

Budget Outturn Quarter 1, 2017/18

SUMMARY

- 1.1 The report summarises the Council's overall financial position at the end of June 2017 against the budget approved by Council on 15 February 2017 as follows:
- **Revenue budget:** The full year forecast projects a pressure of £3.552m against approved budget of £214.978m due to slippage in savings targets. Action plans to manage identified cost pressures are being developed by relevant DMT's;
 - **Capital budget:** Capital expenditure is £8.592m, 8.19% of the total original approved capital budget of £104.935m. This is due to timing as the majority of schools expenditure occurs during the summer months and highways capital expenditure occurs during the third and fourth quarter;
 - **Reserves:** the General Reserve balance remains at £8.8m;
 - **Treasury:** Total debt was £458.4m and total Investments were £90.2m and no new borrowings have been made in the year;
 - **Dedicated Schools Grant (DSG):** The total grant of £215.188m has been allocated to schools and retained educational services, the centrally retained element is expected to be fully spent by the end of the year;
 - **Collection Fund:** Council Tax billed for the 2017/18 is just over £106m, of that we have collected £29.5m, which is 27.79%. Business Rates billed for the 2017/18 is around £93.3m and of that we have collected £24.77m, which is 26.47%.
 - **Housing Revenue Account (HRA):** The forecast remains as budgeted, to achieve a surplus of £2.138m
- 1.2 Further analysis and explanations of key variances are provided in sections 4 to 11 of the report.
- 1.3 Included in the revenue forecast are planned savings of £10.664m, 76.1% of the £14.016m savings target set by Council. A summary of the net revenue cost by directorate is set out below:

Directorate position Quarter 1 2016/17	Original Budget £000's	Actual Spend £000's	% of Budget	Full year forecast £000's	Forecast Variance £000's
Peoples Services	139,325	34,281	25%	143,070	3,745
Communities and Place	38,608	11,817	31%	41,091	2,483
Organisation and Governance	42,313	11,445	27%	41,237	(1,076)
Sub Total	220,246	57,540	26%	225,398	5,152
Original approved use of reserves	(5,268)			(5,268)	0
New Improved Better Care Fund Reserve,				(1,600)	(1,600)
TOTAL	214,978			218,530	3.552

RECOMMENDATIONS

- 2.1 To note the revenue projected outturn and key budget variances set out in the report in section 4 and the savings to be delivered in the year in section 5;
- 2.2 To note the capital programme forecast and actual capital expenditure incurred during the quarter summarised in section 6;
- 2.3 To note the reserves position, as set out in section 7;
- 2.4 To note the Council's treasury position, and performance in the quarter, section 8;
- 2.5 To note the forecast DSG position summarised in section 9;
- 2.6 To note the Council Tax and Business Rates Performance as set out in section 10;
- 2.7 To note the HRA Performance as set out in section 11;
- 2.8 Cabinet is requested to approve the following:
 - the changes and additions required to the 2017/18 capital programme as detailed in Appendix 2;
 - the allocation of S106 funding as summarised in paragraph 6.1.4;
 - the establishment of a New Improved Better Care earmarked reserve of £5.265m and use of the reserve of £1.6m.

REASON FOR RECOMMENDATIONS

- 3.1 To note the forecast financial outturn and ensure the section 151 Officer monitors action plans required to mitigate potential pressures to deliver a balanced budget for 2017/18.
- 3.2 To update Cabinet of the Council's revised capital programme as at quarter 1.
- 3.3 To comply with the agreed strategy of reporting capital budget monitoring figures on a quarterly basis to Chief Officer Group and on a quarterly basis to Cabinet for approval and action as necessary.
- 3.4 To comply with the Council's Contract and Financial Procedure rules regarding approval for proposed changes to the capital programme.
- 3.5 To comply with the Council's Financial Procedure rules regarding earmarked reserves.

SUPPORTING INFORMATION

4.1 The following notes, in sections 4 to 11, provide further analysis and explanations of key variances for each element of the financial outturn.

