

Open Report on behalf of Pete Moore, Executive Director of Finance and Public Protection

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| Report to: | Executive |
| Date: | 04 October 2016 |
| Subject: | Revenue and Capital Budget Monitoring Report 2016/17 |
| Decision Reference: | I012127 |
| Key decision? | No |

Summary:

This report provides an update on spending compared with budgets for the financial year which started on 1 April 2016.

The tables in this report show the actual income and expenditure for five months of this financial year, along with the projections for spendings and a comparison of the projections against the approved budgets.

Recommendation(s):

Note the current position on the revenue and capital budgets.

Alternatives Considered:

1. This report shows the actual revenue and capital expenditure to date, and expected projected outturns for 2016/17 therefore no alternatives have been considered.

Reasons for Recommendation:

To consider the Council's budget monitoring position and decide on any corrective action necessary.

1. Background

1.1 In summary:

- Total revenue spending is predicted to be £4.343m less than the total budget (excluding the projected underspendings on Schools budgets);

- Total revenue income is predicted to be £1.598m, more than the total budget;
- General reserves at the year end are forecast on this basis to be within the 2.5% to 3.5% range at the upper end, estimated to be at 3.5% of the total budget based on current spending; and
- Net capital spending is projected to be on target at the end of the financial year, subject to a review of the phasing of spend in the capital programme, planned to be undertaken in the Autumn of 2016.

DISCUSSION

Revenue

Table A (Position as at 31 August 2016)

| | Revised Net Revenue Budget | Net Expenditure | Year End Forecast | Forecast Variance | Forecast Variance |
|--|----------------------------------|--------------------|----------------------|----------------------|----------------------|
| | £'000 | £'000 | £'000 | £'000 | % |
| COMMISSIONING STRATEGIES | | | | | |
| Readiness for School | 5,376 | 2,119 | 5,376 | 0 | 0.00 |
| Learn & Achieve | 32,926 | 12,183 | 33,226 | 300 | 0.91 |
| Readiness for Adult Life | 4,288 | 2,047 | 4,288 | 0 | 0.00 |
| Children are Safe and Healthy | 61,906 | 21,563 | 62,137 | 231 | 0.37 |
| Adult Safeguarding | 1,795 | 616 | 1,795 | 0 | 0.00 |
| Adult Frailty & Long Term Conditions | 99,343 | 21,552 | 99,343 | 0 | 0.00 |
| Carers | 2,044 | 936 | 2,044 | 0 | 0.00 |
| Adult Specialities | 51,149 | 27,991 | 51,149 | 0 | 0.00 |
| Community Resilience & Assets | 10,111 | 4,158 | 10,128 | 17 | 0.17 |
| Wellbeing | 32,372 | 11,244 | 31,333 | -1,039 | -3.21 |
| Sustaining & Developing Prosperity Through Infrastructure | 46,708 | 17,883 | 46,708 | 0 | 0.00 |
| Protecting & Sustaining the Environment | 24,484 | 9,353 | 25,052 | 568 | 2.32 |
| Sustaining & Growing Business & the Economy | 1,315 | 805 | 1,315 | 0 | 0.00 |
| Protecting The Public | 22,707 | 9,765 | 22,707 | 0 | 0.00 |
| How We Do Our Business | 5,304 | 2,795 | 5,424 | 120 | 2.26 |
| Enablers & Support To Council's Outcomes | 35,810 | 19,155 | 35,873 | 62 | 0.17 |
| Enablers & Support To Key Relationships | | -189 | | 0 | 0.00 |
| Public Health Grant Income | -34,050 | -17,186 | -34,050 | 0 | 0.00 |
| TOTAL COMMISSIONING STRATEGIES | 403,589 | 146,790 | 403,848 | 260 | 0.06 |
| OTHER BUDGETS | | | | | |
| Capital Financing Charges | 51,123 | 372 | 46,521 | -4,603 | -9.00 |
| Contingency | 4,000 | 0 | 4,000 | 0 | 0.00 |
| Other Budgets | 12,218 | 5,259 | 12,218 | 0 | 0.00 |
| TOTAL OTHER BUDGETS | 67,341 | 5,632 | 62,739 | -4,603 | -6.83 |
| SCHOOL BUDGETS | | | | | |
| Schools (DSB) | 465,704 | 90,449 | 465,704 | 0 | 0.00 |
| Schools Related Expenditure (DSB) | 26,512 | 8,864 | 26,512 | 0 | 0.00 |
| Dedicated Schools Grant | -496,192 | -109,938 | -496,192 | 0 | 0.00 |
| Schools Budgets (Other Funding) | -1,030 | -2,336 | -1,030 | 0 | 0.00 |
| TOTAL SCHOOL BUDGETS | -5,006 | -12,960 | -5,006 | 0 | 0.00 |
| TOTAL EXPENDITURE | 465,924 | 139,461 | 461,581 | -4,343 | -0.93 |
| INCOME | | | | | |
| Revenue Support Grant | -70,351 | -30,954 | -70,351 | 0 | 0.00 |
| Business Rates | -103,528 | -44,754 | -104,891 | -1,363 | 1.32 |
| Council Tax | -253,801 | -101,520 | -253,801 | 0 | 0.00 |
| Other Non Specific Grants | -17,215 | -8,019 | -17,451 | -235 | 1.37 |
| TOTAL INCOME | -444,895 | -185,247 | -446,493 | -1,598 | 0.36 |
| USE OF BALANCES | | | | | |
| Use of Balances - Earmarked Reserves | -20,229 | -20,229 | -20,229 | 0 | 0.00 |
| Use of Balances - General Reserves | -800 | -800 | -800 | 0 | 0.00 |
| TOTAL USE OF RESERVES | -21,029 | -21,029 | -21,029 | 0 | 0.00 |
| TOTAL | 0 | -66,816 | -5,941 | -5,941 | |

