

Report Title:	<b>Financial Update</b>
Contains Confidential or Exempt Information?	NO - Part I
Member reporting:	Councillor Saunders, Lead Member for Finance
Meeting and Date:	Cabinet – 26 July 2018
Responsible Officer(s):	Rob Stubbs, Deputy Director and Head of Finance.
Wards affected:	All

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## REPORT SUMMARY

1. This report sets out the Council's financial position at month two in the financial year 2018-19. There are pressures as previously identified during the 2017-18 financial year with partial mitigations resulting in a net pressure of £1,426,000. See Appendix A. The main pressures are: Children's Services facing continued pressures of placement costs for children in care and housing benefit subsidy.
2. The Council's base budget is £85,344,000. Aggregated usable reserves are in a healthy position at £8,688,000 (10.19% of budget) which remains in excess of the £5,860,000 (6.87% of budget) recommended minimum level set at Council in February 2018, see Appendix B.

## 1 DETAILS OF RECOMMENDATION(S)

### RECOMMENDATION: That Cabinet:

- i) **Notes the Council's projected outturn position for 2018-19 and requests the Directors to identify and propose mitigations for the projected variance.**
- ii) **Approves an additional budget of £100,000 for the Council's contribution to the legal costs relating to Heathrow expansion to be funded from the General Reserve.**

## 2 REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

- 2.1 Cabinet are required to note the council's financial position and the Directors will identify and propose mitigations for the projected variance.

## 3 KEY IMPLICATIONS

- 3.1 The Council is projecting an aggregated usable reserve totalling £8,688,000. The 2018-19 budget report recommended a minimum reserve level of £5,860,000 to cover known risks for 18 months.

**Table 1: Key implications**

<b>Outcome</b>	<b>Unmet</b>	<b>Met</b>	<b>Exceeded</b>	<b>Significantly Exceeded</b>	<b>Date of delivery</b>
General Fund Reserves Achieved	<£5,900,000	£5,900,000 to £6,000,000	£6,000,001 to £6,900,000	> £6,900,000	31 May 2019

#### **4 FINANCIAL DETAILS / VALUE FOR MONEY**

##### **Council outturn position**

- 4.1 The expected outturn position for the Council is an overspend of £1,426,000 on service budgets of £77,941,000. The details of variances reported are throughout section 4 of this report.

##### **AfC Contract - Children's Services**

- 4.2 Children's services has a net overspend of £911,000 as a result of the number of placements for children in care outside of the local authority area in independent fostering and residential care. The service continues to seek to mitigate these costs through continued scrutiny of provision, improved commissioning for buying bulk placements; ensuring partners, health partnerships, organisations are fairly contributing to placement costs and completing the registration process to Ofsted to become an independent fostering agency with an indication of this coming on line in April 2019.
- 4.3 The local pressure is in accord with national pressures, for instance the Local Government Association are predicting a children's services funding gap nationally of £2 billion by 2020 to maintain services at the current level with nearly half of local authority children's services budgets being spent on foster care and residential placements.

##### **Commissioning - Communities**

- 4.4 The service projects an overspend of £153,000 which relates to Cabinet approved expenditure to support the bus routes covering Maidenhead, Wraysbury and links between Maidenhead and Windsor for which offsetting savings have not proved to be available.
- 4.5 A similar picture is appearing nationally where nearly half of all bus routes in England are now fully or partially subsidised. Operating costs for bus companies are rising while passenger journeys are falling. Since 2013/14 there have been 297 million fewer journeys across the country.

##### **Communities, Enforcement and Partnerships**

- 4.6 Communities, Enforcement and Partnerships projects an overspend of £106,000 comprising:
- £16,000 in additional cost for the shared emergency planning service with West Berkshire and Bracknell Forest Councils, which started on the 1 April 2018.
  - £90,000 of unachievable income for printing as a result of external income not being generated.

## **Finance**

- 4.7 The finance service projects an underspend of £68,000 as a result of freezing vacancies.

## **Library and Resident Services**

- 4.8 Library and Resident Services projects an overspend of £20,000. This one-off pressure is as a result of employing agency staff to cover vacancies to ensure performance in the call centre is maintained.

