

## RECORD OF EXECUTIVE DECISION TAKEN BY AN EXECUTIVE MEMBER

This form **MUST** be used to record any decision taken by the Elected Mayor or an individual Executive Member (Portfolio Holder).

The form must be completed and passed to the Head of Members' Services no later than NOON on the second working day after the day on which the decision is taken. No action may be taken to implement the decision(s) recorded on this form until 7 days have passed and the Head of Members' Services has confirmed the decision has not been called in.

## 1. Description of decision

- (a) Acknowledge the forecast 2016/2017 revenue outturn position against the approved revenue budget shown in **Appendix A**, the projected major variances with reasons for these variances and the action being taken to address the underlying issues;
- (b) Accept the Transition Fund Section 31 grant of £715,322 for 2016/2017 in accordance with the notification from the Department of Communities and Local Government and the transfer of this funding to the Transformation Reserve to fund future transition costs;
- (c) Accept the Independent Living Fund Grant of £370,916 for 2016/2017 in accordance with the notification from the Department of Communities and Local Government;
- (d) Accept the Smoke and CO Alarms New Burdens funding of £835 as notified by the Department of Communities and Local Government;
- (e) Accept the additional Pothole Funding of £137,000 for 2016/2017 in accordance with the notification from the Department for Transport.

## 2. Date of decision

11 August 2016

## 3. Reasons for decision

To report the latest trends in respect of the 2016/2017 revenue budgets and emerging budget issues that impact on the Council's Medium Term Financial Strategy and to accept the grants received in the financial year 2016/2017.

**4. Alternatives considered and rejected**

The Council has received a number of grants from Government Departments to invest in services in the Borough. These grants do not have conditions that would lead the Council not to accept this income.

**5. How decision is to be funded**

Expenditure will be incurred which meets the level of the grants awarded.

**6. Conflicts of interest**

Name of all Executive members who were consulted AND declared a conflict of interest.	Nature of interest	Did Standards Committee give a dispensation for that conflict of interest? (If yes, give details and date of dispensation)	Did the Chief Executive give a dispensation for that conflict of interest? (If yes, give details and the date of the dispensation).

The Mayor has been consulted on this decision

Not Applicable

Signed Dave Hodgson Date: 11<sup>th</sup> August 2016 Name of Decision Taker ..... Mayor Dave Hodgson...

**This is a public document. A copy of it must be given to the Head of Members' Services as soon as it is completed.**

Date decision published: ..... 12 AUGUST 2016 .....

Date decision can be implemented if not called in: ..... 23 AUGUST 2016 .....

(Decision to be made exempt from call in.....NO)

**Bedford Borough Council**

**10 August 2016**

**Report by the Finance Portfolio Holder and Assistant Chief Executive & Chief Finance Officer**

**SUBJECT:    2016/2017 REVENUE BUDGET TRENDS**

**1.    Executive Summary**

To consider the latest trends in respect of the 2016/2017 revenue budget and the emerging budget issues.

**2.    Recommendations**

The Mayor is requested to consider the report and, if satisfied, to:

- (a)    **Acknowledge the forecast 2016/2017 revenue outturn position against the approved revenue budget shown in Appendix A, the projected major variances with reasons for these variances and the action being taken to address the underlying issues;**
- (b)    **Accept the Transition Fund Section 31 grant of £715,322 for 2016/2017 in accordance with the notification from the Department of Communities and Local Government and the transfer of this funding to the Transformation Reserve to fund future transition costs;**
- (c)    **Accept the Independent Living Fund Grant of £370,916 for 2016/2017 in accordance with the notification from the Department of Communities & Local Government;**
- (d)    **Accept the Smoke and CO Alarms New Burdens funding of £835 as notified by the Department of Communities & Local Government;**
- (e)    **Accept the additional Pothole Funding of £137,000 for 2016/2017 in accordance with the notification from the Department for Transport.**

### 3. **Reason for Recommendations**

To advise the Executive of the latest trends in respect of the 2016/2017 revenue and emerging budget issues that impact on the Council's Medium Term Financial Strategy, and accept new grants that have been awarded since the budget was set in accordance with the Finance Procedure Rules.

