under in November) YTD is £1.2M under budget so rest of year is forecast to overspend by £1.4M. Risks relating to School/Special Education Needs transport have now been factored into the forecast (see paragraph 24 in Appendix A).
10. Regeneration are under budget by £0.1M (£0.1M under in November). YTD is £0.9M under so rest of year is an overspend of £0.8M. This is due to income received earlier than budgeted which is expected to slow down over the rest of the year.

11. CEO Team is over budget by £0.5M due to increased IT costs (£0.2M over in November).
12. There is currently further risk in the IT revenue forecast which is still being quantified. Work is ongoing reviewing the software and support contracts to identify how much of the costs incurred to date relate to future years (paid in advance). Until this is complete there is uncertainty as to how much of the current spend relates to 2016/17.
13. In addition within IT there are currently double running costs as a result of 'old' systems being run in parallel with the implementation of new technologies.
14. Resources are under by £0.2M (£0.2M under in November). Corporate Costs are under by £0.7M (£0.7M under in November) due to lower than budgeted Minimum Revenue Provision and interest costs due to capital slippage and interest rate reductions.
15. We are holding a contingency of £2.1M against which no call has yet been made. If this contingency is released then this results in an underspend of £0.9M. However, there are a number of risks which if they materialise could reduce this further.
16. Overall debt in December is £8.8M, November was £8.7M. Debt over 61 days is £4.1M (42%), November was £4.1M (47%). Work is continuing to analyse the debt and ensure effective and efficient recovery procedures are followed.
17. The Table below details the full year variances by directorate:

Directorate	Year to Date - December P9			Full Year			Rest of Year Variance £m
	Budget £m	Actual £m	Variance £m	Budget £m	Forecast Outturn £m	Variance £m	
SCHH	52.0	53.2	1.2	69.3	71.1	1.8	0.6
Childrens Services	27.6	27.2	(0.4)	36.6	36.3	(0.3)	0.1
Community Services	34.8	33.6	(1.2)	46.7	46.9	0.2	1.5
Regeneration	4.3	3.4	(0.9)	5.9	5.8	(0.1)	0.8
Public Health	0.0	(0.1)	(0.1)	0.0	0.0	0.0	0.1
Chief Executive's	5.6	5.9	0.3	7.5	8.0	0.5	0.2
Resources	8.5	8.1	(0.3)	11.7	11.4	(0.2)	0.1
Corporate Costs	6.4	5.9	(0.5)	11.5	10.7	(0.7)	(0.2)
<b>Total Excl Landlord Business</b>	<b>139.2</b>	<b>137.4</b>	<b>(1.9)</b>	<b>189.2</b>	<b>190.4</b>	<b>1.2</b>	<b>3.1</b>

## **RESERVES POSITION**

18. The general fund full year forecast position includes a net £2.1M increase in reserves (excluding Schools).
19. In terms of use of general fund earmarked reserves, SCHH are forecast to use £1.0M, Children's Services £0.5M, Community Services £1.6M, Public Health £0.1M, and Regeneration £0.2M. Note that these reserves are being used for the purpose for which they were set aside last year.
20. This is offset by the creation of a £4.7M EMR for the New Homes Bonus (NHB) which we will receive in 2016/17. This was a conscious decision within the MTFP to both reduce reliance on NHB and to build a fund for investment. This leaves the NHB reserve at £6.8M including carry forward from 2015/16.
21. There is also a budgeted transfer to EMR of £0.5M to top up the Redundancy Reserve.
22. See Appendix B for details of which EMR have been used (note that Corporate Costs shows a number of reserves that are reflected in the Directorate outturns, for example the use of the redundancy reserve).

### **General Reserves**

23. The opening position for 2016/17 is £15.5M. There are no further uses or contributions planned this year.

### **Council Priorities**

24. Sound financial management contributes to the Council's Value for Money and enables the Council to successfully deliver its priorities. The recommendations will contribute indirectly to all 6 Council priorities.

### **Corporate Implications**

#### **Legal Implications**

25. None

#### **Financial Implications**

26. The financial implications are set out in the report.

## **Equalities Implications**

27. Equality Impact Assessments were undertaken prior to the allocation of the 2016/17 budgets and each Directorate was advised of significant equality implications relating to their budget proposals.

## **Appendices**

Appendix A – Detailed Directorate Commentary

Appendix B – Earmarked Reserves.

Appendix C – Debt Management

Appendix D – Treasury Management