## **Planning Service**

- 4.9 The planning service projects an underspend of £90,000, this is made up of £50,000 projected surplus planning application income and £40,000 income for CIL administration.

## **Revenues and Benefits**

- 4.10 Revenues and benefits projects an overspend of £394,000 for Housing benefit subsidy. The budgeted recovery rate for subsidy has been over 100% since 2014-15, and in 2017-18 was 101%. This is not achievable and the actual recovery rate for subsidy has been over 100% over the same period, and in 2017-18 was 99.7%, 1.3% less. Over the period £2.5 million of budgeted subsidy has not been recovered, the vast majority of which, has been covered by a release in bad debt provision, or a positive move in debtors, which is no longer achievable.

## **AfC contract - Dedicated Schools Grant & Dedicated Schools Grant Retained**

- 4.11 There is a net in year deficit of £795,000 relating to the dedicated schools grant funded services consisting of £52,000 within AFC Contract & £743,000 within the retained element. The net in year deficit consists of:
- Manor Green School increased places and additional funding to support the provision of high needs within the school £436,000.
  - Maintained schools additional funding to support the provision of high needs within schools £352,000.
  - Others net £7,000.
- 4.12 The net overspend will be an additional pressure on the dedicated schools grant reserve which as at 31 March 2018 was a deficit of £1,212,000. The revised projected deficit as at 31 March 2019 has increased to £2,007,000.
- 4.13 At the Schools Forum in April 2018 the deficit carry forward of £1,212,000 was approved. The projected deficit at 31 March 2019 will be reported to the Schools Forum in July 2018.

## **Transfers to and from the General fund reserves**

- 4.14 Following completion of the 2017-18 annual business rates return the council has section 31 grant from the Ministry of Housing Communities and Local Government more than projected of £1,396,000 and is currently projecting a surplus from the Berkshire business rates pilot of £1,500,000. Costs to be covered from this budget line include:
- Additional funding of £748,000 required for 2018-19 for pension deficit, a contribution of £2,428,000 was originally built into the 2018-19 budget.
  - Additional funding of £100,000 required for the Heathrow judicial review.

This will result in a net increase of £2,048,000 into the General fund reserves for this period.

**Additional budget for Heathrow expansion legal costs.**

- 4.15 The Council anticipates contributing £100,000 to enjoin with other Councils in legal proceedings as previously in response to the recent announcements regarding possible expansion of Heathrow airport.

**Table 2: Revenue budget movement**

<b>Service expenditure budget reported to May</b>	<b>£77,811,000</b>
Additional funding required for the RBFRS inspections	£130,000
<b>Service expenditure budget this month</b>	<b>£77,941,000</b>

**Cash balances projection**

- 4.16 Throughout the year the council's cash balances have been revised, Appendix D sets out the Borough's cash balance which is based on the assumptions contained in the 2018-19 budget report. A twelve month capital cash flow projection is shown in Appendix D.

**Capital programme**

- 4.17 The approved 2018-19 capital estimate is £61,998,000, see table 3. The projected outturn for the financial year is £61,998,000, see table 4 for capital programme status, with further information in Appendices E - G.

**Table 3: Capital outturn**

	<b>Exp</b>	<b>Inc</b>	<b>Net</b>
<b>Approved estimate</b>	£61,998,000	(£20,394,000)	£41,604,000
Variances identified	£0	£0	£0
Slippage to 2019-20	(£0)	£0	£0
<b>Projected Outturn 2018-19</b>	£61,998,000	(£20,394,000)	£41,604,000

**Table 4: Capital programme status**

	<b>Report Cabinet July 2018</b>
<b>Number of schemes in programme</b>	<b>175</b>
Yet to Start	25%
In Progress	44%
Completed	6%
Ongoing Programmes e.g. Disabled Facilities Grant	24%
Devolved Formula Capital Grant schemes budgets devolved to schools	1%

- 4.18 **Business rates:** Business rate income at the end of May 2018 was 21.01% against a target of 20%. The annual collection target for 2018-19 is 98.8%.
- 4.19 **Business rate revaluation support.** Work has completed on modelling options for distributing the £329,000 available from MHCLG. A draft report is currently under review.

