

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) Recommend to Full Council the acceptance of the Early Years' Capital Grant of £1.733 million from the Department of Education for nursery provision and its inclusion in the Council's Capital Programme.
- (c) Recommend to Full Council the Discretionary Housing Payment (DHP) grant funding from the Department for Work and Pensions of £0.526 million for 2017/18 and any subsequent offers of the grant funding in future financial years.
- (d) To accept the Universal Credit grant funding from the Department for Work and Pensions of £0.182 million for 2017/2018 and any subsequent offers of the grant funding in future financial years.

2. Date of decision

22 August 2017

3. Reasons for decision

To report the latest trends in respect of the 2017/2018 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 2017/2018.

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 D. Hodgson Date: 22nd August 2017 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: 23 AUGUST 2017

Date decision can be implemented if not called in: 4 SEPTEMBER 2017

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

Bedford Borough Council

20 July 2017

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

SUBJECT: 2017/2018 REVENUE BUDGET TRENDS

1. Executive Summary

To consider the latest trends in respect of the 2017/2018 revenue budget and the emerging budget issues.

2. Recommendations

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

- (a) Acknowledge the forecast 2017/2018 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) Recommend to Full Council the acceptance of the Early Years' Capital Grant of £1.733 million from the Department of Education for nursery provision and its inclusion in the Council's Capital Programme (as set out in paragraph 5.13);**
- (c) Recommend to Full Council the Discretionary Housing Payment (DHP) grant funding from the Department for Work and Pensions of £0.526 million for 2017/18 and any subsequent offers of the grant funding in future financial years (as discussed in paragraph 5.14).**
- (d) To accept the Universal Credit grant funding from the Department for Work and Pensions of £0.182 million for 2017/2018 and any subsequent offers of the grant funding in future financial years (as set out in paragraph 5.15).**

3. Reason for Recommendations

To advise the Executive of the latest trends in respect of the 2017/2018 revenue and capital budgets and emerging budget issues that impact on the Council's Medium Term Financial Strategy and accept recent grants awarded.

4. Key Implications

4.1 Legal Issues

The Council is required, by law, to set a balanced revenue budget each year which for 2017/2018 was approved by Full Council on 1 February 2017. 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 the remainder of 2017/2018.

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:

- (i) any forecast savings targets;
- (ii) 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.

4.3 Resource Implications

The Council's approved 2017/2018 gross General Fund Revenue Budget reported to Full Council on 1 February 2017 totalled £358.446 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, planned use of Reserves giving a net budget requirement of £128.342 million.

The net budget requirement is financed as follows:

2017/2018	Original £million
Net Budget Requirement	128.342
Financed by:	
Revenue Support Grant	14.595
Local Business Rates	31.290
Council Tax Yield	82.457

A review of forecast expenditure and income has highlighted that there are variations compared to the approved budget and, as such, these variations are set out in this report.

4.4 Risk Implications

When the Council considers each revenue service and 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 with regard to 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

2017/2018 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.
- 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 enables the identification of potential risks and emerging budget pressures so that appropriate action can be taken at an early stage.

Revenue Budget Monitoring – 2017/2018 Efficiency Assumptions

- 5.4 The ongoing process includes the monitoring of compliance with the efficiency assumptions built into the 2017/2018 revenue budget. The evaluation of the efficiencies has been made on this basis of a RAG rating based on the following criteria:

The proposal has been implemented and is on target to achieve the budgeted saving.	Green
The implementation of the proposal is in progress, the final saving to be achieved is estimated but not finalised.	Amber
Action is required to commence the project; savings to be delivered; proposal did not deliver the required savings.	Red

- 5.5 The budget for 2017/2018 included efficiency proposals totalling £7.856 million. There are no efficiency proposals that have been rated "Red" at this time, however the May review only includes those service areas deemed high risk, a full review of all the efficiency proposals will be carried out in June, and reported to the Executive on 20 September 2017.
- 5.6 There is one proposal for 2018/2019 that has been flagged red at this stage: the proposed Joint Highways Arrangements £200,000 (Reference 2017ET). This project has been delayed. The impact of this delay will be reflected in the Medium Term Financial Strategy projections.

Revenue Budget Monitoring

- 5.7 This report represents the revenue monitoring information for the period April to May 2017.
- 5.8 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

- 5.9 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

- 5.10 This initial monitoring and assessment of the 2017/2018 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 require further reference are discussed in the following paragraphs:

(a) Children’s and Adults’ Services - £0.633 million overspend

There is a forecast net overspend of £0.376 million on Looked After Children services. The total number of Looked After Children (LAC) stands at 249 as at 31 May 2017, down 2 when compared to the same month in 2016 and down 15 from 264 at 31 March 2017. The most significant pressure is associated with Leaving Care placements (£0.546 million), where demand has grown over the last six months. The budget allows for 30 full time equivalent (FTE) placements based on an average cost, however the current forecast is based on 48 FTE placements.