### 4. **Key Implications**

#### 4.1 **Legal Issues**

The Council is required, by law, to set a balanced revenue budget each year which for 2016/2017 was approved by Full Council on 3 February 2016. The purpose of this report, in accordance with best financial management practice, is to advise the Executive of significant variations from that budget.

#### 4.2 **Policy Issues**

The Medium Term Financial Strategy (MTFS) states that, to ensure a continuously stable financial base for the provision of Council services and functions, the Council will ensure that annual ongoing General Fund revenue expenditure can be covered by annual income sources in each and every financial year. The MTFS requires regular reports to be submitted to the Executive in respect of budget trends and the report, therefore, provides an update on the latest budget position and also identifies a number of emerging budget issues that will need to be monitored during 2016/2017.

The MTFS also requires that due regard is given to revenue budget forecasts and that any increase in the ongoing annual revenue budget will be subject to the expenditure being either legally unavoidable or considered affordable after taking into account:

- any forecast savings targets;
- implications on Council Taxpayers in future years.

The MTFS will continue to be reviewed in light of the budget monitoring undertaken to date and refreshed given the emerging medium term pressures and further specified impacts upon the Council. The MTFS will next be reported to the Executive in September 2016.

### 4.3 Resource Implications

The Council's approved 2016/2017 gross General Fund Revenue Budget reported to Full Council on 3 February 2016 totalled £374.244 million, this is reduced by income from specific grants, subsidies, fees, charges and rents which can be subject to variation as well as fixed income sources such as commuted sums, reserves and provisions giving a net budget requirement of £130.241 million.

As a result the net budget requirement is financed as follows:

<b>2016/2017</b>	<b>Original £million</b>
Net Budget Requirement	130.241
Financed by:	
Revenue Support Grant	21.419
Local Business Rates	32.316
Council Tax Yield	76.686

A review of expenditure trends and variable income sources indicates there are some variations compared to forecast and these are explained in the details section of the report.

### 4.4 Risk Implications

When the Council considers each service / function budget, it is important that endeavours are made to identify potential risks. Inevitably, during the course of the financial year, some of these risks will occur and impact on the budget by either requiring further expenditure or by reducing the Council's budgeted income.

The budget is monitored on a monthly basis to identify risks and take action to mitigate the risks when they arise. The Council holds a contingency to manage budgetary risk in year, together with a range of reserves to deal with specific issues.

### 4.5 Environmental Implications

There are no environmental implications arising directly from the report.

#### 4.6 Equality Analysis

In preparing this report, due consideration has been given to the Borough Council's statutory Equality Duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relations, as set out in Section 149(1) of the Equality Act 2010.

A relevance test for equality has been completed. The equality test determined that the activity has no relevance to Bedford Borough Council's statutory equality duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relation. An equality analysis is not needed.

### 5. **Details**

#### 2016/2017 Revenue Budget Monitoring – Overview

- 5.1 Effective budget monitoring is a requirement of the Council's Financial Procedure Rules and the Medium Term Financial Strategy (MTFS) and is critical to sound financial management. This process enables the Executive to monitor compliance with the approved budget, to identify emerging issues and, where appropriate, to put plans in place to address forecast budget issues. It is inevitable that some budget pressures will be contained through appropriate management action, whereas others may need to be considered as part of the 2017/2018 budget process where it is evident that cost pressures are ongoing.
- 5.2 The Executive has previously agreed a framework for budget monitoring and, in accordance with this framework; budgetary performance and efficiencies are monitored through the use of performance flags (**Red**, **Amber** and **Green** – **RAG** Status) and Direction of Travel indicators in order to monitor the Council's budgetary performance and the agreed efficiency actions. This provides a statement of financial health and an overview of how the council is utilising its resources.
- 5.3 An integral part of the monitoring process has been the scheduling of regular meetings with the Service Directorates and Portfolio Holders, to proactively monitor compliance with the approved budget. This also enables the identification of further potential risks and emerging budget pressures so that appropriate action can be taken at an early stage.

#### Revenue Budget Monitoring

- 5.4 This report represents the revenue monitoring information for the period April to May 2016. This report would usually contain direction of travel indicators compared to the previous report; however as this is the first report of the financial year there are no appropriate indicators.
- 5.5 The budget variances are reported at **Appendix A** and have been assigned a **RAG** status (**Red**, **Amber** and **Green**) based on the following:

All under spends and overspends up to 2% of the net budget	Green
Overspends between 2% and 5% of the net budget	Amber
Overspends greater than 5%	Red

- 5.6 All under spends are rated green, however, they continue to be challenged in the budget process to ensure they represent efficiencies and not non-delivery of services.