## 5 LEGAL IMPLICATIONS

- 5.1 In producing and reviewing this report the Council is meeting its legal obligations to monitor its financial position.

## 6 RISK MANAGEMENT

**Table 5: Impact of risk and mitigation**

<b>Risks</b>	<b>Uncontrolled Risk</b>	<b>Controls</b>	<b>Controlled Risk</b>
None			

## 7 POTENTIAL IMPACTS

- 7.1 None.

## 8 CONSULTATION

- 8.1 Overview & Scrutiny meetings are scheduled prior to this Cabinet. Any comments from those meetings will be reported verbally to Cabinet.

## 9 TIMETABLE FOR IMPLEMENTATION

- 9.1 Implementation date if not called in: Immediately.

## 10 APPENDICES

- 10.1 The appendices to the report are as follows:
- Appendix A Revenue Monitoring Statement 2018/19 for July Cabinet.
  - Appendix B General Fund Reserves
  - Appendix C Revenue movement statement
  - Appendix D 12 month cash flow @ 11/6/18
  - Appendix E Capital budget summary
  - Appendix F Capital monitoring report
  - Appendix G Major capital scheme progress

## 11 BACKGROUND DOCUMENTS

- 11.1 Background documents relating to this report are detailed below.
- Budget Report to Council February 2018.

## 12 CONSULTATION (MANDATORY)

<b>Name of consultee</b>	<b>Post held</b>	<b>Date issued for comment</b>	<b>Date returned with comments</b>
Cllr Saunders	Lead Member for Finance	29/06/18	01/07/18
Cllr Rankin	Deputy Lead Member for Finance	29/06/18	29/06/18
Alison Alexander	Managing Director	25/06/18	17/07/18
Russell O'Keefe	Executive Director	25/06/18	27/06/18
Andy Jeffs	Executive Director	25/06/18	27/06/18
Rob Stubbs	Section 151 Officer	25/06/18	26/06/18
Nikki Craig	Head of HR and Corporate Projects	25/06/18	26/06/18
Louisa Dean	Communications	25/06/18	27/06/18
Hilary Hall	Deputy Director Strategy and Commissioning	25/06/18	25/06/18

### REPORT HISTORY

<b>Decision type:</b> For information	<b>Urgency item?</b> No	<b>To Follow item?</b> No
Report Author: : Ruth Watkins, Senior Accountancy and Finance Operations Lead, 01628 683504		

## Revenue Monitoring Statement 2018/19 for July 2018 Cabinet

SUMMARY	2018/19		
	Budget	Approved Estimate	Projected Variance
	£000	£000	£000
Management	660	341	0
Communications	412	431	0
Human Resources	883	1,137	0
Law & Governance	2,350	2,348	0
Commissioning & Support	3,872	3,862	0
Commissioning - Communities	8,182	8,181	153
AfC Contract - Children's Services	21,356	21,630	911
AfC Contract - Dedicated Schools Grant	12,196	11,311	52
Children's Services - Retained	(2,118)	(2,560)	0
Dedicated Schools Grant - Retained	50,385	51,878	743
Adult Social Care - Optalis Contract	29,443	29,414	0
Adult Social Care - Spend	15,461	15,654	0
Adult Social Care - Income	(10,658)	(10,887)	0
Better Care Fund	12,033	12,103	0
Public Health	4,780	4,781	0
Grant Income	(78,166)	(78,841)	(795)
<b>Total Managing Director's Directorate</b>	<b>71,071</b>	<b>70,783</b>	<b>1,064</b>
Executive Director of Communities	229	229	0
Revenues & Benefits	(109)	(109)	394
Communities, Enforcement & Partnerships	732	861	106
Library & Resident Services	3,019	3,020	20
<b>Total Communities Directorate</b>	<b>3,871</b>	<b>4,001</b>	<b>520</b>
Executive Director of Place	298	298	0
Housing	1,370	1,452	0
Planning Service	1,344	1,344	(90)
Property Service	(2,577)	(2,577)	0
Finance	1,269	1,268	(68)
ICT	1,133	1,372	0
<b>Total Place Directorate</b>	<b>2,837</b>	<b>3,157</b>	<b>(158)</b>
<b>TOTAL EXPENDITURE</b>	<b>77,779</b>	<b>77,941</b>	<b>1,426</b>

