

Report to Cabinet



Date of Meeting	30th July 2019
Portfolio	Leader of the Council and Cabinet Member for Finance
Report Author	Stuart Smith (Resources Directorate)
Public/Private Document	Public

Finance Update Report 2019/20

Executive Summary

To inform Cabinet and the Corporate Overview and Scrutiny Committee on the Council's forecast 2019/20 financial position as at the end of May 2019.

1.1 The Finance Update Report contains detail of the following:

- Capital spend is forecast to be in line with budget after approved rephasing in Economy of £3.500m.
- The forecast Revenue position is a pressure of £4.805m.
- Savings of £0.135m are forecast to be achieved, as part of the Revenue budget.
- Forecast 2019/20 Collection Fund surplus position of £1.345m.

1.2 Effective financial management is essential if the Council is to keep spending within available resources. It is vital that services make adjustments in spending to ensure that they spend in line with the approved budget.

Recommendation

2.1 The forecast 2019/20 budget positions for Capital, Revenue, Savings and the Collection Fund as at the end of May 2019 are noted.

2.2 To note the capital scheme changes shown in section 4.1.2.

2.3 Cabinet note the approved rephasing request detailed in 4.1.3.

2.4 Cabinet approve the proposed virement detailed in 4.1.4.

2.5 Approval is given to the Revenue Budget Pressure Fund requests detailed in 4.2.4.

Reason for Recommendation

3.1. Cabinet Members should be kept updated on the financial position of the authority, as effective budget management is critical to ensuring the financial resources are spent in line with the budget and are targeted towards the Council's priorities. Monitoring enables the early identification of variations against the plan and facilitates timely corrective action.

This report provides an overview of the forecast 2019/20 financial position for the Council and focuses on the position as at the end of May 2019. A further detailed report will be provided at 1st October Cabinet.

Key Points for Consideration

4.1 Capital Budget 2019/20

The current 2019/20 Capital Budget is £134.887m. The table below shows a summary of the movements:

	2019/20	2020/21	2021/22
	£m	£m	£m
Base Budget as per Budget Council February 2019	84.730	56.979	26.430
Budget Changes	-	-	-
Approved Balance brought forward from prior years	50.574	3.606	-
Revised allocation	3.083	-	-
Rephasing Identified at the end of May 2019	(3.500)	-	-
CAPITAL BUDGET MAY 2019	134.887	60.585	26.430

4.1.1 Brought Forward Budget

Services budgets brought forward from previous years which are greater than £1m are detailed in the table below:

Directorate	Scheme	Rephasing of > £1m from Previous Years £m	Funding Method
Neighbourhoods	Vehicle Replacement Programme	1.191	Borrowing
Neighbourhoods	Section 106	1.294	External Funding
Children's	Devolved Formula Capital	1.146	External Funding
Children's	Schools capital condition	2.751	External Funding
Children's	New Place Planning	8.676	External Funding
Economy	Asset Development Fund	1.921	Capital Receipts
Economy	River Roch Flood Storage	3.157	Borrowing
Economy	Town Centre Schemes	6.887	Borrowing
Economy	Heywood South Junction 19	1.500	Capital Receipts
Economy	Property Growth Fund	14.286	Invest to Save
	TOTAL	42.808	

4.1.2 Capital Budget Changes

Details of revised allocations for scheme budgets are listed below:

- Children's Services: £2.575m increase in Basic Need grant. £0.008m other minor grant increases.
- Neighbourhoods, Asset Management Group – reinstatement of £0.500m, provisionally reduced in 2018/19 and reported in September 2018 Finance Update report.

4.1.3 Capital Rephasing

Economy

- Request to re-phase £3.500m into 2022/23 has been approved for Town Hall Square Phase 2 to align with the Town Hall Restoration project.

4.1.4 Capital Virement Request

Neighbourhoods

The cremators at the Rochdale and Middleton sites are at end of life with the Rochdale site requiring immediate replacement. To address this immediate issue it is proposed to vire budget from existing schemes within the Place segment of the Neighbourhoods Directorate. The list of proposed capital schemes is shown below:

Scheme Name	Current Budget £m
Vehicle Replacement Programme	2.341
Replacement Parks & Machinery	0.189
Upgrade Play Equipment	0.084
Allotments 2017/18 Manifesto Funding	0.050
Waste Bin Replacement Program	0.358
Rochdale Cemetery Lodge Repair	0.066
New Cemetery Sites	0.602
Mercury Abatement Scheme	0.033
Housing Standards Fund	0.882
Compulsory Purchase Order	1.538
Travellers Authorised Stopping Site	0.130
Bowlee Park Development	0.012
Car Parks	0.199
Total Value of Place Segment Schemes	6.484

Members are asked to approve the virement of £0.943m from schemes above to the Asset Management Group scheme. The final virement balances will not be confirmed until year end, once the 2019/20 crematorium spend is realised and the availability from other schemes is confirmed.

4.2. Revenue Budget 2019/20

4.2.1. The budget set by Budget Council on 27th February 2019 was £216.221m, with no changes to date:

Budget Changes			
Approved by	When	Reason for change	Amount (£m)
Budget Council	Feb-19	Approved budget	216.221
GRAND TOTAL			216.221

4.2.2 The overall position taking account of the projections currently being forecast by services as at the end of May 2019 is a pressure of £4.805m.

