

Budget Management Update

Cabinet

Date: 12th July 2017

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Corporate Director for Resources and Transformation

Wards: All

Parishes Affected: All

1. Purpose and Reasons

- 1.1 This report presents the 2017-18 revenue budget forecast out-turn and a capital programme update.
- 1.2 The effective management of financial resources through robust financial management processes underpins the Council's ability to achieve its plans and priorities.
- 1.3 Responsible budget management underpins the Council's strategic objective of consistently making the best use of all available resources.

2. Recommendations

Cabinet is recommended to:

- 2.1 Note the projected revenue budget out-turn position for 2017-18 set out in Table 1 and Appendix 1;
- 2.2 Approve the use of the budget risk contingency of £4.183m to mitigate the projected shortfall arising on the high risk savings proposals;
- 2.3 Approve the virements set out in Appendix 2; and
- 2.4 Approve the use of the capital reserve to meet the infrastructure costs of establishing the new libraries operating model as set out in paragraphs 3.12 and 3.13

3. Detail

2017-18 Projected Revenue Out-turn

- 3.1 It is forecast that unless mitigating actions are undertaken, the Council's overall budget would be overspent by £5.6m for the financial year. Details of the steps the Council is taking to reduce the overspend will be reported to subsequent Cabinet meetings.
- 3.2 The budget and projected out-turn by Department is set out in Table 1 below, with a more detailed analysis is set out in Appendix 1.

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Table 1 – Projected Out-turn By Department

Department	Budget 2016/17 £'000	Full-Year Projected Outturn £'000	Projected Variance £'000
Adult Services	82,201	82,531	150
Children Services	28,970	29,477	507
Communities and Place	27,627	28,157	530
Economy	(2,047)	(1,997)	50
Resources	23,688	23,688	0
Corporate	(23,975)	(19,569)	4,406
Total General Fund	136,464	142,107	5,643

- 3.3 This position reflects the current status of budget proposals set out in Table 2 below that were identified as high risk in the Council's budget report, approved by Full Council in February 2017 (Council Minute 87(1), 2016-17 refers).
- 3.4 These savings were identified as high risk, reflecting both the inherent complexity of the proposals and the progress of the actions needed to deliver the savings. A budget risk contingency budget of £4.183m was therefore established to manage these risks.

Table 2 – Status of Key Budget Risks

Proposal	Saving £m	Achieved to date £'000	Value at Risk £'000	Comment
Procurement	500	0	500	Work is underway to identify saving opportunities in addition to those built in to service budget proposals.
Digitisation	500	57	443	Proposals are being developed; however, there is a lead-in time to the delivery of this type of saving.
Small scale housing development	3,000	290	2,710	This reflects inherent risks around timing of delivery.
Headcount reduction	1,500	747	753	A part-year saving achieved from first phase of the headcount reduction programme.
Projected Shortfall			4,406	

Further information on the subject of this report can be obtained from Mick Bowden, Direct Dial 07392 109917, or e-mail MBowden@swindon.gov.uk.

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- 3.5 It is recommended that Cabinet approve the release of the budget risk contingency to mitigate this pressure. This would result in a residual forecast overspend of £1.460m. Officers will continue to identify actions to manage this position within the overall approved budget and provide an update on progress at the next Cabinet meeting.
- 3.6 The other significant variances are:
- 3.6.1 Increased number of applications to court for care orders to protect children leading to extra legal costs and also leading to the granting of more special Guardianships orders which have associated costs for payments to carers -- £499k;
 - 3.6.2 An unexpected increase in demand for support for people with physical disabilities following the transfer of clients who were previously funded by Health and whose condition has improved to the point where they no longer require intensive health input £236k;
 - 3.6.3 As reported to Cabinet in April 2017, the introduction of the Flexible Homeless Support Grant in place of an administration fee on private sector leasing properties has led to a reduction in funding to the Council of £446k. The decision by Cabinet to approve a £17m housing acquisition programme will seek to reduce this pressure in the longer term, by reducing the reliance on temporary accommodation. (Cabinet Minute 118(1), 2016-17 refers).
 - 3.6.4 Since the migration of housing benefit clients to Universal Credit there has been a reduction in the level of rental income collected therefore a pressure of £84k is forecast.

Budget Risks

- 3.7 This report is based on the first budget monitoring report of the financial year. At this stage there is evidence of pressures emerging on the looked after children placements budget. A detailed review is currently being undertaken of the commitments against this budget and the outcome of this will form the basis of the next monitoring forecast.

Housing Revenue Account (HRA)

- 3.8 HRA Budget Managers are currently forecasting an overspend of £571k as at the end of May 2017.
- 3.9 The key variance relates to anticipated pressures on the capital financing side of the HRA. The contribution to capital costs is expected to be £17m, £500k above the budget set due to increased levels of capital spend and a rise in property
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values at the end of 2016/17. In addition, the rent arrears increased in the last quarter of 2016/17 and, based on this trend, it is likely that a further £100k will be required to increase the provision for bad debts. These pressures have been partially offset by £47k increased income on investments.

Dedicated Schools Grant

3.10 The Dedicated Schools Grant (DSG) is projected to be £142k above budget.

3.11 The main pressures are due to:

3.11.1 A decrease in the amount of DSG funding as the Education and Skills Funding Agency (ESFA) will pay for some of Swindon Borough Council's post-16 out of borough placements directly.

3.11.2 There has also been an increase in demand for external placements of £105k, partially offset by the High Needs Contingency of £65k which was retained to cover emerging pressures.

Capital Programme Update

3.12 As part of the new operating model for the five council operated libraries the Council is investing £260k in:

3.12.1 Building and electrical works to secure areas of the buildings outside of staffed hours for example shutters and appropriate units to protect valuable assets and

3.12.2 The technology to allow access for the public to the five sites outside of the staffed periods.

3.13 The funding for this work is currently within capital reserves on the balance sheet and Cabinet is asked formally to approve the use of this to fund the capital programme.

4. Alternative Options

4.1 Cabinet could determine not to allocate the contingency funding. However given the status of the high risk budget savings it is considered appropriate to allocate the contingency budget established for this purpose.

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

5.1 The report recommends the use of the full amount of the budget risk contingency of £4.183m to mitigate the projected outturn. This would reduce the projected revenue overspend to £1.460m, pending the implementation of further actions to manage the position. As this would fully utilise the contingency the Council's

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ability to absorb any future pressures elsewhere in the revenue budget during 2017/18 would be removed.

Legal and Human Rights Implications

- 5.2 All legal and human rights considerations have been taken fully into account in compiling this report. It is considered that the recommendations of this report are compatible with Convention rights.

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 5.3 There are no such direct implications.

Diversity Impact Assessment

- 5.4 A Diversity Impact Assessment (DIA) has not been done as this report does not make any new recommendations that would affect service delivery.

Risk Management

- 5.5 None other than those highlighted in the body of the report.

6. Consultees

- 6.1 The Director of Finance (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

7. Background Papers

- 7.1 None

8. Appendices

- 8.1 Appendix 1 – Forecast Out-turn by Directorate 2017/18.
8.2 Appendix 2 – Proposed Budget Virements

9. Key Decision/Decision in Cabinet Work Programme

- 9.1 This is not a Key Decision and is included in the Cabinet Work Programme for July 2017.