



Confident Capable Council Scrutiny Panel

3 December 2014

Report title	Budget Update and Review	
Cabinet member with lead responsibility	Councillor Andrew Johnson Resources	
Wards affected	All	
Accountable director	Keith Ireland, Managing Director	
Originating service	Strategic Financial Services	
Accountable employee(s)	Mark Taylor	Assistant Director Finance
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Report to be/has been considered by		

Recommendation(s) for action or decision:

The Panel is recommended to:

1. Consider the arrangements for:
 - a. Ensuring adequate identification and management of budget risks;
 - b. Budget planning and forecasting for future years.

1.0 Purpose

- 1.1 To bring to the Panel's attention, information about the Council's finances that has recently been reported to the Cabinet and Cabinet (Resources) Panel, including:

Reports relating to the Council's Budget and Medium Term Financial Strategy

- The Council's forecast General Fund budget and savings requirements for 2015/16 and beyond.

Reports relating to Monitoring of the Council's 2014/15 Budgets

- The forecast outturn position for 2014/15 against revenue budgets as at quarter two.

2.0 Background

- 2.1 As set out in the Confident Capable Council Scrutiny Panel workplan, regular updates on the budget and medium term financial strategy will be received throughout the year. This is the second report of this nature during 2014/15.
- 2.2 Reports focussing on the Council's finances have been received by Cabinet and Cabinet (Resources) Panel as set out below:

Cabinet, 22 October 2014

- 2015/16 Budget and Medium Term Financial Strategy 2015/16 – 2018/19.

Cabinet (Resources) Panel, 11 November 2014

- Revenue Budget Monitoring 2014/15 – Quarter Two.

In order to minimise printing costs, the Panel Chair has agreed that full versions of the reports will not be circulated again - however it is recommended that Panel members review the reports ahead of the meeting, and are requested to please bring the full versions that were circulated with the relevant Cabinet and Cabinet (Resources) Panel agenda papers to this meeting. Summaries from the relevant reports are also included at 3.0 and 4.0 below.

3.0 2015/16 Budget and Medium Term Financial Strategy 2015/16 – 2018/19

- 3.1 The Cabinet report of 22 October (available via this [link](#)) made reference to the budget strategy approved by Council in March 2014, which includes the following:
- That a minimum of £25 million of additional savings for 2015/16 should be identified and reported to Cabinet in June 2014, in order to demonstrate that a balanced budget can be achieved and that general reserves can be partially replenished.
 - That additional savings for 2014/15 should be identified and reported to Cabinet in June 2014 and then Council in July 2014 in order to revise the 2014/15 budget and reduce the call on general reserves.

- That a further £35 million of additional savings should be identified, taking the total additional savings to be identified to £60 million, in order to address the projected budget deficit over the medium term to 2018/19.

3.2 Substantial progress against this strategy was reported to Cabinet in June 2014 and work has continued to ensure that savings targets agreed are achieved. Table 1 below set out the position against the target at June 2014 and the current position:

Table 1 – Overarching savings strategy

Directorate	June Target	June Identified	Revised Target	October Identified	Difference
	£m	£m	£m	£m	£m
Community	17.0	15.3	15.0	15.0	0.0
Education & Enterprise	1.5	0.7	1.9	1.9	0.0
Delivery (inc. Corporate)	4.0	2.1	7.7	9.8	2.1
Office of the Chief Executive	0.2	0.0	0.4	0.4	0.0
To be allocated	2.3	0.0	0.0	0.0	0.0
Total	25.0	18.1	25.0	27.1	2.1

- 3.3 The June target of £25.0 million included £2.3 million of savings yet to be allocated. The entire £25.0 million target has now been allocated and, in addition, £2.0 million that was originally allocated to the Community directorate for 2015/16 has been deferred to be a 2016/17 target.
- 3.4 The significant additional work that has been undertaken since June has resulted in the identification of a total of £9.0 million of additional savings proposals bringing the total to £27.1 million. There has been a further £2.0 million identified to meet the additional deferred Community directorate target referred to above.
- 3.5 The assumptions and projections underlying the MTFs have been reviewed and adjusted where necessary. This review has resulted in adjustments to income from government grant income, expenditure and historic savings proposals. The impact of the 2013/14 outturn as reported to Cabinet (Resources) Panel in July 2014 has also been incorporated in the revised projections. The cumulative impact on the projected deficit is shown in Table 2 below.
- 3.6 While this represents progress against the Council's agreed budget strategy, work will continue to deliver the agreed strategy to address the projected budget deficit; namely to identify a further £35 million of savings for 2016/17. The projected position after taking account of the savings that are identified and amendments to the MTFs projections is summarised in Table 2 below:

