

Name of meeting: Corporate Scrutiny Panel
Date: 29 November 2018
Title of report: Financial Management Update 2018-19

Purpose of report

High level overview of Quarter 2 financial monitoring reported to Cabinet on 13 November, and current budget progress

Key decision – is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	Yes
Key decision - is it in the Council's Forward Plan (key decisions and private reports) ?	Key decision - Yes
The Decision - Is it eligible for “call in” by Scrutiny ?	No
Date signed off by Strategic Director & name	Jacqui Gedman, xx November 2018
Is it also signed off by the Service Director for Finance	Eamonn Croston, 13 November 2018
Is it also signed off by the Service Director – Legal, Governance & Commissioning ?	N/A
Cabinet member portfolio - Corporate	Cllr Graham Turner

Electoral [wards](#) affected: All

Ward Councillors consulted: All

Public or private: Public

1. Summary

Quarter 2 Financial Monitoring

1.1 Key highlights from quarter 2 financial monitoring report (detailed report attached to this covering report for reference) are summarised below :

- i) General Fund year end forecast ; £4.8m overspend v revised budget of £290.8m ; equivalent to 1.6% variance overall;

- ii) Marginal adverse shift compared to Quarter 1 forecast overspend of £4.4m by £400k;
 - iii) Anticipated that overall variance will start to reduce over latter part of the year;
 - iv) Good progress against planned savings; anticipated delivery of £12.6m against £16.2m planned saving requirement in-year (78%) ; balance of planned savings not achieved includes deferred timing of out of district external placements savings at £1.1m; pressures on schools transport at £1.6m; car parking at £0.3m
 - v) Planned overspend on high needs at £7.9m, offset in part by release of £5m unallocated MRP budget in-year;
 - vi) Proposals to allocate the in-year £1.85m winter pressures monies also set out in the report for member approval; Quarter 2 forecast reflects release of £0.9m at this stage to offset net residential pressures (older people);
 - vii) General fund reserves year end forecast broadly in line with budget strategy update report – includes £37m available financial resilience reserves;
 - viii) Collection Fund reflects small surplus forecast of £0.8m by year end; mainly reflects release of appeals provision not required (against the 2015 rating list);
 - ix) HRA forecast surplus £0.9m; mainly reflects downward adjustment to bad debt provision requirement and anticipated scale of Universal Credit rollout not materialising;
 - x) Capital Plan; £12m forecast underspend against £101m revised capital budget. Anticipated that there will be further slippage by year end. Further slippage anticipated to year end.
- 1.2 Overall Quarter 2 forecasts represent no surprises compared to Quarter 1 and all key issues have been picked up already and fed into the budget strategy update report; other than the winter pressures funding announcement, which is new.

Budget Progress

2018 Autumn Budget - Key Headlines

- 1.3 The following bullet points set out the key headlines from the 29 October Autumn Budget 2018 :
- i) £240m winter pressures monies in 2018-19; similar amount also confirmed for 2019-20; Kirklees share £1.85m per annum; the 19-20 MTFP allocation was not anticipated in the budget strategy update report;
 - ii) £410m additional grant funding for social services in 2019-20 (children and adults); detail awaited re basis of the distribution to Councils ; Kirklees share anticipated to be in the region of £3m ; £1.2m of this anticipated in the budget strategy update report;