4.2 Revenue Budget

4.3 The major pressures and underspends by directorate are set out in the table below and result in a pressure:

Directorate position Quarter 1 2016/17	Original Budget £000's	Actual Spend £000's	% of Budget	Full year forecast £000's	Forecast Variance £000's
Peoples Services	139,325	34,281	25%	143,070	3,745
Communities and Place	38,608	11,817	31%	41,091	2,483
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New Improved Better Care Fund Reserve,				(1,600)	(1,600)
TOTAL	214,978			218,530	3,552

4.4 Peoples Services Directorate

Department Quarter 1 2017/18	Original Budget £000's	Actual Spend £000's	% of Budget	Full year forecast £000's	Forecast Variance £000's
Adults Services	88,247	21,602	24.5	89,847	1,600
Children's Services	51,078	12,679	24.8	53,223	2,145
Peoples Services	139,325	34,281	24.6	143,070	3,745
Use of New Improved Better Care Fund Reserve				(1,600)	2,145

4.4.1 The Directorate's full year revenue forecast indicates a cost pressure of £2.145m over its allocated budget of £139.325m; this pressure is

net of the use of £1.6m of the new Improved Better Care Fund additional spring allocation. This additional allocation for the New Improved Better Care Fund is £5.265m, a new earmarked reserve is required to be established to hold the funds and it will be applied during the year. The main variances can be explained as follows:

4.4.2 Adult Services and Public Health

Adults Services are forecasting a balanced position by utilising the Improved Better Care Fund to address pressures.

4.4.3 Children's Services.

Children's Services are forecasting a pressure of £2.145m due to a 10% increase in the numbers of looked after children since January (427 rising to 469). Rising demand has significantly increased the cost of agency foster carers (£1.6m), together with the use of agency Social workers to cover vacant social work posts (net pressure of £0.5m).

The service has benefited this year from an early years top-slice of £0.5m which will fund two teams supporting early years and provide ongoing trajectory funding for early years provision.

Other pressures identified such as legal fees, transport costs, interpreting are currently being challenged and robust plans are being developed to bring the budget position into balance by the Directorate Management Team to ensure the directorate stays within its approved net revenue budget

4.5 Community and Place Directorate

Department Quarter 1 2017/18	Original Budget (annual) £000's	Actual Spend Qtr1 £000's	% of Budget	Full year forecast £000's	Forecast Variance £000's
Strategic Partnerships, Planning & Streetpride	27,538	5,458	20%	27,789	251
Regeneration, Property & Housing	1,843	3,616	196%	2,833	990
Leisure, Culture and Tourism	6,813	2,409	35%	7,923	1,110
Communities, Environment & Regulatory Services	2,414	334	14%	2,546	132
Communities and Place	38,608	11,817	31%	41,091	2,483

4.5.1 The Directorate's full year revenue forecast is a total spend of £41.091m, £2.483m over its allocated budget of £38.608m. The main variances can be explained as follows:-

- 4.5.2 The overall pressure has arisen through undelivered income targets where services are operating on a commercial basis, reduced planned savings and efficiencies and additional unbudgeted expenditure.
- 4.5.3 The Directorate's Budget assumed additional income generation (e.g. by selling professional advice and services and increases in general income targets) which are not expected to be achieved in Grounds Maintenance, Built Environment, Development Control and Leisure Centres creating a shortfall of £0.546m.
- 4.5.4 Delayed implementation of planned savings has resulted in a pressure of £1.129m, this includes both current and historic savings where they are now part of a review being undertaken, including projected income from developing a property portfolio, implementing the Libraries review and changes in relation to the delivery of the leisure offer; delayed due to changes in service provision arrangements to achieve savings through the Housing Revenue Account and delays in educational programme implementation due to staffing shortage (Waste).
- 4.5.5 Pressures were also incurred totalling £0.808m on unbudgeted expenditure; these include pressures on health and safety work as a result of statutory duties (dangerous structures and storm damage), loan repayments (Marble Hall and i-Hub) and staffing budgets.
- 4.5.6 **Actions to mitigate overspend**

