

<b>CABINET</b>	<b>AGENDA ITEM No. 10</b>
<b>11 JUNE 2018</b>	<b>PUBLIC REPORT</b>

Cabinet Member(s) responsible:	Cllr David Seaton, Cabinet Member for Resources	
Contact Officer(s):	Peter Carpenter, Acting Director of Corporate Resources Kirsty Nutton, Head of Corporate Finance	Tel. 452520 Tel. 384590

## **BUDGET CONTROL REPORT APRIL 2018**

<b>RECOMMENDATIONS</b>	
<b>FROM:</b> Corporate Director: Resources	<b>Deadline date:</b> N/A
<p>It is recommended that Cabinet notes:</p> <ol style="list-style-type: none"> <li>1. The Budgetary Control position for 2018/19 at April 2018 includes an early indication of a breakeven position.</li> <li>2. The Key variances and Budget risks, highlighted in Appendix A.</li> <li>3. The estimated reserves position for 2018/19 outlined in Appendix B</li> <li>4. The ten tips for building financial resilience when putting together budget proposals and making decisions to recommend proposals to Council, and for Cabinet to keep under review during each Budgetary Control cycle, highlighted in Appendix C.</li> </ol>	

### **1. ORIGIN OF THE REPORT**

- 1.1. This report is submitted to Cabinet following discussion by the Corporate Management Team (CMT).

### **2. PURPOSE AND REASON FOR REPORT**

- 2.1. This report is for Cabinet to consider under its Terms of Reference No. 3.2.7 'To be responsible for the Council's overall budget and determine action required to ensure that the overall budget remains within the total cash limit'.
- 2.2. This report provides Cabinet with an early indication of the forecast for 2018/19 at April 2018 budgetary control position.

### 3. TIMESCALE

Is this a Major Policy Item/ Statutory Plan	<b>NO</b>	If yes, date for Cabinet meeting	<b>N/A</b>
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### 4. APRIL 2018 BUDGETARY CONTROL- REVENUE

- 4.1. The revenue budget for 2018/19, agreed at Full Council on 7 March 2018, was approved at £147.456m.

	<b>£m</b>
Approved Budget 2018/19	147.456
Use of reserves per MTFS	4.231
Revised Budget 2018/19	151.687
Drawdown of reserves during 2018/19	0.198
<b>Revised Budget 2018/19</b>	<b>151.885</b>

- 4.2. The 2018/19 year-end outturn position, is currently forecast to be a breakeven position. This is based on reported departmental information as at the end of April 2018. It should be noted that this is an early forecast for 2018/19, and where risks are highlighted within this report, CMT are putting plans in place to mitigate these as far as possible.
- 4.3. At the beginning of 2018/19 there were some key reporting changes for services, to reflect the recent changes within the Corporate Management Team structure. Therefore these directorate budgets will have different totals in comparison to the Medium Term Financial Strategy (MTFS) agreed at Council on 7<sup>th</sup> March 2018. These changes are summarised in the following table:

<b>Service Area</b>	<b>Directorate Previously reported within</b>	<b>New Directorate for 2018/19</b>
Vivacity	Resources	People and Communities
City Services	Resources	Growth and Regeneration

4.4 The summary budgetary control position is outlined in the following table:

Directorate	Budget 2018/19	Cont. from reserve	Revised Budget 2018/19	Forecast Spend 2018/19	Cont. to reserve	Forecast Variance 2018/19	Forecast Variance 2018/19
	£000	£000	£000	£000	£000	£000	%
Chief Executives	1,597	0	1,597	1,597	0	0	0
Governance	4,702	0	4,702	4,718	0	16	0.8
Growth & Regeneration	23,910	0	23,910	23,816	0	(94)	0.4
People & Communities	84,815	0	84,815	84,815	0	0	0
Public Health	(125)	198	73	73	0	0	0
Resources	36,788	0	36,788	36,788	0	0	0
<b>Total Expenditure</b>	<b>151,687</b>	<b>198</b>	<b>151,885</b>	<b>151,807</b>	<b>0</b>	<b>(78)</b>	<b>0</b>
Financing	(151,687)	(198)	(151,885)	(151,885)	0	0	0
<b>Net</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(78)</b>	<b>0</b>	<b>(78)</b>	<b>0</b>

4.5 There has been heightened focus on Councils to ensure they put in place measures to demonstrate that they are financially resilient. A decade after the 2008 financial crisis public sector austerity is likely to continue until at least the middle of the next decade and, with Brexit, possibly beyond.

Financial resilience describes the ability of local authorities to remain viable, stable and effective in the medium term in the face of pressures from growing demand, tightening funding and an increasingly complex and unpredictable financial environment.

Appendix C - Ten Tips for building financial resilience, summarises the top ten tips based on CIPFA's review of local authorities' and are intended to help chief financial officers (CFO) and their authorities build financial resilience into all aspects of their planning and operations. They also help identify warning signs of financial stress.

Generally authorities at risk of 'falling over' have not felt able to take the same tough decisions as their peers, sometimes claiming there are statutory reasons why they cannot implement the level of cuts required. Symptoms of stress exhibited by authorities include:

- Running down reserves or a rapid decline in reserves; by definition, using up reserves to avoid cuts can only provide temporary relief.
- A failure to plan and deliver savings to ensure the council lives within its resources.
- Shortening medium-term financial planning horizons – perhaps from three or four years to two or even one. A failure to plan could indicate a lack of strategic thinking and an unwillingness to confront tough decisions.
- Greater "still to be found" gaps in saving plans – in the early days of austerity, councils might have agreed a four-year financial strategy with reasonably robust plans for the first three years. Now, they are specifying how savings will be made only in the next financial year and, even then, these might be targets rather than firm plans.
- A growing tendency for unplanned overspends and/or carrying forward undelivered savings into the following year. As well as creating a need for greater cuts in the future, unplanned overspends are a sign an authority is struggling to translate its policy decisions into actions.

Appendix C contains the top ten tips and an initial assessment by the Council's CFO as to the current position of the Council against the tips. This assessment is consistent with the Robustness Statement contained in the 2018/19 MTFS document. The Council has amended its approach to budget setting, see Tranche One documents considered at this same Cabinet meeting, and the Corporate Management Team have made a commitment to monitor against these ten tips when considering future budget saving proposals and regular budgetary control reporting.

4.6 Further information is provided in the following appendices:

- Appendix A - Detailed revenue budgetary control position and explanation of Key variances and risks
- Appendix B - Reserves position
- Appendix C - Ten tips for building financial resilience