- iii) £84m over 5 years on children's social care improvement but specific to 20 Councils only (not named). Not anticipated that Kirklees would be one of them.
 - iv) Extra £45m for Disabled Facilities Grant in 2018-19; anticipated Kirklees share is about £350k ;
 - v) Extra £450m in 2018-19 for potholes; Kirklees share now confirmed by Department for Transport at £2.7m, and will be released through the West Yorkshire Combined Authority as a supplementary Local Transport Plan capital funding enhancement. Indications are that it must be spent by 31 March 2019 but detailed Government guidance to follow;
 - vi) Schools; £475m 2018-19; in-year increase in capital funding; £10k per primary school, £50k per secondary school
 - vii) Business Rates to be reduced by one-third for retail properties with an Rateable Value below £51k, benefiting upto 90% of retail properties, for 2 years; Councils to be compensated through Government (Section 31) grants. Government has set aside £490m annually for this nationally, from 2019-20 onwards.
 - viii) £657m national pot to help Councils manage the changing pressures on the local high street; £65m is revenue, and £592m is capital, spread over 5 yrs. More detail to follow on how it will be allocated/bid for.
 - ix) National Living Wage uplift 4.9% in 19-20 (4.6% assumed in budget strategy update report - potential further pressure of upto £0.5m)
 - x) £2m of the extra £20.5bn for NHS over 2020-25, on mental health services
 - xi) Provisional financial settlement announcement for 2019-20, pencilled in for 6 December – will clarify the detail on some of the above headline allocations at an individual local authority level;
 - xii) No mention of any potential changes to current referendum threshold for Council Tax (currently 2.99% for 2019-20)
- 1.4 The above funding 'add backs' needs to be put into context of the £1.4billion and £1.3billion of existing Local Government funding cuts in Revenue Support Grant in 2018-19 and 2019-20 respectively.
- 1.5 The Autumn Budget announcement also re-affirmed that longer term decisions on Local Gov't funding will be made in the 2019 spending review.
- 1.6 The funding implications set out in the Autumn Budget announcement will be built into forthcoming budget proposals as appropriate; in particular those relating to Social Care funding. In-year (2018-19) additional one-off funding will also be incorporated into current year budget plans and forecasts, and reported as part of Quarter 3 financial monitoring.

Budget Consultation

- 1.7 As set out previously in the Council Budget Strategy Update report presented to Council on 11 October 2018, The Council's overall budget planning framework includes consideration of wider engagement and timetabling on stakeholder views on high level priorities in resource allocation. This has been timetabled for a 6 week period to the end of December 2018, and asks people and businesses to describe their priorities for spending the money we have available. The link to the Council's budget simulator is shown below.

<https://kirklees.budgetsimulator.com/>

- 1.8 Stakeholder views on emerging HRA budget proposals will be considered through the relevant Council Tenant stakeholder forums.
- 1.9 In addition, there may be a requirement for more detailed service consultations, led by the relevant services, on specific service budget proposals. These will engage service users as early as possible, and target the groups most likely to be affected.
- 1.10 There is also on-going engagement with the business and voluntary and community sectors.
- 1.11 Key budget proposals include accompanying evidence available to members, namely officer led equalities impact assessments, which are undertaken annually and reviewed and updated as appropriate, on a range of budget proposals. These are also made available on the Council's website, in a timely way. This purpose of the assessments is to ensure that decision makers have due regard to the Council's equalities duties on key decisions.

2. Information required to take a decision

- 2.1 Attached to this covering report is the Quarter 2 financial monitoring report 2018-19 presented to Cabinet on 13th November 2018. This report sets out current in-year financial monitoring forecasts across General Fund Revenue, Council revenue reserves, Housing Revenue Account, Collection Fund and Capital Plan.
- 2.2 The central government website link that sets out the detail of the Autumn Budget announcement is included below for information :

[autumn budget announcement 2018](#)

3. Implications for the Council

- 3.1 Effective financial management supports the overall delivery of the following Council objectives and Priorities within available resources:
- i) Early Intervention and Prevention (EIP)
 - ii) Economic Resilience (ER)
 - iii) Improving Outcomes for Children
 - iv) Reducing demand of services

4. Consultees and their opinions

- 4.1 Quarter 2 financial monitoring report was reported to Cabinet on 13 November, and the key highlights from the 29 October Autumn Budget announcement presented to Leadership Management Team (Cabinet Members and Council Strategic Directors group).

5. Next Steps

- 5.1 The Council's Chief Finance Officer (& Service Director, Finance) will co-ordinate the development of draft budget proposals and options, and supporting budget documentation within the budget framework.
- 5.2 Cabinet will bring forward detailed budget proposals in the new year, for consideration at Budget Council on 13 February 2019.

6. Officer recommendations and reasons

Scrutiny Panel are asked to note Quarter 2 financial monitoring as reported, alongside progress on the budget, and consider any issues, challenges, risks or opportunities arising from these and impacts on the overall financial management of the Council; both short and longer term.

7. Cabinet portfolio holder's recommendations

N/A

8. Contact Officer

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9. Background papers and History of Decisions

Annual budget report 2018-20

Government Financial Settlement 2018-19

Technical Consultation – 2019-20 Local Government Finance Settlement

Annual financial outturn and rollover report 2018-19

Financial monitoring report 2018-19; Quarter 2

Autumn Budget announcement 29 October 2018

10. Service Director responsible

Eamonn Croston, Service Director, Finance

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