



Quarter 3 Revenue Budget Monitoring 2015/16

SUMMARY

- 1.1 This report provides details of the latest financial position and forecast outturn for the 2015/16 Revenue Budget as at quarter 3. This is in line with the agreed strategy of reporting revenue budget monitoring figures on a monthly basis to Chief Officer Group and on a quarterly basis to Cabinet for approval and action as necessary.
- 1.2 The latest forecast position shows an underspend of £2.061m (-0.93%) against the budget requirement of £221.792m.
- 1.3 The current forecasting methodology requires the earliest possible indication of possible savings, rather than waiting until the year end. As a result, these forecasts may change as further information is available and if demand for service rises above the latest forecast.
- 1.4 Included within the forecast outturn are a number of one-off pressures totalling £0.645m. These pressures are due to staffing restructures and reductions being implemented after 1 April 2015 and therefore not achieving a full year saving. This slippage was anticipated and specific corporate funding was previously identified within the budget risk reserve. Applying this funding would improve the forecast outturn to a £2.706m underspend. However it is recommended that this position is monitored to establish if overall performance continues to contain these pressures.
- 1.5 Savings targets of £19.673m are included within the 2015/16 budget figures and the forecast achievement of these savings is included within the overall budget forecast above. Further details of current forecast savings delivery are included in section 6.

RECOMMENDATION

- 2.1 To note the financial monitoring position and the current progress of savings delivery as at quarter 3.
- 2.2 To approve the movement in reserves requested in section 5.

REASONS FOR RECOMMENDATION

- 3.1 To update Cabinet of the Council's financial position as at quarter 3 and to provide a forecast of the projected outturn for the 2015/16 Revenue Budget.
- 3.2 To comply with the agreed strategy of reporting revenue budget monitoring figures on a quarterly basis to Cabinet for approval and action as necessary.
- 3.3 Under Section 28 of the Local Government Act 2003 the Council must review its performance against budget and, if there has been deterioration in its financial position, must take appropriate action to deal with the situation.
- 3.4 Where actions are required to meet the Council's statutory obligation to achieve a balanced budget position the solutions presented in this report are deemed to be the most appropriate.

SUPPORTING INFORMATION

4 UPDATE ON REVENUE BUDGET 2015/16

- 4.1 The summary revenue budget variance is shown below. Services and directorates with net pressures are taking actions to bring their budgets back into balance.

Table 1: Summary of Revenue Budget Variances

Directorate	Net Controllable Budget 2015/16*	Forecast Outturn Position	Position at Quarter 3	Net Controllable Budget
	£000s	£000s	£000s	%
Peoples Services	139,490	137,429	(2,061)	(1.48)
Communities and Place	44,074	44,074	0	0
Organisation and Governance	44,105	44,105	0	0
Sub Total	227,669	225,608	(2,061)	(0.91)
Use of Reserves	(5,371)	(5,371)	0	0
RCCO	(506)	(506)	0	0
Net Budget Requirement	221,792	219,731	(2,061)	(0.91)

* Net Controllable Budgets are shown after adjustment for requested movement in reserves

Peoples Services

- 4.2 The People Service's Directorate is managing its budgets within the former Adult and Children Departments until formal consolidation of the Directorate is introduced. The total variance for the Directorate is an underspend of £2.061m although there are some significant variances contained within that. Both Adults and Children continue to focus their work on the demand management aspects of the services.
- 4.3 At quarter 2 the Adults Services budget reported a forecast underspend of (£2.505m). This was as a result of the additional funding given to address future demands on the service particularly in relation to the new burdens arising from the Care Act (part 2 of which has been postponed). The service is continuing to review and reform its services and work collaboratively with partners to reduce the financial burden on the public sector and continues to embed successful demand management strategies. At quarter 3 the forecast underspend has increased to (£3.561m) of which £2.3 million is in relation to residential and community care packages. The on-going budget variances have been dealt with as part of the Council's Medium Term Budget Strategy.

- 4.4 The Children's Service is forecasting a net overspend of £1.5m for the financial year 2015/16. This is mainly due to pressures on looked after children agency costs, which has been addressed as part of the Council's Medium Term Budget Strategy. There will continue to be robust challenge and review of directorate expenditure by the management team in order to mitigate the potential year end pressure.