Special Guardianship Order (SGO) allowances are forecasted to overspend by £0.182 million. SGO allowances have increased from £0.390 million in 2013/2014 to £0.881 million in 2016/2017 with the average number of children per year increasing from 52 to 99 over that period. There are currently 115 SGO allowances paid compared to the budgeted 94. Residential placements are also forecast to overspend by £0.081 million due there currently being 16 children in placements, compared to the annual average of 13 placements.

The above overspends are offset by a forecast underspend with Independent Foster Agencies (IFA) of (£0.410 million) due to a reduced number of IFA placements and a reduction in the cost per placement. In-house fostering allowances are also forecasting to underspend by (£0.085 million) due to the current number of placements being lower than anticipated. There are currently 93 placements compared to an average number of 107 in 2016/2017.

The Social Work Service is forecast at an overspend of £0.152 million across the service due to the costs of agency staff covering vacant posts. Agency staff occupying vacant posts are currently forecast to remain in post to the end of September.

Adults Services are currently forecast on budget, however there are compensating variations including additional costs in the Council's managed Residential Homes for agency staff and overtime required to cover vacancies, annual leave, sickness, training, and high need clients requiring one to one care and underspends in staffing in other service areas.

Demand in Adults Packages is continuing to increase, and as the year progresses it will become clearer how this matches the level of investment put into the budget through the Social Care Precept, Adult Social Care Grant and the Borough's own investment.

(b) Chief Executive's – No variance

There are no significant variances in the Chief Executive's Directorate to report at this time.

(c) Environment - £0.326 million overspend

Domestic Refuse & Recycling are currently forecasting an overspend of £0.128 million against a net budget of £3.027 million. This is due to an overspend on employee costs to cover vacancies and absences due to sickness. The service continues to take the necessary measures in order to reduce these costs by recruiting to vacant posts and robustly implementing the council sickness management policy.

Commercial Waste is currently forecasting an overspend of £0.108 million as commercial income has not yet met the increased income target. The service is taking measures to reduce the shortfall of income by seeking more contracts to increase business.

The Corn Exchange Main service is currently forecasting an overspend of £0.129 million due to an anticipated shortfall of income of receipts including show income, hall hire, bar and catering services. This shortfall is partially offset by reduced staffing costs and underspends on purchase of goods & refreshments for resale.

(d) Corporate Budgets £0.014 million underspend

There are no significant variances in the Corporate Budgets to report at this time.

Revenue Contingency

5.11 There have been no calls on the Contingency for the year to date, therefore the balance stands at £1.000 million.

Virement Movements

5.12 There are no significant virements to report.

Revenue Grants

5.13 The Council has successfully bid for Early Years Capital Grant funding to create new childcare places, specifically to support the delivery of 30 hours of free childcare for working parents of 3- and 4-year-olds. All four bids were successful and the authority has received £1.733 million to support nursery expansion projects at Stewartby, Wootton, Cotton End and Wixams.

5.14 The DWP has provided a grant totalling £0.526 million in 2017/2018 for discretionary housing payments with the purpose of providing financial assistance to individuals towards housing costs who are normally in receipt of either Housing Benefit (HB) or Universal Credit (UC). The Council has an agreed Policy for distributing the grant. This grant is solely to assist with housing costs, none of the grant covers any of the costs incurred with distributing the grant. The administration costs are covered from a separate DHP administration grant which is incorporated within the overall Housing Benefit administration grant. Any portion of the grant which is unused as the end of the year is required to be repaid to the DWP.

5.15 The Department for Works and Pensions have confirmed grant funding in connection with the rollout of Universal Credit Full Service which commenced in the Borough in May 2017. The total grant offered is £0.182 million for 2017/2018 which, in addition to providing funding to meet general administrative costs, includes up to £0.038 million for providing assisted digital support and up to £0.042 million for providing personal budgeting support. Assisted digital support will be provided through the Council's Customer Service Centre and the additional funding will be used to provide additional staff resources to assist residents using self-service computers at the Customer Service Centre to submit claims for Universal Credit. Personal budgeting advice will be provided through an agreement with Bedford Citizens Advice Bureau. The funding for assisted digital support and personal budgeting support is, in part, dependent on the number of residents assisted, therefore, the final allocation may differ slightly from the initial offer.