#### Revenue Budget Monitoring –Variances

- 5.7 This initial monitoring and assessment of the 2016/2017 revenue budget has identified a number of issues that require action to avoid budgetary pressures and issues that need to be kept under review. The key issues that deserve specific reference are discussed in the following paragraphs:

(a) Children's and Adults' Services - £0.709 million overspend

#### **Adults Services - £0.082 million overspend**

The net budget for Adults Services is £50.140 million. The forecast outturn as at 31 May 2016 is £50.222 million, equating to an overspend of £0.082 million which relates predominantly to the increased demand for bed and breakfast accommodation.

An additional £3 million was included in the Adult Social Care budget for 2016/2017 to meet the increasing demand in adult social care packages following significant growth in the number of clients and the complexity of cases in 2015/2016. The demand has continued into the current year, and whilst this monitoring report does not identify an overspend in overall terms; there are a number of variances across the different types of care including both residential care and home care. If expenditure on adult social care continues to increase over the year, this may result in an overspend when next reported.

#### **Children's Services - £0.627 million overspend**

The total number of Looked After Children (LAC) is 252 as at 31 May 2016 (down from 254 as at 30 April 2016). There is a forecast overspend of £0.164 million in relation to costs associated with placements within Looked After Children.

The most significant cost pressure relates to Leaving Care which is forecast to overspend by £0.788 million due to increased costs in relation to Asylum Seekers, clients who have moved from residential care and loss of Dedicated Schools Grant (DSG) funding for a child who has moved out of a DSG funded education placement.

In addition there is a staffing overspend of £0.203 million across various service headings due to vacancies in social work posts which are filled by agency staff. The recruitment and retention of suitably qualified and experienced social workers continues to be an issue across the region. The Council has established a Social Work Academy to address these issues and continues to work towards a stable staffing structure.

There are underspends on fostering care due to the reduced number of children placed in independent fostering agency, (£0.295 million), residential placements (£0.205 million), Contact (£0.080 million) and Residential Parental assessments (£0.080 million) based on current commitments which offset the overspends explained above.

(b) Chief Executive's £0.053 million overspend

There are no significant under or overspends to report within the Chief Executive's Directorate and Public Health.

(c) Environment - £0.150 million overspend

The net budget for the Environment and Sustainable Communities Directorate is £25.681 million. The forecast outturn as at 31 May 2016 is £25.831 million, an overspend of £0.150 million. There are some minor overspends across a number of areas, the most significant of which relates to car parking. A shortfall is estimated on income of £0.156 million in respect of On Street pay and display and Off Street penalty charge notices. However, higher than budgeted income of £0.062 million from pay and display at car parks and parking permits is expected which is anticipated to offset some of this pressure.

(d) Corporate Budgets - £0.044 million overspend

The net budget for the Corporate Budgets is £7.886 million. The forecast outturn as at May 2016 is £7.930 million, equating to an over spend of (£0.044 million). This net variance comprises the Government decision to transfer the specific Flood Defence Grant budgeted at £0.163 million to Revenue Support Grant, offset by an £0.119 million underspend on the Past Pension Costs budget due to schools paying a higher than estimated proportion of pension contributions for repayment of pension deficit.

Revenue Contingency

- 5.8 The approved budget includes a £1 million contingency for unforeseen costs and unexpected levels of activity. The Contingency will be increased by the receipt of additional grants received as set out in paragraphs 5.9 and 5.10. A summary of the Contingency, if the recommendations in this report are agreed, is shown in the table overleaf.