Children's Services

1.2 Overall Children's Services are forecasting a £0.531m overspend but it should be noted that this is the first forecast of the financial year and therefore should be treated with caution. Work is underway with budget holders to mitigate those material overspends with a view of addressing Children's Services overall financial position.

1.3 Learn and Achieve is forecasting £0.300m of this overspend. This is due to the additional home to school transport costs associated with the closure of the Mablethorpe school site for Louth Monks Dyke College. The home to school transport budget is particularly difficult to predict at this stage but a clearer position will be known when all the invoices for the new academic year have been processed and analysed. The remaining £0.231m budget pressure is within Children are Safe and Healthy and relates to additional costs for young people on remand. Additional costs (£0.400m) are also expected for 16 -18 year old in supported accommodation but Children's Services is planning to offset this pressure through anticipated legal underspend surplus distribution (this amounted to £0.402m in 2015/16).

1.4 The DMT will continue to monitor the financial position to ensure any budget pressures are mitigated where possible.

Adult Care

Adult Frailty & Long Term Conditions

1.5 Adult Frailty & Long Term Conditions is currently projecting a balanced budget of £99.343m.

1.6 Long term residential activity has increased slowly across the County, primarily due to a change in policy with long term placements being made at an earlier stage rather than keeping service users in Short Term Care for long periods.

1.7 Spend on Short Term Care and carers respite services has reduced primarily due to a reduction in deficit beds usage (short term care beds to cover for lack of facilities at service users home) as the new Prime Provider arrangements for homecare services have bedded in. A new contract has also been made to block book beds in a number of homes across the County, initially just for deficit beds but now for all types of placements.

1.8 There has been some growth in home support and direct payments for those with a Physical Disability due to a number of transition cases from Children's Services.

1.9 Analysis of Income collection suggests this will be on target for 2016/17 and potentially increase following the implementation of the revised contributions policy.