Every effort will be made to manage the smaller pressures within the current budget but specific actions include

- Exploring new options for income generation across the service and reviewing the health and fitness and swimming programmes to support higher income generation
- Delayed savings totalling £0.700m will be closely monitored through the year and any projected slippage will be reported through the MTFP process
- Exploring option to renegotiate the terms of some loans linked to Regeneration projects
- There is £0.125m of unbudgeted health and safety work will be considered across the Directorate but Corporate support has been sought to cover this expenditure

4.6 **Organisation and Governance Directorate**

Department Quarter 1 2017/18	Original Budget £000's	Actual Spend £000's	% of Budget	Full year forecast £000's	Forecast Variance £000's
Corporate	16,812	338	2%	15,768	(1,044)
Resources	25,501	11,107	44%	25,469	(32)

Organisation and Governance	42,313	11,445	27%	41,237	(1,076)
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4.6.1 The Directorate's full year revenue forecast is a total spend of £41.237m, £1.076m less than its allocated budget of £42.311m after budget movements and forecast use of reserves of £1.264m. The main variances can be explained as follows:-

4.6.2 **Corporate**

Forecasting an underspend of (£1.044m) due mainly to treasury management savings (£0.909m).

4.6.3 **Resources**

Forecasting an underspend of £0.032m mainly due to reductions in spending on elections and facilities management underspends against expenditure budgets netted by on-going legal cases and projected pressures in coroners.

5.1 Savings delivery

5.1.1 The Council's Revenue budget for 2017/18 included savings targets for each directorate in order to support a balanced budget position. The achievement of these savings has been included within the overall budget outturn position.

2016/17 Directorate Savings Targets	Savings Targets £'000s	Savings Delivered £'000s	Year End Shortfall £'000s	Forecast Variance %
Peoples Services	7,232	4,680	2,552	35.29
Communities and Place	3,555	2,755	800	22.50
Organisation and Governance	3,229	3,229	0	0.00
Total	14,016	10,664	3,352	23.92

5.1.2 The following notes provide a summary of each directorate's performance in delivering its savings targets:

5.1.3 **People's Services:** The £2.552m savings not yet delivered are attributable to:

- £0.400m Education Services Grant; schools not transferring to academy status and hence service reductions not being made in line with the funding reductions,
- £0.125m increased commercial activity for sold services to schools requires a cross directorate response and
- £2.027m Delivering Differently Programme – Community Led Support has not yet delivered efficiencies in full and any shortfall is being funded from the Improved Better Care Fund additional allocation.

5.1.4 **Communities and Place** are planning on achieving £2.755m of the target, a shortfall of £0.8m. Action plans are being developed to achieve or cover until either achieved or alternatives are found, these savings include:

- Diversion of garden waste from black bin change in policy (£0.1m)
- Efficiencies in the management and operation of the Housing Management and Repairs services (£0.3m)
- Acquisition of new investment property stock to generate additional rental income (£0.4m)

5.1.5 **Organisation and Governance:** All of the planned savings of £3.229m are projected to be achieved

6.1 Capital

6.2 The capital expenditure forecast for 2017/18 is under review an updated forecast will be provided at quarter 2. There have been £9.043m net changes to the approved budget of £104.935m.

6.3 The table below analyses the main variances by service against the profiled quarter 1 budget and the actual spend.

2017/18 Capital Programme by Service Area	Approved Capital Budget	Actual Spend	% of Budget	Current full year forecast (under review)	Forecast Variance
	£000's	£000's	£000's	£000's	£000's
Schools	11,238	580	5.16	8,106	(3,132)
Housing General Fund	3,233	166	5.13	3,506	273
Property Improvement	7,061	275	3.89	7,523	462
Flood Defence	13,952	1,052	7.54	15,174	1,222
Highways & Transport	14,345	798	5.56	19,284	4,939
Vehicles Plant & Equipment	25,564	2	0	25,771	207
Regeneration	13,100	1,096	8.37	17,295	4,195
Information and Communication Technologies (ICT)	2,747	44	1.60	2,402	(345)
Housing Revenue Account (HRA)	13,695	4,579	33.44	14,917	1,222
Total	104,935	8,592	8.19	113,978	9,043

