

CABINET	AGENDA ITEM No. 5
20 DECEMBER 2019	PUBLIC REPORT

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

BUDGET CONTROL REPORT OCTOBER 2019

RECOMMENDATIONS	
FROM: Corporate Director: Resources	Deadline date: 3 December 2019
<p>It is recommended that Cabinet notes:</p> <ol style="list-style-type: none"> 1. The Budgetary Control position for 2019/20 at October 2019 includes a forecast overspend of £6.192m against budget. 2. The key variance analysis and explanations are contained in Appendix A. 3. The estimated reserves position for 2019/20 at October 2019 outlined in Appendix B. 4. The Asset Investment and Treasury Budget Report is contained in Appendix C. <p>It is recommended that Cabinet approves:</p> <ol style="list-style-type: none"> 5. The single year budget virement outlined in Appendix D as part of delivering against the in year savings targets. 	

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 the forecast for 2019/20 as at October 2019 budgetary control position.

3. TIMESCALE

Is this a Major Policy Item/ Statutory Plan	NO	If yes, date for Cabinet meeting	N/A
--	-----------	-------------------------------------	------------

Date for relevant Council meeting	N/A	Date for submission to Government Dept.	N/A
-----------------------------------	-----	---	-----

4. OCTOBER 2019 BUDGETARY CONTROL- REVENUE

4.1. The revenue budget for 2019/20, agreed at Full Council on 6 March 2019, was approved at £150.768m.

	£m
Approved Budget 2019/20	150.768
Use of reserves per MTFS	3.084
Revised Budget 2019/20	153.852
Drawdown of reserves during 2019/20	4.426
NNDR Timing Issue	(1.030)
Revised Budget 2019/20	157.248

4.2. The 2019/20 year-end outturn position is currently forecast to be overspent by £6.192m, which will need to be met from the Capacity Building Reserve. This is based on reported departmental information as at the end of October 2019, taking account of the newly identified pressures and the delivery against the in year savings targets, identified as part of the Budget Re-profiling.

4.3. This £6.192m projected overspend position is made up of two distinct elements:

- £4.946m of the savings target remaining, means that £4.818m of savings have already been identified. Work continues across the Council to ensure that the Council delivers to the full £9.764m target by the end of this financial year as this will deliver a net £3.7m transfer of resources into reserves.
- £1.246m of net pressures and favourable movements identified within the Budgetary Control Report.

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

	Revised Budget 2019/20	Forecast Spend 2019/20	Cont. to reserve	Forecast Variance 2019/20	Forecast Variance 2019/20	Previous Month Variance	Movement
Directorate	£000	£000	£000	£000	%	£000	£000
Chief Executives	1,601	1,601	0	(0)	0%	(5)	5
Governance	4,312	4,367	0	55	1%	111	(56)
Place & Economy	19,134	19,820	0	686	4%	752	(66)
People & Communities	84,478	89,122	0	4,645	5%	4,615	30
Public Health	201	232	0	31	15%	30	1
Resources	39,004	38,863	377	236	1%	(196)	432
Customer & Digital Services	7,609	8,201	0	592	8%	512	80
Business Improvement	909	857	0	(52)	-6%	(8)	(44)
Total Expenditure	157,248	163,063	377	6,192	4%	5,811	381
Financing	(157,248)	(157,248)	0	0	0%	0	0
Net	0	5,815	377	6,192	0	5,811	381

4.4. This position includes the following newly identified pressures:

- Direct Revenue Funding (DRF) £0.250m – a shortfall in the value of schools funding being transferred from revenue into capital due to the number of schools converting to academy status;
- A likely further reduction of £0.100m in HB subsidy, in addition to the previously reported pressure of £0.400m;
- Adult Social Care, Independent Sector Provider budget- a £0.200m pressure due to the continued increasing costs of nursing care.

Further details regarding these pressures are outlined within Appendix A of this Report.

5. BUDGET REPROFILING- IN YEAR OVERSPEND PLAN

5.1. As previously reported the Council's finance team have conducted a thorough review of all current budget assumptions. This resulted in a series of virements to reprofile the current years budget to reflect the Council's actual financial position. This exercise identified that the 2019/20 budget pressure was estimated to be £6.085m, with the ongoing underlying budget pressure of £9.764m. CMT agreed for directors to identify additional savings proposals to ensure that expenditure is within the Councils cash limits. The savings targets have been set at the ongoing pressure value, in order to achieve financial sustainability for the Council's future year's budget, by contributing to the total amount available in reserves. The overall approach and amendment to service budgets was reported to and approved by Cabinet at the meeting held on 23 September [\(Item 9\)](#) and by Council at the meeting on 16 October [\(Item 9\)](#).

5.2. The Council has so far identified £4.818m of in year savings across the departments, with a remaining target balance of £4.946m, still to be identified, as outlined in the following table. The exercise is still in progress with Budget Holders, Managers and Directors working collaboratively with the finance team to review specific expenditure types, to reduce any non-essential (non-business critical) expenditure. Proposals for budgetary and service changes will require development. This will include considering whether the Council can:

- Increase income generation;
- Reduce costs;
- Postpone recruitment and reduce the use of agency by reviewing all contracts
- Drive efficiencies or stop tasks where little value is added;
- Reprioritisation of tasks or services;
- Reviewing best practice from other Local Authorities ;
- Innovative ideas to maintain or improve service provision while reducing cost;
- Implementation of staff ideas submitted via the Budget Challenge campaign.

5.3. Savings targets for each directorate and the value of savings which have been identified to date are shown in the table:

Directorate	Departmental Savings Target	Savings Identified	Savings Still to be identified
	£000	£000	£000
Business Improvement	47	(47)	0
Chief Executives	120	(119)	1
Customer & Digital Services	562	0	562
Governance	298	(185)	113

Directorate	Departmental Savings Target	Savings Identified	Savings Still to be identified
	£000	£000	£000
People & Communities	5,876	(2,288)	3,588
Place & Economy	1,530	(879)	651
Public Health	226	(195)	31
Resources	1,106	(1,105)	1
Total	9,764	(4,818)	4,946

5.4. The Council has outlined plans within its Medium Term Financial Strategy to move towards a truly sustainable budget, by reducing reliance on the one-offs funding solutions. A challenging financial environment remains with demand for services increasing and service costs rising whilst funding from government reduces. As further budget pressures emerge alongside acknowledging the time required to implement new saving proposals, there is the need to ensure there is resilience with the level of reserves the Council holds, and therefore the Council plans to utilise the one off benefit of £0.7m from the sale of further assets through the generation of capital receipts. This has not yet been factored in to the table above but could bring the remaining balance of the in year savings target down to £4.2m. If this is applied to the overall £6.2m projected overspend position this reduces to £5.5m.

5.5. Virements for these identified savings are included within Appendix D, for Cabinet to review and approval at this meeting on 20 December.

6. APPENDICES

6.1. Further information is provided in the following appendices:

- Appendix A – Detailed 2019/20 revenue budgetary control position at October 2019 and explanation of Key variances.
- Appendix B – Reserves position
- Appendix C – Asset Investment and Treasury Budget Report
- Appendix D – Budget Virement detail