## Revenue Monitoring Statement 2018/19 for July 2018 Cabinet

SUMMARY	2018/19		
	Budget	Approved Estimate	Projected Variance
	£000	£000	£000
<b>Total Service Expenditure</b>	<b>77,779</b>	<b>77,941</b>	<b>1,426</b>
Contribution to / (from) reserves	5	5	0
Pensions deficit recovery	2,428	3,176	0
Pay reward	500	555	0
Transfer from Provision for Redundancy	0		0
Transfer to Provision for Redundancy			0
Increase / (Decrease) to provision for bad debt			0
Apprentice Levy	0	0	0
Environment Agency levy	156	156	0
Variance on income from Trading Companies			0
Variance on Education Services Grant			0
Variance on Business Rates income		(2,896)	0
Transfer to / (from) General fund reserves		1,863	0
Variances on general grants			0
Capital Financing inc Interest Receipts	<u>5,523</u>	<u>5,523</u>	<u>0</u>
<b>NET REQUIREMENTS</b>	<b>86,391</b>	<b>86,323</b>	<b>1,426</b>
Less - Special Expenses	(1,047)	(1,047)	0
Transfer to / (from) balances	0	(32)	(1,426)
<b>GROSS COUNCIL TAX REQUIREMENT</b>	<u><b>85,344</b></u>	<u><b>85,244</b></u>	<u><b>0</b></u>