- 6.4 Capital expenditure to date is low against the original approved budget due to the heavy profiling of schemes spend towards the end of the third quarter when schemes have started on site, for example most school schemes are delivered through the school holidays and therefore actual expenditure will be expended from October through to December.
- 6.5 At the end of 2016/17 a total of £4.217m of the capital programme budget was carried forward into 2017/18, a further increase of £9.175m has been previously approved by cabinet and further changes requiring approval, of £4.349m to reduce the programme, are detailed below and in Appendix 2.
- 6.6 **Schools**
The schools capital programme requires net changes of (£2.373m) The main changes being:
- (£0.335m) reduction for Schools Devolved Formula Capital (DFC).
 - (£1.000m) slippage on Bemrose School (Secondary) Expansion. (£1.184m) slippage and reallocation of the Basic Need - School Places funding allocation and is the focus of discussions with the DfE to the new Cathedral School proposal.
- 6.7 **Highways and Transport**
The Highways and Transport capital programme requires net changes of £0.708m as detailed in Appendix 2. The significant changes are:
- £0.400m addition to the Cycle Derby scheme.
 - £0.137m addition for Traffic Management for the third phase of works at the Royal Derby Hospital.
 - £0.171m addition for highways maintenance incentive grants to deliver asset management schemes.
- 6.8 **Property Improvement**
The Property Improvement capital programme requires net changes of £0.085m increase as detailed in Appendix 2. The additions are:
- .£0.065 additions to BMX track improvements.
 - £0.020m addition to Littleover parks.
- 6.9 **Vehicles Plant and Equipment**
The Vehicles Plant and Equipment capital programme require two additions totalling £0.056m as detailed in Appendix 2. These additions will be funded through service financed borrowing.
- 6.10 **Flood Defence**
The Flood Defence capital programme requires no changes.

6.11 **Regeneration**

The Regeneration capital programme requires net changes of (£2.415m) as detailed in Appendix 2. The significant changes are:

- (£1.065m) reduction to the Derby Enterprise Growth Fund (DEGF) recycled loans scheme.
- (£1.250m) slippage for the City Living scheme.

6.12 **Housing General Fund**

The Housing General Fund capital programme requires no changes.

6.13 **HRA**

The HRA capital programme requires net changes of (£0.250) as detailed below:

- (£0.250) reduction to the Solid Wall Installation scheme. The scheme for delivering solid wall insulation has moved on to an external system where properties due for internal works were either unsuitable or refused by tenants. In addition the external method of insulation requires a longer installation period and therefore the realistic profile of spend over the year has been adjusted to the capacity of the workforce.

6.14 **ICT**

The ICT capital programme requires net changes (£0.410m) as detailed in Appendix 2. The significant change is (£0.250) Slippage for the Geographical Information System (GIS) replacement scheme