	Decision No	£ million
<b>Opening Balance</b>		<b>1.000</b>
Transition Grant		0.715
Independent Living Fund		0.371
Transfer to the Transformation Reserve		(0.715)
<b>Balance Available</b>		<b>1.371</b>

### Acceptance of Grants

- 5.9 Subsequent to the approval of the 2016/2017 Revenue Budget the Department for Communities & Local Government (DCLG) announced additional funding worth £150 million in 2016/2017 and 2017/2018 for councils with the sharpest reductions in Revenue Support Grant to assist those Council's with the transition to a lower level of funding. Transitional funding of £0.715 million was awarded to Bedford Borough in each of these two financial years. It is proposed this funding will be transferred to the Transformation Reserve to fund transitional costs in line with the purpose of the grant.
- 5.10 At the time of setting the original budget it was anticipated that the grant for the Independent Living Fund (ILF) would be rolled into the Revenue Support Grant, although no announcement had been made by DCLG. Subsequent to the approval of the 2016/2017 budget by Full Council, Councils were notified that the ILF would continue for a further year via a specific grant. Bedford Borough Council was awarded £0.371 million for 2016/2017. As the ILF expenditure has been included within the base budget this income will be allocated to the Revenue Contingency.
- 5.11 The Smoke and Carbon Monoxide Alarm (England) Regulations 2015 came into force on 1 October 2015. These regulations set minimum requirements for smoke and carbon monoxide alarm installation in private rented sector properties in England, and require landlords to ensure the alarms are in proper working order at the start of each new tenancy. All councils have been allocated New Burdens Funding towards the cost of enforcing these regulations.
- 5.12 The Department for Transport announced in April that additional funds would be made available as part of the Pothole Action Fund. The allocation of £0.137 million will be used to help with repairs to potholes across the Borough. The funding is expected to continue until 2020/2021.

### Virement Movements

- 5.13 There are no virements over £100,000 to report in the period to 31 May 2016.

### Revenue Budget – Summary Position

- 5.14 The table overleaf summarises the budgetary position relevant to each Directorate, with detailed information by Directorate included at **Appendix A**:

<b>Budget Forecast as at 31 May 2016</b>	<b>Current Budget £ million</b>	<b>Forecast Outturn £ million</b>	<b>Forecast Variance £ million</b>
Children's & Adults' Services	78.469	79.178	0.709
Chief Executive's	18.204	18.257	0.053
Environment	25.681	25.831	0.150
Contribution from Public Health Strategic Reserve	0	0	0
<b>Operational Net Cost</b>	<b>122.354</b>	<b>123.266</b>	<b>0.912</b>
Contingency	1.000	1.000	0.000
Corporate Budgets	0.443	0.487	0.044
Capital Financing	6.444	6.444	0.000
<b>Total</b>	<b>130.241</b>	<b>131.197</b>	<b>0.956</b>

\*Public Health is funded from a ring-fenced grant and, therefore, any under or overspend is transferred to a separate Reserve.

- 5.15 The projected overspend currently stands at £0.956 million (0.7%), this is in line with the trend at this time of year. In the event that the overspend continues to 31 March 2017, it would, in the first instance, be offset by any funds remaining in the Revenue Contingency (currently standing at £1.390 million) with any balance funded from the General Fund Balance. The General Fund Balance currently stands at £10.622 million.

### Revenue Budget – Analysis of Debt Outstanding

- 5.16 The level of sundry debt arrears is monitored and regularly reported to ensure that arrears are kept under control. The total value of sundry debts raised, as at 31 May 2016 (including arrears brought forward), was £42.409 million of which £10.892 million currently remains outstanding. This compares to a total sundry debt outstanding at the start of the financial year of £10.957 million. Of the balance outstanding as at 31 May 2016, the sum of £5.994 million is categorised as being in arrears (i.e. payment had not been received within 28 days of the issue of the invoice), representing 55% of the outstanding balance and 14% of the total amount collectable for the year to date.

5.17 An analysis of outstanding sundry debt is detailed below:

	<b>0-28 Days</b>	<b>29-56 days</b>	<b>57-84 days</b>	<b>85 days +</b>	<b>Total</b>
	<b>£million</b>	<b>£million</b>	<b>£million</b>	<b>£million</b>	<b>£million</b>
Total debt	4.898	0.936	0.572	4.486	<b>10.892</b>
Profile of debt	45.0%	8.6%	5.3%	41.1%	<b>100.0%</b>

The profile of debt highlights that 41.1% of the debt is 85+ days outstanding and, as such, represents a risk of non-recovery.

## **6. Summary of Consultations and Outcome**

The following Council Units or Officers and/or other organisations have been consulted in preparing this report:

Management Team  
Relevant Officers

No adverse comments have been received.