Table 2 – Projected remaining budget deficit

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Projected remaining budget deficit (cumulative)	(11,827)	(21,261)	(32,894)	(50,541)	(59,190)
Savings proposals identified	1,885	25,169	4,716	(1,015)	(765)
MTFS Adjustments	0	(8,889)	(2,416)	(3,209)	547
Revised projected remaining budget deficit (cumulative)	(9,942)	(3,096)	(12,429)	(27,882)	(36,749)

- 3.7 Table 3 below sets out the projected uncommitted General Fund balance after taking account of the savings identified to date and the revised MTFS assumptions and projections:

Table 3 – Projected uncommitted General Fund balance

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Projected surplus (deficit) as at March 2014	4,512	(16,749)	(49,683)	(100,184)	(159,374)
Cumulative effect of savings proposals identified	1,885	28,939	60,709	91,514	121,554
Cumulative effect of MTFS adjustments	7,548	(1,341)	(12,646)	(20,742)	(28,291)
Revised projected surplus (deficit)	13,945	10,849	(1,620)	(29,462)	(66,211)
Shortfall against £10 million minimum	-	-	11,620	39,462	76,211

- 3.8 As can be seen, whilst the savings proposals identified are sufficient to rebuild general reserves to the minimum £10 million level in 2015/16, work must continue in order to avoid exhausting general fund balances in 2016/17.
- 3.9 In order to support the savings programme in rebuilding general reserves it is proposed that expenditure during the remainder of 2014/15 be restricted to that which is essential to enable the Council to undertake its planned level of services.
- 3.10 It should also be noted that the projected general fund balance is subject to change as a result of any variations in the outturn for 2014/15. These will continue to be monitored on a quarterly basis and the projections updated where necessary.
- 3.11 It is proposed that the 2015/16 budget and medium term financial strategy 2015/16 - 2018/19 (MTFS) and incorporating the savings and MTFS adjustments are approved as the basis for the 2015/16 budget consultation.

3.12 It is proposed that authority be delegated to the Cabinet Member for Resources in consultation with the Assistant Director Finance to approve the final budget consultation arrangements.

4.0 Revenue Budget Monitoring 2014/15 – Quarter Two

4.1 The Cabinet (Resources) Panel report of 11 November (available via this [link](#)) states that an overall net over spend of £3.3 million (1.32%) is projected against the General Fund net budget requirement of £247.8 million.

4.2 The Council continues to be faced with a challenging projected financial position over the medium term, and significant savings are required in order to achieve a robust financial position. An update to the Medium Term Financial Strategy presented to Cabinet on 22 October 2014, detailed the current projections and the remaining projected budget deficit, after savings identified to date, of £37 million. This projection was based upon the outturn position forecast in the Quarter One Revenue Budget Monitoring Report adjusted for the £2.5 million additional redundancy cost shown above in Corporate Budgets.

4.3 The budget shown in the report reflects the acceleration of existing and additional 2014/15 savings proposals equating to £1.7 million approved by Cabinet on 25 June. These savings will reduce the call on general fund reserves this financial year.

4.4 In order to support the savings programme in rebuilding general reserves it is proposed that expenditure during the remainder of 2014/15 be restricted to that which is essential to enable the Council to undertake its planned level of services.

4.5 Schools have submitted budget plans, approved by governing bodies, for the current financial year which show a reduction in end of year balances. They forecast that schools will use £7.1 million of reserves and that they will end the year with balances of approximately £8.9 million. Plans are currently being revised and an update will be reported to a future meeting of Cabinet (Resources) Panel.

4.6 An update on the General Fund budget risks is provided in the report. Overall the risk for 2014/15 is currently assessed as amber.

4.7 It is important to note that projected redundancy costs of £7.5 million are included in the forecast outturn, and will be funded by a contribution from the Efficiency Reserve. The projected costs are subject to change dependent upon the actual redundancies approved by year end.

4.8 In accordance with the Council's financial procedures rules, all virements in excess of £50,000, or those that result in a transfer between Employees and Other Controllable Expenditure headings, require the approval of this panel. There is one virement that requires approval during this quarter.

4.9 The most significant factors contributing towards the projected overspend against the budget are reported in more detail on a service-by-service basis in the report.

5.0 Financial Implications

5.1 These are detailed within the reports to Cabinet and Cabinet (Resources) Panel.

[RT/18112014/D]

6.0 Legal Implications

6.1 These are detailed within the reports to Cabinet and Cabinet (Resources) Panel.

[RB/20112014/B]

7.0 Equalities Implications

7.1 These are detailed within the reports to Cabinet and Cabinet (Resources) Panel.

8.0 Environmental Implications

8.1 These are detailed within the reports to Cabinet and Cabinet (Resources) Panel.

9.0 Schedule of Background Papers

9.1 2015/16 Budget and Medium Term Financial Strategy 2015/16 – 2018/19, reported to Cabinet 22 October 2014.

Revenue Budget Monitoring 2014/15 – Quarter Two, reported to Cabinet (Resources) Panel 11 November 2014.