Communities and Place

- 4.5 The Communities and Place directorate is forecasting a net underspend of (£0.542m), however the Directorate has identified a number of unbudgeted pressures in future years and it is proposed that £542,000 is transferred to specific reserves to fund these pressures. Therefore it is anticipated that the Directorate budget in 2015/16 will breakeven. This is a movement of (£1,112m) in the forecast out-turn since quarter 2. This is mainly due to reductions in a number of forecasts including concessionary fares usage, additional street cleansing and highways maintenance income and the overachievement of fines and fees in parking services.

The insurance claim for the Assembly Rooms fire has now been settled and after taking into account all associated costs there is a balance of £3.408m. It is proposed that this funding is transferred into a specific reserve and considered as part of the City Centre Masterplan.

Organisation and Governance

- 4.6 The current expected out-turn position for Organisation & Governance is a breakeven position after the application of £95,000 from reserves. Specific reserves are held to fund insurance settlements, however not all of the £295,000 current insurance pressure is required to be funded to bring the directorate into an overall breakeven position. Therefore it is currently anticipated that the use of reserves will be £95,000.

5 Reserves Monitoring

Cabinet is asked to approve the movement in reserves of (£3,950,000) as detailed below:

Explanation	£000s
Transfer Insurance settlement into specific reserve	(3,408)
Transfer funding into reserves to support the Business Brokerage Reserve	(30)
Transfer funding into the Local Plan Reserve to support future pressures within the service	(42)
Transfer funding into the Trading Services Reserve to fund maintenance and safety works at the Assembly Rooms and Chapel Street car parks	(470)
Total	(3,950)

6 Delivery of Savings

- 6.1 The Council's Revenue Budget for 2015/16 includes significant savings targets for each directorate in order to support a balanced budget position. Forecast achievement of these savings has been included within the overall forecast budget outturn position reported in section 2.

Table 3: Analysis of Achievement of Savings by Directorate:

Directorate	Savings Target in 2015/16 Budget	Savings Achieved at Quarter 3	Further Savings Forecast to be Achieved	Total Forecast Savings Delivery	Net Variance at Quarter 3	
	£000s	£000s	£000s	£000s	£000s	%
Peoples Services	(2,813)	(2,357)	0	(2,357)	456	16.21
Communities and Place	(5,614)	(3,984)	(1,500)	(5,484)	130	2.32
Organisation and Governance	(11,246)	(10,549)	(553)	(11,102)	144	1.28
Total	(19,673)	(16,890)	(2,053)	(18,943)	730	3.71

Peoples Services

- 6.2 The Peoples services directorate has currently achieved savings of £2.357m against a target of £2.813m. The remaining £0.456m will not be achieved in 2015/16 due to pressure on the looked after children service and slower than anticipated foster care bed conversions from independent fostering agencies to an in house provision. This pressure has been identified in the MTFP process for 2016/17.

Communities and Place

- 6.3 The Communities and Place directorate is forecasting savings of £5.484m will be achieved by the end of 2015/16. £0.130m of the £5.614m savings target is unlikely to be achieved by the directorate due to slippage in delivery.

Organisation and Governance

- 6.4 The Organisation and Governance directorate is forecasting achieving savings of £11.102m against a target of £11.246m. The remaining £0.144m is unlikely to be achieved. Notably the senior management restructure has overachieved the target by £0.133m.

Although achieved on a permanent basis the timing of the implementation of staffing restructures has resulted in a one off pressure of £0.610m. This pressure is included within the directorate forecast outturn.

OTHER OPTIONS CONSIDERED

- 7 The Council has a statutory obligation to achieve a balanced budget position and the above solutions are deemed to be the most appropriate.

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s)	 Martyn Marples Director of Finance
For more information contact: Background papers: List of appendices:	Mark Nash 01332 643364 e-mail mark.nash@derby.gov.uk None Appendix 1 – Implications

IMPLICATIONS

Financial and Value for Money

1.1 As detailed in the main body of the report and appendices.

Legal

2.1 None directly arising.

Personnel

3.1 None directly arising

IT

4.1 None directly arising.

Equalities Impact

5.1 None directly arising

Health and Safety

6.1 None directly arising.

Environmental Sustainability

7.1 None directly arising.

Property and Asset Management

8.1 None directly arising.

Risk Management

9.1 There is a risk that the potential reduced pressures/savings are not fully achieved.

Corporate objectives and priorities for change

10.1 None directly arising.