*Report Contact Officer:*

*Andy Watkins, Assistant Chief Executive and Chief Finance Officer*  
*e-mail: [andy.watkins@bedford.gov.uk](mailto:andy.watkins@bedford.gov.uk)*

*Julie McCabe, Head of Finance*  
*e-mail : [julie.mccabe@bedford.gov.uk](mailto:julie.mccabe@bedford.gov.uk)*

*File Reference:*

*F.1(b) and F.1(d)*

*Previous Relevant Minutes*

*None*

*Background Papers:*

*None*

*Appendices:*

*A: Budget Monitoring by Directorate – Forecast position as at 31 May 2016*

APPENDIX A

2016/2017 Revenue Budget	Original Budget £000	Current Budget £000	Forecast Outturn £000	Variance to Budget £000	Overall Variance by %	RAG Analysis
<b>Adults and Childrens Services</b>						
Adult Commissioning & Business Support	4,109	4,207	4,386	179	4.3	A
Adults Management	1,063	964	964	0	0.0	G
Adult Social Care Management	1,931	1,931	1,933	2	0.1	G
Better Care Fund and Care Act	0	0	0	0	0.0	G
Chief Education Officer	6,315	6,315	6,393	78	1.2	G
Childrens Services	0	0	0	0	0.0	G
Chief Social Worker	22,013	22,013	22,562	549	2.5	A
Learning Disabilities, Mental Health and Memory and Cognition	22,441	22,442	22,432	-10	0.0	G
Provider Services In-House	5,550	5,550	5,471	-79	-1.4	G
Physical Support, Occupational Therapy, Sensory Support and Social Support	15,046	15,046	15,036	-10	-0.1	G
<b>Total Adults and Childrens Services</b>	<b>78,468</b>	<b>78,468</b>	<b>79,177</b>	<b>709</b>	<b>0.9</b>	<b>G</b>
<b>Chief Executive</b>						
Human Resources	1,057	1,057	1,110	53	5.0	A
Governance	2,876	2,876	2,876	0	0.0	G
Financial Services	10,027	10,027	10,027	0	0.0	G
Economic Development and Growth	139	139	139	0	0.0	G
Corporate Policy and Programme Management	3,032	3,050	3,050	0	0.0	G
Property Services	935	1,056	1,056	0	0.0	G
<b>Total Chief Executive</b>	<b>18,066</b>	<b>18,205</b>	<b>18,258</b>	<b>53</b>	<b>0.3</b>	<b>G</b>
<b>Environment &amp; Sustainable Communities</b>						
Management	546	546	546	0	0.0	G
Environment & Regulatory Services	16,224	16,282	16,344	62	0.4	G
Highways & Transport	7,802	7,807	7,845	38	0.5	G
Planning & Housing	1,045	1,045	1,094	49	4.7	A
<b>Total Environment &amp; Sustainable Communities</b>	<b>25,617</b>	<b>25,681</b>	<b>25,831</b>	<b>150</b>	<b>0.6</b>	<b>G</b>
<b>Public Health</b>						
Shared Service Public Health	1,189	1,081	1,081	0	0.0	G
Public Health	7,488	6,981	6,981	0	0.0	G
Public Health Grant	-8,677	-8,062	-8,062	0	0.0	G
<b>Total Public Health</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>G</b>
<b>ALL SERVICE TOTALS</b>	<b>122,151</b>	<b>122,354</b>	<b>123,265</b>	<b>912</b>	<b>0.7</b>	<b>G</b>
<b>Corporate Budgets</b>						
Capital financing	6,444	6,444	6,444	0	0.0	G
Contingency	1,000	1,000	1,000	0	0.0	G
Other Corporate Budgets	-5,714	-5,918	-5,755	163	-2.8	G
Pensions (Past Service)	6,360	6,360	6,241	-119	-1.9	G
<b>Total Corporate Budgets</b>	<b>8,090</b>	<b>7,886</b>	<b>7,930</b>	<b>44</b>	<b>0.6</b>	<b>G</b>
<b>TOTAL</b>	<b>130,241</b>	<b>130,240</b>	<b>131,196</b>	<b>956</b>	<b>0.7</b>	<b>G</b>