

**Name of meeting:** Corporate Scrutiny Panel  
**Date:** 19 April 2018  
**Title of report:** Financial Monitoring

## **Purpose of report**

High level overview of the Council's financial monitoring, incorporating the current position in 2017-18 and 2018-20 approved budget key highlights.

### **1. Current year financial monitoring position ; 2017-18**

- 1.1 The most recent quarterly financial monitoring report to Cabinet (Quarter 3) on 20<sup>th</sup> February 2018, set out the overall financial monitoring position for revenue and capital.

#### **Revenue**

- 1.2 Appendix 1 attached sets out the overall forecast position across key general fund revenue activity, as at Quarter 3. The general fund net revenue budget is **£308m**, and includes **£54m** planned savings in-year, in order to deliver to this budget.
- 1.3 Forecast spend as at quarter 3 was within the budget set, with a relatively small overall **underspend of £3.3m** (equivalent to just **1.1%** of net budget).
- 1.4 The Collection Fund, which accounts for Council business rates and council tax income and expenditure, shows a forecast **in-year surplus of £2.5m** (equivalent to about 1% of overall annual business rates and council tax income of £217m).
- 1.5 The Housing Revenue Account (HRA), which separate accounts for income and expenditure relating to landlord services to Council Tenants, reflects a **small surplus of £411k** (equivalent to just **0.4%**) against annual turnover of **£93m**.
- 1.6 Within the overall underspend, there are some significant overspend areas, in particular £6.2m specifically in Children and Families; mainly agency costs and external placements.
- 1.7 There is an underlying pressure on Special Educational Needs & Disabilities spend within Learning and Skills, in excess of £4m current year. There is external funding from Government to pay for these services, through the High Needs block of the Dedicated Schools Grant. However, spend pressures on service are in excess of the grant funding available. Grant conditions enable any funding deficit to be rolled forward providing there is a medium term plan to address these pressures.
- 1.8 There is a projected underspend on Adults & Health of £4m. This is net of the £5.7m additional Better Care Funding allocation from Government, announced as part of the Spring 2017 budget and released into service budget, in-year.
- 1.9 Elsewhere, there were net forecast underspends across Economy & Infrastructure at £2.1m, Corporate Services at £1.5m and Central Budgets at £1.9m.
- 1.10 The key issues highlighted at Quarter 3 monitoring were also in view as part of Quarter one and two monitoring, and where appropriate have been taken into consideration in the formulation of Council approved budget plans for 2018-20.

## Capital

1.11 The overall Capital Plan forecast as at Quarter 3 is summarised below :

By Category	Revised Budget £000	Annual forecast £000	Variance £000
<b>Strategic Priorities</b>	33,954	11,544	(22,410)
<b>Baseline</b>	55,297	42,098	(13,199)
<b>Risks &amp; Pressures</b>	2,500	0	(2,500)
<b>General Fund</b>	<b>91,751</b>	<b>53,642</b>	<b>(38,109)</b>
<b>Strategic Priorities</b>	4,153	915	(3,238)
<b>Baseline</b>	15,869	13,674	(2,195)
<b>Housing Revenue Account</b>	<b>20,022</b>	<b>14,589</b>	<b>(5,433)</b>
<b>Total</b>	<b>111,773</b>	<b>68,231</b>	<b>(43,542)</b>

1.12 Strategic priorities includes slippage on HD-One development (£9m) and new North primary school (£43m) into 2018-19, and the re-phasing of HRA new build schemes (£3m). Also, the Kirklees College revolving credit facility was not required (£6m).

1.13 Baseline underspend includes risks and pressures (£2.5m), slippage on integrated transport schemes (£2m), learning & early support (£2.5m), and economy & regeneration (£3.8m).

## Revenue Reserves

1.14 The Table below summarises the Council's forecast year end general fund reserves position as at Quarter 3 monitoring :

	As at 1st April 2017	Reserves supporting 2017-18 MTFP	Other Planned drawdown in-year	Forecasted Reserves Position as at 31st March 2018
	£'000	£'000	£'000	£'000
<b>Statutory (School Reserves)</b>	(11,852)		2,090	(9,762)
<b>Earmarked</b>				
<b>Financial Resilience Reserves</b>	(28,046)	-	-	(28,046)
<b>Earmarked (Other)</b>	(39,494)	7,700	10,990	(20,804)
<b>Sub-Total</b>	<b>(67,540)</b>	<b>7,700</b>	<b>10,990</b>	<b>(48,850)</b>
<b>General Balances</b>	(10,718)	3,485	-	(7,233)
<b>Grand Total</b>	<b>(90,110)</b>	<b>11,185</b>	<b>13,080</b>	<b>(65,845)</b>

1.15 In-year use of reserves includes £11.2m approved draw-down to help deliver an overall balanced budget in 2017-18.

- 1.16 In addition to the above, forecast HRA revenue reserves are £55m; (an increase of £3m in-year).

### **Final Accounts process 2017-18**

- 1.17 The Council's financial outturn position for 2017-18 is currently in the process of being finalised, and will be reported in more detail, along with any capital and revenue considerations, to Cabinet and Council through June and July 2018. This includes taking into account proposals contained within the early closedown review report 2017-18, to Cabinet on 17 April, looking at flexible capital funding opportunities to release revenue resources, as part of the final accounts process.