Specialist Adult Services

1.10 It is anticipated that Specialist Adult Services (which incorporates Learning Disability and Mental Health Services) will balance its budget of £51.149m.

1.11 The Adult Learning Disabilities Service (LD) is administered via a Section 75 (S75) agreement between the Council and NHS commissioners in Lincolnshire.

1.12 There have been a number of large support packages coming through Practice Enablement Group (PEG) in the first half of this year to date across all areas of service. Whilst growth within the service has been built into this year's budget, these additional packages have put some additional pressure for 2016/17. Hence, early signs are that LD S75 may have a small overspend in 2016/17. However, at this early stage it is still uncertain if all of these packages will be taken up in year as they are not all yet in place.

1.13 The service has also seen an increase in levels of refunds back into the system from unspent service user Direct Payments. This is expected to at least double for the whole year which should help to mitigate some of the unexpected high cost placements described above.

1.14 The Mental Health service is run on behalf of the Council by the Lincolnshire Partnership Foundation Trust (LPFT) by way of a Section 75 agreement. Current reports from LPFT suggest an increase in services activity, however there is an expectation that LPFT budgets will remain on target in 2016/17.

Safeguarding

1.15 The Lincolnshire Safeguarding Adults Board discharges its function to safeguard adults on a multi-agency basis. This is led by an Independent Chair.

1.16 The current budget for this commissioning strategy is £1.795m. However due to ongoing costs coming through for continued pressures relating to Deprivation of Liberty's (DOLS) assessments (continued costs due to the Cheshire West ruling), it is projected to overspend by circa £0.500m in this financial year. We are proposing this overspend should be funded from the 1.0% 2015/16 underspend carry forward, and therefore projecting a balanced budget.

Carers

1.17 This strategy is responsible for services provided to young carers helping to prevent inappropriate caring, helping to reduce the negative impact on the child's wellbeing and development by ensuring adequate support for the adult and to support the child to fulfil their potential.

1.18 Carers will continue to see activity grow compared to last year including the number of direct payments and therefore is assumed that the budget of £2.044m will be balanced.

Better Care Fund

1.19 The Better Care Fund (BCF) in 2016/17 will provide £16.825m in funding to protect adult care services, this is a reduction from the £20.000m provided in 2015/16. However the shortfall in BCF funding has been funded corporately within our own revenue budget. Services that continue to be funded include Reablement, Hospital discharge teams, and Adult Frailty and Specialist Adult Services

Wellbeing

1.20 Public Health are projecting an underspend of £1.039m due to reduced costs following the recommissioning of Wellbeing Services.

Protecting and Sustaining the Environment

1.21 The forecasted overspend of £0.568m reflects a budget pressure on Waste Disposal. The budget for this area is being re-assessed to reflect the levels of demand.

How We Do Our Business

1.22 How We Do Our Business is currently forecasting an overspend of £0.120m by the year end. This is within the Budget & Policy Framework – Finance and Audit area. This is for extra resources required by Finance in assisting to resolve problems with the Agresso system and support the first year end using the system.

Enablers and Support to Council's Outcomes

1.23 Enablers and Support to the Council's Outcome is currently forecasting to be £0.062m overspent by year end. This is made up of an overspend of £0.121m ICT Strategy and Support, mainly due to the maintenance of Swift contract as a result in late implementation of Mosaic, offset by an underspend of £0.059m in Commissioning due to various staff vacancies.

Other Budgets

1.24 **Capital Financing Charges** are currently projecting an underspend of £4.603m. Capital financing charges are lower than originally planned due to slippage in the capital programme in 2015/16, internal borrowing from 2015/16 brought forward into 2016/17, reducing the borrowing requirement and a reduction in the long term interest rate forecast due to economic factors. Slippage in 2015/16 has resulted in a lower minimum revenue provision (MRP) for 2016/17 of £2.644m. Increased internal borrowing (using internal balances to finance the capital programme) brought forward from 2015/16 and a lower interest rate environment has reduced the forecast interest payments in 2016/17 by nearly

£2.159m. Unfortunately this lower interest rate environment also means that projected Interest Earned on Revenue Balances is also projected to fall in 2016/17 by £0.200m.