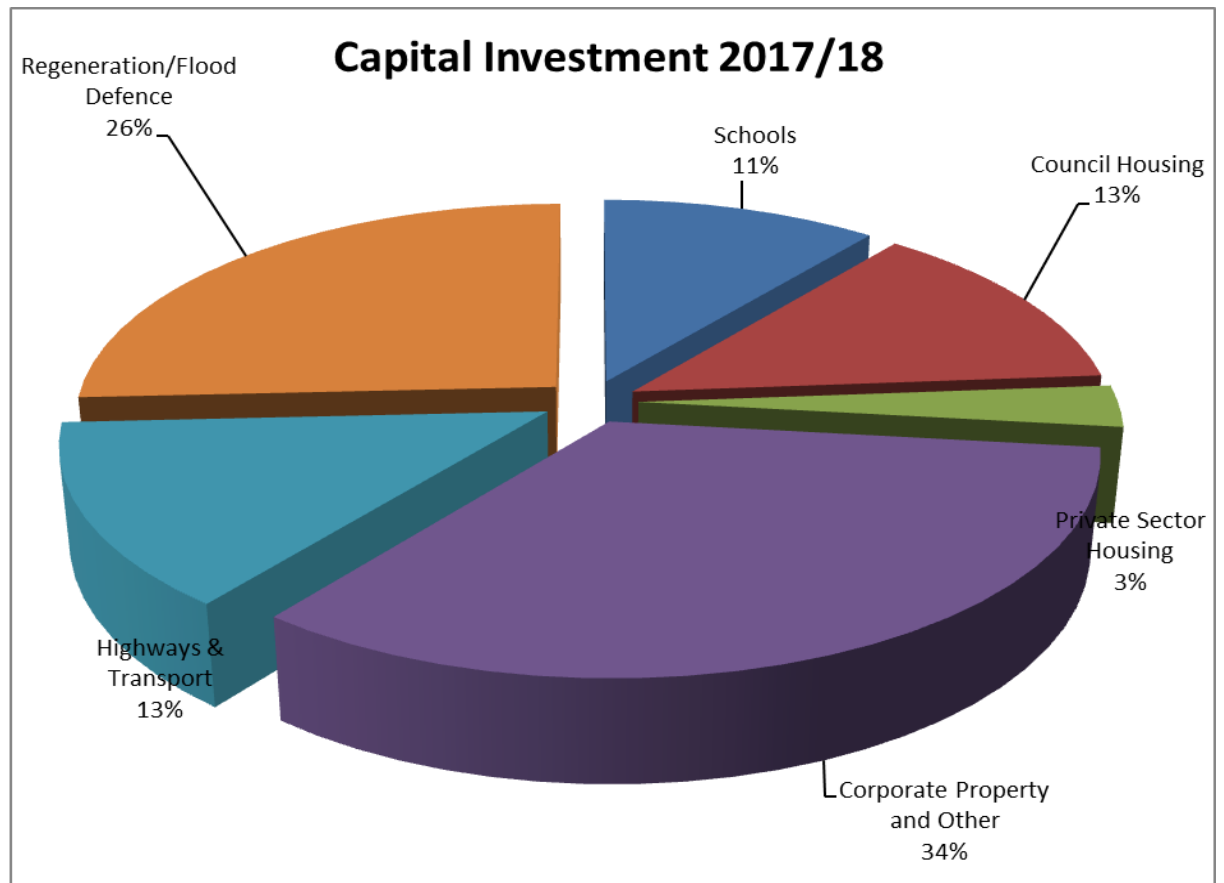
6.15 **S106 Contributions**

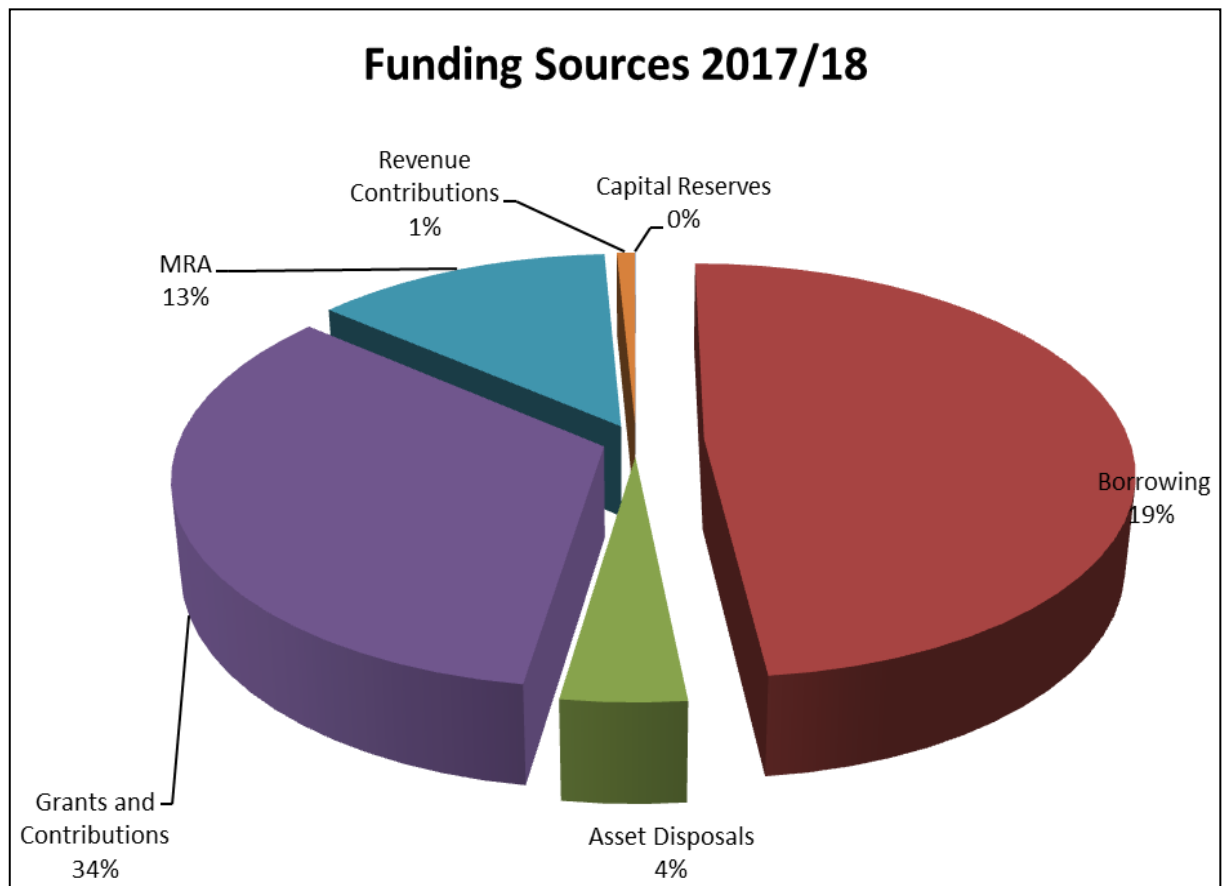
S106 contributions are allocated through the S106 working group and are required to be reported to cabinet. The table below outlines the additional S106 contributions allocated this quarter.

Additional S106 Allocations

Strategy Area	Scheme	Developer	Ward	£	S106 ref no
Property – Parks	Arboretum Park-Specialist Play Equipment	Strata Homes Midlands Ltd	Arboretum	50,000	BBG2-01
Property – Parks	Littleover Parks - Improvements	BDW Trading Ltd	Littleover	65,000 (258,000 18/19)	RYKR11 -01a

6.16 The following graphs summarise where the capital programme is planned and funded:





7 Reserves

- 7.1 **General Fund Balance..** At 30 June 2017 the General Fund Balance is £ £8.764m and remains within the recommended target range.
- 7.2 **Earmarked Reserves.** These are held to fund specific projects, such as the Council's regeneration fund programme, and at 30 June 2017 totalled £88.868m.
- 7.3 Included in earmarked reserves is a financial reserve for each Council-controlled school in Derby ,known as 'School Balances' and are not available to the Council for general use. At 30 June 2017 School balances remain at £10.4m (£10.4m at 31/3/17).

8 Treasury Management

- 8.1 All Treasury Management activities in quarter 1 were in accordance the Treasury Management Strategy 2017/18, approved by Council Cabinet on 15 February 2017. The Local Government Act 2003 requires the Council to adopt the CIPFA's Prudential Code for Capital Finance in Local Authorities and produce a set of Treasury Management indicators when determining how much money it can afford to borrow and capital indicators that show the capital investment plan of the Council is affordable, prudent and sustainable. All prudential indicators and limits have been adhered to.