4.2.3 The major (>£0.250m) variations to controllable budget, by service, are detailed below:-

Adult Care - £1.500m Overspend

The Adult Care service is experiencing financial pressures from the number and costs of care packages for service users. There is a further pressure from the provision of statutory Deprivation of Liberty Safeguards assessments. These pressures are partially mitigated by in-year savings from staff turnover and vacancies.

The pressures are reflected in the Integrated Health & Social Care Pooled Budget.

Children's Services - £4.575m Overspend

Children's services are projecting a pressure of £4.575m, which is largely attributed to 2018/19 growth in looked after children numbers as they continue to be cared for in 2019/20. In the first quarter of 2019/20, growth is showing signs of settling down, however it is realistic to expect some growth and this has been factored into the projected pressure.

The remaining £0.147m pressure relates to the staffing retention strategy. Budget pressures funding has been requested, see section 4.2.4.

Children's Services budgets are also included in the Integrated Health & Social Care Pooled Budget. However as previously agreed with the CCG, the pressure relating to looked after children is to be retained by the Council during 2019/20.

In future years, the funding of pressures relating to Adult Care and Children's Services will be subject to the development of the Pooled Fund commissioning arrangements.

Budget Pressures

The Budget Pressure Fund for 2019/20 is £0.983m - £0.723m ongoing and £0.260m one-off. This is after taking into account previously approved budget pressure requests for 2019/20. The following requests for funding have been made to the end of May 2019:

Economy:

- £0.050m one-off funding is required for the income budget associated with the Employment Links Contract due to recent notification of a significant reduction in the contract value in 2019/20. The Service is awaiting a decision regarding sources of funding which is expected shortly, and if received, this could mitigate the above pressure.
- £0.059m ongoing funding is requested to fund an additional Enforcement post within Planning. The Head of Planning has identified major scope to improve business processes and customer experience and use this additional resource to boost non-statutory income, as well as accelerate developer interest and activity within the borough. For 2019/20 the requirement is £0.040m (part-year) and from 2020/21 £0.059m ongoing.

Neighbourhoods:

- Street Lighting - £0.298m ongoing funding was approved at February 2019 Cabinet, relating to the new utilities contract for the supply of electricity.

Children's Service:

- £0.147m ongoing in 2019/20 increasing to £0.347m onwards from 2020/21 is requested for the Social Worker retention strategy to stabilise the workforce. A reduction in agency spend is expected as a result of this investment and strategy.

Resources:

- £0.025m ongoing funding is requested due to legislative changes within payroll (real time information to HMRC) to enable the Council payroll to continue.
- £0.115m ongoing funding is requested for Electoral Reform. This is due to a reduction in grant received and an increase in costs. It is anticipated the budget pressure requirement in 2020/21 will rise to £0.172m.

If the above are approved, there will be a balance of £0.606m remaining in the budget pressure fund - £0.396m ongoing and £0.210m one-off for 2019/20.

4.2 Savings Update 2019/20

4.3.1 The total savings target for 2019/20 is £0.135m:

- £0.135m of savings were approved at Council on 12th December 2019

4.3.2 Services have not identified any issues for their non-achievement.

4.3 Collection Fund

4.4.1 The forecast Collection Fund Position for 2019/20 is a surplus of £1.345m, comprising:

- £0.758m surplus relating to Business Rates;
- £0.587m surplus relating to Council Tax.

4.4.2 The Collection Fund Update table in Appendix A shows the forecast surplus position on the Collection Fund as at 31st May 2019, and the allocation of the closing surplus between precepting authorities.

4.4.3 The Council's share of the forecast Collection Fund surplus as at 31st May 2019 is £1.250m.

4.4.4 The main areas of overall variance to the budget are:

- Business Rates:

Explanation of variance	Variation to budget, £000
Forecast reduced Empty Property and Retail Relief, partially offset by forecast increased Small Business Rates Relief and Mandatory Charitable relief	(826)
Actual deficit brought forward from 2018/19 is £68k lower than had been forecast as part of the 2019/20 Budget process.	68
2019/20 forecast surplus	(758)

- Council Tax:

Explanation of variance	Variation to budget, £000
Forecast reduced Council Tax gross income partially offset by lower forecast discounts given.	691
Forecast reduced charge relating to the bad debt provision.	(733)
Forecast reduced level of Local Council Tax Support discount given.	(360)
Actual surplus brought forward from 2018/19 is £185k higher than had been forecast as part of the 2019/20 Budget process.	(185)
2019/20 forecast surplus	(587)

4.5. Alternatives considered

4.5.1 Not reporting on financial performance puts at risk the achievement of the Council's Medium Term Financial Plan. Effective budget management is critical to ensuring financial resources are spent in line with the budget and are targeted towards the Council's priorities. Monitoring enables the early

identification of variations against the plan and facilitates timely corrective action.

Costs and Budget Summary

5. See Appendix A which provides an overview of budgets for Capital, Revenue and The Collection Fund detailed in section 4.

Risk and Policy Implications

6. There are no major legal implications arising as a result of this report except to note that debts that are recoverable can be enforced by court action in accordance with the court procedure rules.

Consultation

7. All services engage with the production of the service based financial information within this report. The Leadership Team, the Leader, Cabinet Member for Finance, and Opposition Portfolio holder for Finance have been informed of the forecast 2019/20 financial position of the Council and its implications for future years. The report is presented to the Corporate Overview and Scrutiny on 23rd July 2019.

Background Papers

Place of Inspection

8. For further information about this report or access to any background papers contact Stuart Smith

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