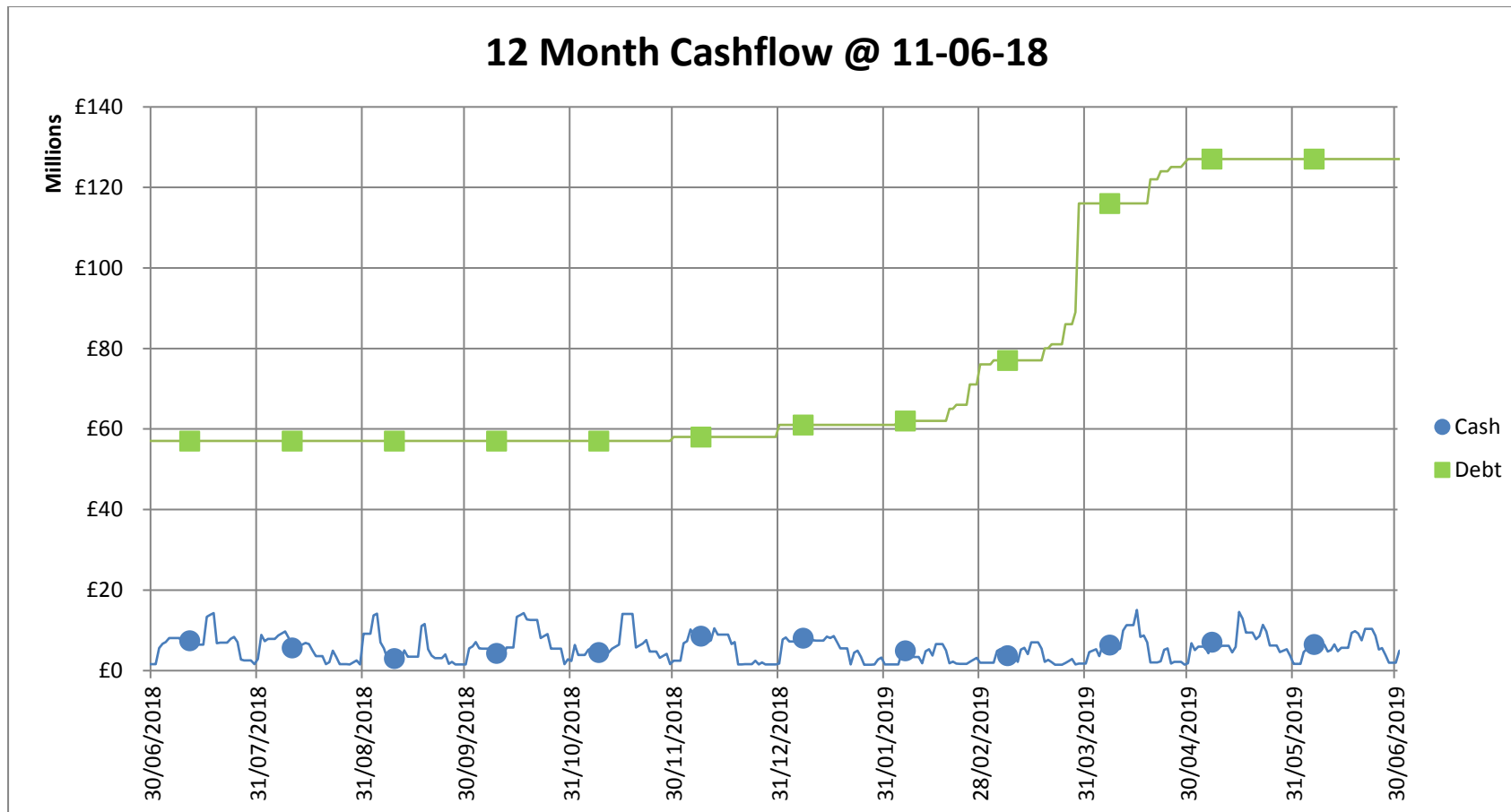


<b>General Fund Reserves £000</b>	
<b>Opening Balance 2017/18</b>	<b>8,947</b>
<b>Transacted amounts To/(From) General Fund reserves in 2018/19</b>	
May reported service variance	(32)
June reported service variance	(1,426)
<b>Total reported variances in 2018/19</b>	<b>(1,458)</b>
Fire & Rescue Inspections	(130)
Pay award	(55)
NNDR reversal of projected provision	500
Section 31 grant	186
Overstated levy	710
Projected Pooling surplus	1,500
Pension deficit shortfall	(748)
Heathrow judicial review	(100)
<b>Transfers to/(from) General reserves</b>	<b>1,863</b>
<b>Balance reported to June Cabinet</b>	<b><u>9,352</u></b>
<b>To be transacted / reported in 2018/19</b>	
Redundancy costs	(664)
<b>Projected year end balance 2018/19</b>	<b><u>8,688</u></b>

Revenue Monitoring Statement 2018/19						
	Funded by the General Fund (1)	Funded by Provision (2)	Funded by the Capital Fund (3)	Included in the original budget (4)	Total	Approval
	£'000	£'000	£'000	£'000	£'000	
<b>Original Budget</b>					<b>77,779</b>	
1 Empty homes supplementary	32				32	May 2017 Cabinet
2 RBFRS Inspections	0		130		130	May 2018 Cabinet
<b>Changes Approved</b>	<b>32</b>	<b>0</b>	<b>130</b>	<b>0</b>	<b>162</b>	
<b>Approved Estimate July Cabinet</b>					<b>77,941</b>	

**NOTES**

- 1 If additional budget is approved but no funding is specified, the transaction would, by default, be funded from the General Fund Reserve. Transactions in column 1 are funded by the General Fund.
- 2 A provision for future redundancy costs is created every year and this is used to fund additional budget in services for the costs of redundancy they incur during the year. Transactions in column 2 are redundancy costs funded by the provision for redundancy.
- 3 When additional budget is approved, a funding source is agreed with the Lead Member of Finance. Transactions in column 3 have been funded from a usable reserve (Capital Fund).
- 4 Transactions in column 3 are amounts approved in the annual budget which for various reasons need to be allocated to service budgets in-year. An example would be the pay reward budget. Pay reward payments are not approved until June. The budget therefore has to be re-allocated.



Note 1. Capital expenditure is projected to increase steadily throughout 2018-19. The exact profile may vary and monitoring of schemes and cash balances will decide the rate at which our borrowing will increase to ensure that no unnecessary debt charges are incurred.