Schools Budgets

1.25 School Budgets are currently on target. Budgets held centrally within the ring-fenced 2016/17 Dedicated Schools Grant (DSG) were once again set prudently due to the demand led and volatile nature of the services demands. In line with the DfE regulations any under or overspends will automatically be carried forward to the next financial year and the local authority will consult the Schools Forum on its use.

Council's General Funding

1.26 The Council's general funding is currently forecast to be £1.598m more than the revenue budget approved at full Council in February 2016. The most significant reasons for this forecast increase in funding are as follows:

- **Business Rates-Pooling with Districts** - £1.363m (more than was budgeted for). Following the lack of gains in pooling income for the Council in previous financial years (due to the timing and size of business rate appeals received by the district council's) we did not budget to receive any income in 2016/17. The income we are currently estimated to receive from business rates pooling for 2016/17 is £1.363m.
- **New Homes Bonus Returned Funding Grant** - £0.235m, (more than was budgeted for). At the time of budget setting, the Council had not been notified that we would be receiving this funding in 2016/17. This is funding that was originally allocated from the Local Government Finance Settlement to fund New Homes Bonus with a commitment from the Government, that any unused funding would be returned to local authorities.

Use of Balances

1.27 The Council planned to use £20.229m from the Financial Volatility Reserve to balance the Council's budgets in 2016/17 and £0.800m from the General Fund to keep this balance at 3.5% of the Council's budget requirement. Further earmarked reserves will be drawn down into service budgets during the financial year.

Capital Programme

Table B (Position as at 31 August 2016)