- 8.2 The Treasury Management forecast at Quarter 1 2017/18 is £0.909m underspend as the original budget assumed that additional borrowing would be required for the capital programme 16/17 and 17/18. Slippage in the 2016/17 capital programme has reduced the additional funding required and has reduced the Minimum Revenue Provision (MRP) charge in 2017/18.
- 8.3 As at the 30 June 2017 the total debt portfolio of the Council (including HRA debt) was £458.4m offset by investments of £90.2m resulting in an overall net debt position of £368.2m. No additional borrowing has been completed in quarter 1 2017/18. The loan portfolio is set out in the table below:

External Borrowing	£m As at 31/03/17	£m As at 30/06/17
Fixed Rate PWLB	305.897	305.864
Fixed Rate Market (LOBO)	20.000	20.000
Other Local Authorities	35.000	35.000
Other Loans	2.864	2.793
Other Long-term Liabilities:		
- Transferred Debt from other Local Authorities	2.931	2.931
- PFI Financing	91.827	91.827
Total Gross External Debt	458.519	458.415
Investments	(69.696)	(90.214)
Total Net External Debt	388.823	368.201

9 Delegated Schools Grant (DSG)

- 9.1 This ring fenced grant is used specifically for school related and educational services. In 2017/18, Derby City Council's allocation was £215.188m of which £183.704m (85.4%) was delegated to schools. The balance of £31.484m is used to support other educational expenditure including non- maintained special educational needs places and specialist support services.
- 9.2 DSG balances are currently £6.955m of which £2.365m has been earmarked for specific purposes as agreed by School's Forum and the Council Cabinet, the remainder is to be retained and used for the purposes defined within the Schools funding regulations, with approval from the Schools.

10 Collection Fund

- 10.1 As at 30 June 2017 the amount of Council Tax billed for the 2017/18 financial year is just over £106m and of that we have collected £29.5m, which is 27.79%. Compared with the position 12 months ago we have collected nearly £1.7m extra in the current year.

- 10.2 Non Domestic Rates: As at 30 June 2017 the amount of Business Rates billed for the 2017/18 financial year is around £93.3m of which we have collected £24.77m or 26.47%. Compared with the position 12 months ago we have collected over £0.140m more (0.4%) in the current year.

11 Housing Revenue Account (HRA)

- 11.1 The Housing Revenue Account (HRA) reports on the management of the Councils housing stock.

Department Quarter 1 2017/18	Original Budget (annual) £000's	Actual Spend Qtr1 £000's	% of Budget	Full year forecast £000's	Forecast Variance £000's
HRA	(2,138)	10,534		(2,138)	0

- 11.2 The HRA has budgeted to achieve a surplus of £2.138m for the financial year 17/18 and is currently projecting to achieve this. Payments made for the management and maintenance are made on account periodically hence the unusually actual spend incurred.

OTHER OPTIONS CONSIDERED

- 12 No other options are considered. The report is prepared to demonstrate the Council has met its statutory obligation to deliver a balanced budget.

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s)	Director of Governance and Monitoring Officer Interim Director of Finance and Section 151 Officer Chief Officer Group
For more information contact: Background papers: List of appendices:	Mark Taylor; mark.taylor@derby.gov.uk Toni Nash; toni.nash@derby.gov.uk None Appendix 1 – Implications

IMPLICATIONS

Financial and Value for Money

- 1.1 The financial and value for money implications are set out in the report.

Legal

- 2.1 The report confirms that the Council has met its statutory requirement to deliver a balance budget.

Personnel

- 3.1 None directly arising.

IT

- 4.1 These were assessed in full when the budget was approved by Council.

Equalities Impact

- 5.1 None directly arising.

Health and Safety

- 6.1 None directly arising.

Environmental Sustainability

- 7.1 The report sets out the implications of the capital programme.

Property and Asset Management

- 8.1 The report demonstrates that a key risk of not balancing the Council's budget has been fully mitigated, with potential use of reserves in respect of 2017/18.

Risk Management and Safeguarding

- 9.1 The report demonstrates it has the resources available to deliver the Council's priorities.

Corporate objectives and priorities for change

- 10.1 The budget provides the financial resources to deliver key objectives and priorities