	2018/19 Original Budget			New Schemes – 2018/19 Approved Estimate			Schemes Approved in Prior Years			Projections – Gross Expenditure				
	Gross	Income	Net	Gross	Income	Net	Gross	Income	Net	2018/19 Projected	2018/19 SLIPPAGE Projected	TOTAL Projected	VARIANCE Projected	VARIANCE Projected
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	(£'000)	(£'000)	(£'000)	(£'000)	(%)
<b>Portfolio Summary</b>														
<b>Communities Directorate</b>														
Revenues & Benefits	0	0	0	0	0	0	69	0	69	69	0	69	0	
Communities, Enforcement & Partnerships	3,098	(635)	2,463	5,818	(635)	5,183	4,369	(1,597)	2,772	10,187	0	10,187	0	0%
Library & Resident Services	435	0	435	720	0	720	948	(189)	759	1,668	0	1,668	0	0%
<b>Total Communities Directorate</b>	<b>3,533</b>	<b>(635)</b>	<b>2,898</b>	<b>6,538</b>	<b>(635)</b>	<b>5,903</b>	<b>5,386</b>	<b>(1,786)</b>	<b>3,600</b>	<b>11,924</b>	<b>0</b>	<b>11,924</b>	<b>0</b>	<b>0</b>
<b>Place Directorate</b>														
ICT	360	0	360	360	0	360	38	0	38	398	0	398	0	0%
Property	1,045	0	1,045	1,045	0	1,045	8,566	(282)	8,284	9,611	0	9,611	0	0%
Housing	0	0	0	0	0	0	881	(856)	25	881	0	881	0	0%
Planning	1,010	(50)	960	1,010	(50)	960	468	(185)	283	1,478	0	1,478	0	0%
<b>Total Place Directorate</b>	<b>2,415</b>	<b>(50)</b>	<b>2,365</b>	<b>2,415</b>	<b>(50)</b>	<b>2,365</b>	<b>9,953</b>	<b>(1,323)</b>	<b>8,630</b>	<b>12,368</b>	<b>0</b>	<b>12,368</b>	<b>0</b>	<b>0</b>
<b>Managing Director</b>														
Human Resources	0	0	0	0	0	0	64	0	64	64	0	64	0	
Adult Social Care	0	0	0	85	(85)	0	6	(6)	0	91	0	91	0	
Commissioning – Communities	7,156	(4,613)	2,543	7,397	(4,854)	2,543	3,994	(1,629)	2,365	11,391	0	11,391	0	0%
Law and Governance	0	0	0	0	0	0	26	0	26	26	0	26	0	
Green Spaces & Parks	183	(93)	90	183	(93)	90	223	(130)	93	406	0	406	0	0%
Non Schools	246	(46)	200	256	(56)	200	261	(146)	115	517	0	517	0	0%
Schools – Non Devolved	4,025	(875)	3,150	4,075	(925)	3,150	20,494	(8,034)	12,460	24,569	0	24,569	0	0%
Schools – Devolved Capital	197	(197)	0	197	(197)	0	445	(445)	0	642	0	642	0	0%
<b>Total Managing Director</b>	<b>11,807</b>	<b>(5,824)</b>	<b>5,983</b>	<b>12,193</b>	<b>(6,210)</b>	<b>5,983</b>	<b>25,513</b>	<b>(10,390)</b>	<b>15,123</b>	<b>37,706</b>	<b>0</b>	<b>37,706</b>	<b>0</b>	<b>0</b>
<b>Total Committed Schemes</b>	<b>17,755</b>	<b>(6,509)</b>	<b>11,246</b>	<b>21,146</b>	<b>(6,895)</b>	<b>14,251</b>	<b>40,852</b>	<b>(13,499)</b>	<b>27,353</b>	<b>61,998</b>	<b>0</b>	<b>61,998</b>	<b>0</b>	<b>0</b>

	(£'000)	(£'000)	(£'000)
<b>Portfolio Total</b>	<b>17,755</b>	<b>61,998</b>	<b>61,998</b>
<b>External Funding</b>			
Government Grants	(5,060)	(10,271)	(10,271)
Developers' Contributions	(674)	(3,834)	(3,834)
Other Contributions	(775)	(6,289)	(6,289)
<b>Total External Funding Sources</b>	<b>(6,509)</b>	<b>(20,394)</b>	<b>(20,394)</b>
<b>Total Council Funding</b>	<b>11,246</b>	<b>41,604</b>	<b>41,604</b>

**Capital Monitoring Report - June 2018/19**

At 30 June 2018, the approved estimate stood at £61.998m

	<b>Exp</b>	<b>Inc</b>	<b>Net</b>
	£'000	£'000	£'000
Approved Estimate	61,998	(20,394)	41,604
Variances identified	0	0	0
Slippage to 2018/19	0	0	0
Projected Outturn 2017/18	61,998	(20,394)	41,604

**Overall Projected Expenditure and Slippage**

Projected outturn for the financial year is £61.998m

There are no variances or slippage to report this month.