Revenue Budget – Summary Position

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

Budget Forecast as at 31 May 2017	Current Budget £ million	Forecast Outturn £ million	Forecast Variance £ million
Children's & Adults' Services	82.350	82.983	0.633
Chief Executive's	19.044	19.044	0.000
Environment	25.246	25.572	0.326
Contribution to Public Health Strategic Reserve*	0.000	0.000	0.000
Operational Net Cost	126.640	127.599	0.959
Capital Financing	4.618	4.618	0.000
Contingency	1.000	1.000	0.000
Corporate Budgets	(3.916)	(3.902)	0.014
Total	128.342	129.315	0.973

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

- 5.17 The projected overspend currently stands at £0.973 million (0.75%) and it is expected that this will be managed to a balanced position as the year progresses. In the event that the overspend continues to 31 March 2018, it would, in the first instance, be offset by any funds remaining in the Revenue Contingency (currently standing at £1.000 million) with any balance funded from the General Fund Balance. The General Fund Balance currently stands at £12.058 million.

Revenue Budget – Analysis of Debt Outstanding

- 5.18 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, up until 31 May 2017 (including arrears brought forward), was £45.606 million of which £14.230 million currently remains outstanding. This compares to a total sundry debt outstanding at the start of the financial year of £13.060 million. Of the balance outstanding, as at 31 May 2017, the sum of £7.043 million is categorised as being in arrears (i.e. payment had not been received within 28 days of the issue of the invoice), representing 49.4% of the outstanding balance and 15.4% of the total amount collectable for the year to date.

An analysis of outstanding sundry debt is detailed below:

	Paid	0-28 days	29-56 days	57-84 days	85 days +	Total
	£million	£million	£million	£million	£million	£million
Total debt	31.375	7.188	0.896	1.552	4.595	45.606
Profile of debt	68.7%	15.8%	2.0%	3.4%	10.1%	100%

The profile of debt highlights that 10.1%, £45.606 million of the debt raised has been outstanding for longer than 85 days 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 & Chief Finance Officer e-mail: andy.watkins@bedford.gov.uk
Julie McCabe, Head of Finance e-mail : 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 2017

APPENDIX A

2017/2018 Revenue Budget

	Original Budget £000	Current Budget £000	Forecast Outturn £000	Variance to Budget £000	Overall Variance by %	RAG Analysis
Adults and Childrens Services						
Adult Commissioning & Business Support	4,578	4,578	4,524	-54	-1.2	G
Adults Management	2,336	2,336	2,385	49	2.1	A
Adult Social Care - External	38,424	38,186	38,103	-83	-0.2	G
Adult Social Care - In house	7,766	8,004	8,115	111	1.4	G
Better Care Fund and Care Act	0	0	0	0	0.0	G
Chief Education Officer	6,013	6,013	6,013	0	0.0	G
Chief Social Worker	23,233	23,233	23,843	610	2.6	A
Total Adults and Childrens Services	82,350	82,350	82,983	633	0.8	G
Chief Executive						
Human Resources	1,185	1,185	1,185	0	0.0	G
Governance	3,012	3,012	3,012	0	0.0	G
Financial Services	11,347	11,347	11,347	0	0.0	G
Economic Development and Growth	157	157	157	0	0.0	G
Corporate Policy and Programme Management	2,480	2,480	2,480	0	0.0	G
Property Services	885	863	863	0	0.0	G
Total Chief Executive	19,066	19,044	19,043	0	0.0	G
Environment & Sustainable Communities						
Management	793	793	793	0	0.0	G
Environment & Regulatory Services	15,850	15,815	16,200	385	2.4	A
Highways & Transport	7,636	7,670	7,611	-59	-0.8	G
Planning & Housing	967	967	967	0	0.0	G
Total Environment & Sustainable Communities	25,246	25,246	25,572	326	1.3	G
Public Health						
Shared Service Public Health	906	906	906	0	0.0	G
Public Health	-906	-906	-906	0	0.0	G
Total Public Health	0	0	0	0	0.0	G
ALL SERVICE TOTALS	126,662	126,640	127,598	959	0.8	G
Corporate Budgets						
Capital financing	4,619	4,619	4,619	0	0.0	G
Contingency	1,000	1,000	1,000	0	0.0	G
Other Corporate Budgets	-9,420	-9,398	-9,330	68	-0.7	G
Pensions (Past Service)	5,482	5,482	5,428	-54	-1.0	G
Total Corporate Budgets	1,681	1,703	1,717	14	0.8	G
TOTAL	128,342	128,342	129,315	973	0.8	G