## **2. Approved budget 2018-20**

- 2.1 The Council's summary general fund revenue budget is summarised below :

<b>Summary general fund revenue position 2018-20</b>	<b>MTFP 2018-19 £000</b>	<b>MTFP 2019-20 £000</b>
Funding available 17-21 MTFP	<b>(281,171)</b>	<b>(276,756)</b>
Funding Adjustments	(10,056)	(7,465)
<b>Funding Available (18-20 MTFP)</b>	<b>(291,227)</b>	<b>(284,221)</b>
Spending plans 17-21 MTFP (before savings)	291,078	285,965
Net Spending adjustments	16,267	27,654
Existing savings (rolled forward from 17-21 MTFP)	(11,058)	(20,955)
New Savings (18-20 MTFP)	(5,060)	(8,443)
<b>Spending Plans (18-20 MTFP)</b>	<b>291,227</b>	<b>284,221</b>

- 2.2 The approved budget plans 2018-20, in very broad terms, take into account a number of key issues and developments.
- 2.3 The Children & families budget has been re-shaped and re-aligned to the Children Improvement plan. This includes factoring in existing pressures, a review of previously assumed savings deliverability, and new savings proposals.
- 2.4 Adult Social Care budgets reflect demand led growth; in particular for Learning Disabilities, Older People demographics and external contractor cost pressures (national Living wage uplift). These have been funded through a combination of the Adult Social Care Precept annual uplift, additional Better Care Funding and some base budget growth.
- 2.5 A further £2.8m has been earmarked to support a range of further measures to support social care in 2018-19 (as reported to Cabinet on 20<sup>th</sup> March). This will be funded from 'one-off' sources in 2018-19 only; adult social care grant at £1.2m, and a further anticipated benefit of £1.6m from participation in the Leeds City Region business rates pilot in 2018-19.

- 2.6 The approved budget plans also reflect a significant amount of investment across a range of Economy & Infrastructure activity. These include measures around town centre vibrancy (includes £45m capital investment), and other capital investment including the £25m Property Investment Fund, the sports facility for north Kirklees, and investment in increased affordable housing, including specialist provision.
- 2.7 Across a range of corporate service activity, budget plans include proposals for continued efficiencies, including cross-cutting initiatives, plus a review of corporate capacity requirements in some key areas. Budget plans have also taken into account the outcome of the democracy commission review, reversing some previous savings.
- 2.8 There has also been some revenue investment for priority proposals including new investment in town centres and villages, and volunteering/community capacity.
- 2.9 Other key budget headline include headline 5.99% Council Tax increase (includes 3% adult social care precept), headline 2% staff pay award, and a technical treasury management policy change, releasing £9m revenue resources annually over the next 10 years. Initial budget approval to release these resources into reserves over 2018-20 period.

### **3. Looking further ahead**

- 3.1 There is current uncertainty on the national funding position for local government beyond 2020. Government comprehensive Spending Review announcement expected late 2019 to give general direction of travel.
- 3.2 There is a forthcoming Government green paper containing proposals to reform the funding of care and support for older people (no later than Summer 2018).
- 3.3 Proposed 75% business rates retention scheme from 2020-21 onwards, but with a potential significant baseline re-distribution of resources between Councils; subject to forthcoming fair funding review of needs and resources.
- 3.4 The Council's financial strategy as set out in its approved budget plans is underpinned by the need to strengthen its financial resilience over the medium to longer term.

Corporate Revenue Budget Monitoring 2017/18 – Quarter 3								
	Year To Date			Annual				
Strategic Director portfolio responsibilities	Controllable Budget (Net)	Actuals	Variance	Controllable Budget (Net)	Planned use of reserves	Revised Budget	Forecast	Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Child Protection & Family Support	38,834	42,728	3,894	48,708	719	49,427	54,765	5,338
Learning , Early Support & Schools	28,422	25,857	(2,565)	18,410	2,486	20,896	21,669	773
Quality, Assurance, Standards & Safeguarding	815	831	16	736	230	966	1,060	94
<b>Sub Total (Children &amp; Families)</b>	68,071	69,416	1,345	67,854	3,435	71,289	77,494	6,205
Adults Social Care Operations	31,278	24,095	(7,183)	47,522	348	47,870	41,493	(6,377)
Policy, Intelligence & Public Health	(3,118)	(3,468)	(350)	2,189	450	2,639	2,278	(361)
Quality, Assurance, Standards & Safeguarding	1,092	1,037	(55)	1,440	-	1,440	1,474	34
Service Integration	43,075	43,079	4	57,416	56	57,472	60,124	2,652
<b>Sub Total (Adults &amp; Health)</b>	72,327	64,743	(7,584)	108,567	854	109,421	105,369	(4,052)
Economy, Regeneration & Culture	7,557	6,182	(1,375)	8,610	1,031	9,641	8,267	(1,374)
Commercial, Regulatory & Operational	21,543	20,155	(1,388)	32,434	95	32,529	31,826	(703)
<b>Sub-Total (Economy &amp; Infrastructure)</b>	29,100	26,337	(2,763)	41,044	1,126	42,170	40,093	(2,077)
Finance & Transactional Services	64,694	64,567	(127)	23,232	331	23,563	22,821	(742)
Governance & Commissioning	1,740	1,883	143	2,004	60	2,064	2,206	142
Office of the Chief Executive	14,520	13,847	(673)	13,671	3,774	17,445	16,506	(939)
<b>Sub-Total (Corporate Services)</b>	80,954	80,307	(647)	38,907	4,165	43,072	41,533	(1,539)
Central Budgets	17,860	16,476	(1,384)	38,314	3,500	41,815	39,960	(1,855)
<b>General Fund Total</b>	268,312	257,279	(11,033)	294,687	13,080	307,767	304,449	(3,318)