| Capital Programme | Gross Actual Expenditure £'000 | Gross Revised Budget £'000 | Gross Latest Forecast £'000 | Gross Forecast Variance £'000 | Net Actual Expenditure £'000 | Net Revised Budget £'000 | Net Latest Forecast £'000 | Net Forecast Variance £'000 |
|--|-----------------------------------|-------------------------------|--------------------------------|----------------------------------|---------------------------------|-----------------------------|------------------------------|--------------------------------|
| Children's Services | | | | | | | | |
| <u>Readiness for School</u> | | | | | | | | |
| Other Readiness for School | 240 | 0 | 0 | 0 | 240 | 0 | 0 | 0 |
| Sub Total | 240 | 0 | 0 | 0 | 240 | 0 | 0 | 0 |
| <u>Learn and Achieve</u> | | | | | | | | |
| Devolved Capital | 290 | 1,338 | 1,338 | 0 | -976 | 0 | 0 | 0 |
| Provision of School Places (Basic Need) | 7,293 | 12,006 | 12,006 | 0 | 1,950 | 0 | 0 | 0 |
| School Condition / Maintenance Capital | 124 | 5,421 | 5,421 | 0 | 124 | 0 | 0 | 0 |
| School Modernisation / Condition Capital | 171 | 0 | 0 | 0 | -2,064 | 0 | 0 | 0 |
| School Access Initiative | 31 | 0 | 0 | 0 | 31 | 0 | 0 | 0 |
| Academy Projects | 140 | 0 | 0 | 0 | 140 | 0 | 0 | 0 |
| Other Learn and Achieve | 69 | 0 | 0 | 0 | 69 | 0 | 0 | 0 |
| Sub Total | 8,117 | 18,765 | 18,765 | 0 | -727 | 0 | 0 | 0 |
| <u>Readiness for Adult Life</u> | | | | | | | | |
| Other Readiness for Adult Life | 5 | 0 | 0 | 0 | -9 | 0 | 0 | 0 |
| Sub Total | 5 | 0 | 0 | 0 | -9 | 0 | 0 | 0 |
| <u>Children are Safe and Healthy</u> | | | | | | | | |
| Universal Infant Free School Meals Capital | 6 | 0 | 0 | 0 | 6 | 0 | 0 | 0 |
| Foster Capital | 216 | 0 | 0 | 0 | 216 | 0 | 0 | 0 |
| Sub Total | 221 | 0 | 0 | 0 | 221 | 0 | 0 | 0 |
| Adult Care | | | | | | | | |
| <u>Adult Frailty, Long Term Conditions and Physical Disability</u> | | | | | | | | |
| Adult Care | 55 | 1,875 | 1,875 | 0 | -1,875 | 0 | 0 | 0 |
| Better Care Fund - Disabled Facility Grants | 0 | 2,970 | 2,970 | 0 | -2,970 | 0 | 0 | 0 |
| Sub Total | 55 | 4,845 | 4,845 | 0 | -4,845 | 0 | 0 | 0 |
| Community Wellbeing and Public Health | | | | | | | | |
| <u>Community Resilience and Assets</u> | | | | | | | | |
| Libraries | 62 | 0 | 0 | 0 | 62 | 0 | 0 | 0 |
| Sub Total | 62 | 0 | 0 | 0 | 62 | 0 | 0 | 0 |
| <u>Wellbeing</u> | | | | | | | | |
| Public Health | 2,971 | 0 | 0 | 0 | 2,971 | 0 | 0 | 0 |
| Sub Total | 2,971 | 0 | 0 | 0 | 2,971 | 0 | 0 | 0 |
| Economy and Place | | | | | | | | |
| <u>Sustaining and Developing Prosperity Through Infrastructure</u> | | | | | | | | |
| Highways Asset Protection | 11,149 | 28,431 | 28,431 | 0 | 493 | 0 | 0 | 0 |
| Integrated Transport | 1,846 | 3,312 | 3,312 | 0 | 154 | 0 | 0 | 0 |
| Lincoln Eastern Bypass | 3,013 | 72,524 | 72,524 | 0 | 3,013 | 37,524 | 37,524 | 0 |
| Lincoln East-West Link | 3,802 | 1,403 | 1,403 | 0 | 3,746 | 1,403 | 1,403 | 0 |
| Grantham Southern Relief Road | 1,571 | 29,500 | 29,500 | 0 | 1,571 | 11,500 | 11,500 | 0 |
| A16/A1073 Spalding to Eye Road Improvement | 43 | 0 | 0 | 0 | 43 | 0 | 0 | 0 |
| Other Highways and Transportation | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| Grantham Growth Point | 0 | 0 | 0 | 0 | 50 | 0 | 0 | 0 |
| Lincoln Growth Point | 20 | 0 | 0 | 0 | 20 | 0 | 0 | 0 |
| Transforming Street Lighting | 3,107 | 6,000 | 6,000 | 0 | 3,107 | 6,000 | 6,000 | 0 |
| Lincolnshire Waterways | 200 | 0 | 0 | 0 | 200 | 0 | 0 | 0 |
| Skegness Countryside Business Park | -171 | 0 | 0 | 0 | -171 | 0 | 0 | 0 |
| Historic Lincoln | 110 | 0 | 0 | 0 | 1,048 | 0 | 0 | 0 |
| Sub Total | 24,692 | 141,170 | 141,170 | 0 | 13,275 | 56,427 | 56,427 | 0 |
| <u>Protecting and Sustaining the Environment</u> | | | | | | | | |
| Boston Barrier | 0 | 11,000 | 11,000 | 0 | 0 | 11,000 | 11,000 | 0 |
| Other Protecting and Sustaining the Environment | 868 | 1,250 | 1,250 | 0 | 357 | 1,250 | 1,250 | 0 |
| Sub Total | 868 | 12,250 | 12,250 | 0 | 357 | 12,250 | 12,250 | 0 |
| <u>Sustaining and Growing Business and the Economy</u> | | | | | | | | |
| Other Sustaining and Growing Business and the Economy | 596 | 0 | 0 | 0 | -249 | 0 | 0 | 0 |
| Sub Total | 596 | 0 | 0 | 0 | -249 | 0 | 0 | 0 |
| Finance and Public Protection | | | | | | | | |
| <u>Protecting the Public</u> | | | | | | | | |
| Fire and Rescue and Emergency Planning | 394 | 5,208 | 5,208 | 0 | 394 | 5,208 | 5,208 | 0 |
| Fire Fleet Vehicles and Associated Equipment | 98 | 624 | 624 | 0 | 98 | 624 | 624 | 0 |
| Sub Total | 492 | 5,831 | 5,831 | 0 | 492 | 5,831 | 5,831 | 0 |
| <u>Enablers and Support to Council's Outcomes</u> | | | | | | | | |
| Broadband | -947 | 0 | 0 | 0 | -947 | 0 | 0 | 0 |
| Infrastructure and Refresh Programme | 303 | 750 | 750 | 0 | 303 | 750 | 750 | 0 |
| Care Management System (CMPP) | 501 | 0 | 0 | 0 | 501 | 0 | 0 | 0 |
| Property | 1,016 | 2,950 | 2,950 | 0 | 1,016 | 2,950 | 2,950 | 0 |
| Property Rationalisation Programme | 424 | 700 | 700 | 0 | 424 | 700 | 700 | 0 |
| Property Contingency | | | | | | | | |
| Sub Total | 1,297 | 4,400 | 4,400 | 0 | 1,297 | 4,400 | 4,400 | 0 |
| <u>Other Programmes</u> | | | | | | | | |
| New Developments Capital Contingency Fund | 0 | 7,500 | 7,500 | 0 | 0 | 7,500 | 7,500 | 0 |
| Sub Total | 0 | 7,500 | 7,500 | 0 | 0 | 7,500 | 7,500 | 0 |
| Total Programme | 39,616 | 194,762 | 194,762 | 0 | 13,087 | 86,408 | 86,408 | 0 |