**Overall Programme Status**

The project statistics show the following position:

<b>Scheme progress</b>	<b>No.</b>	<b>%</b>
Yet to Start	44	25%
In Progress	77	44%
Completed	11	6%
Ongoing Programmes e.g.. Disabled Facilities Grant	42	24%
Devolved Formula Capital Grant schemes budgets devolved to schools	1	1%
<b>Total Schemes</b>	<b>175</b>	<b>100%</b>

Major Capital Scheme Progress		2018/19				APPROVED SLIPPAGE			TOTAL BUDGET			PROJECTIONS			PROJECT STATUS				
Project	CAPITAL SCHEME	TOTAL SCHEME VALUE				FROM PRIOR YEARS			2018/19			2018/19 Projected Variance <i>Underspend as negative</i>	2018/19 Expected Slippage	2019/20 SLIPPAGE Projected	Yet To Start	Preliminary / Feasibility Work	Work On-site	Ongoing Annual Programme	Expected Completion
		Gross	Gross	Income	Estimate	Gross	Income	Estimate	Gross	Income	Estimate								
		£'000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000					
<b>Communities Directorate</b>																			
<b>Communities, Enforcement &amp; Partnerships</b>																			
CT52	Disabled Facilities Grant	600	600	(600)	0	0	0	0	600	(600)	0	0	0	0					
CZ18	Braywick Leisure Centre	33,756	2,345	0	2,345	862	0	862	3,207	0	3,207	0	0	0					
CC60	Hostile Vehicle Mitigation Measures for Windsor	1,850	0	0	0	1850	(908)	942	1,850	(908)	942	0	0	0					
CC47	CCTV Replacement	1,302	1,300	0	1,300	2	0	2	1,302	0	1,302	0	0	0					
<b>Place Directorate</b>																			
<b>Property</b>																			
CI29	Broadway Car Park & Central House Scheme	33,000	0	0	0	2230	(140)	2090	2,230	(140)	2,090	0	0	0					
CI21	Windsor Office Accommodation	6,839	0	0	0	3898	(142)	3756	3,898	(142)	3,756	0	0	0					
CI62	Hines Meadow CP – Dilapidations	700	0	0	0	523	0	523	523	0	523	0	0	0					
CX40	Operational Estate Improvements	600	600	0	600	0	0	0	600	0	600	0	0	0					
<b>Housing</b>																			
CT55	Brill House Capital Funding	500	0	0	0	500	(500)	0	500	(500)	0	0	0	0					
<b>Managing Director</b>																			
<b>Schools – Non Devolved</b>																			
CSGR	Charters Expansion	4,560	380	0	380	2,556	(1,878)	678	2,936	(1,878)	1,058	0	0	0					
CSGV	Cox Green School Expansion Year 1 of 3	5,800	420	0	420	2821	(455)	2366	3,241	(455)	2,786	0	0	0					
CSGW	Furze Platt Senior expansion Year 1 of 3	8,000	750	0	750	6571	(2,033)	4538	7,321	(2,033)	5,288	0	0	0					
CSGX	Dedworth Middle School Expansion Year 1 of 3	4,700	420	0	420	3490	(1,791)	1699	3,910	(1,791)	2,119	0	0	0					
<b>Commissioning – Communities</b>																			
CC62	Maidenhead Missing Links (LEP Match Funded)	759	759	(659)	100	0	0	0	759	(659)	100	0	0	0					
CC67	Replacement Payment Equipment for Car Parks	775	775	(775)	0	0	0	0	775	(775)	0	0	0	0					
CD84	Street Lighting – LED Upgrade	5,100	0	0	0	600	0	600	600	0	600	0	0	0					