1.28 The capital programme comprises a series of schemes/projects which often span a number of years. Where a scheme/project is known to be exhibiting a material variance to its spend profile this will be described in the narrative associated with that Director area.

1.29 At the end of 2015/16 the Council saw a large underspend in the capital programme set for that financial year, largely due to slippage in delivery of schemes. In light of this the Council will undertake to review the phasing of spending in the Capital Programme in the Autumn to realign capital budgets with current spending plans.

Capital Financing

1.30 The following table sets out the financing of the net capital programme:

| NET CAPITAL PROGRAMME FUNDING | |
|--------------------------------------|---------------|
| Source of Financing | £'000 |
| Revenue Contributions to Capital | 4,500 |
| Capital Receipts | 3,115 |
| Borrowing | 78,793 |
| TOTAL FUNDING | 86,408 |

2. Conclusion

2.1 The Council's current position on the revenue budget and capital programme are within the report for the Executive to note.

3. Legal Comments:

The Report sets out an update on spending compared with budgets for the financial year starting on 1 April 2016 to assist the Executive to monitor the financial performance of the Council.

4. Resource Comments:

The report indicates that both the current year revenue and capital budgets are projected to be spending within the resources available and therefore no additional call on the reserves of the Council will be required within the current financial year.

5. Consultation

a) Has Local Member Been Consulted?

n/a

b) Has Executive Councillor Been Consulted?

Yes

c) Scrutiny Comments

Comments from the Overview and Scrutiny Management Committee on 29 September 2016 will be verbally reported to the Executive.

d) Policy Proofing Actions Required

There are none required with this report. The consideration for the contents and subsequent decisions are all taken with regard to existing policy.

6. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by David Forbes, who can be contacted on 01522 553642 or David.Forbes@Lincolnshire.gov.uk.