

## REPORT

|                                    |   |
|------------------------------------|---|
| <b>SUBJECT</b>                     | <b>REVENUE &amp; CAPITAL MONITORING 2016/17<br/>PERIOD 1 OUTTURN FORECAST STATEMENT</b> |
| <b>DIRECTORATE</b>                 | <b>Chief Executive's Unit</b>   |
| <b>MEETING</b>                     | <b>Economy &amp; Development Select Committee</b>                                       |
| <b>DATE</b>                        | <b>27<sup>th</sup> September 2016</b>   |
| <b>DIVISIONS/WARD<br/>AFFECTED</b> | <b>All Authority</b>  |

### 1. PURPOSE

- 1.1 The purpose of this report is to provide Members with information on the forecast revenue outturn position of the Authority at the end of period 1 which represents month 2 financial information for the 2016/17 financial year. Revenue and Capital forecasting is being brought forward by a month against the usual timescale to provide members with relevant financial information before summer recess.
- 1.2 This report will also be considered by Select Committees as part of their responsibility to,
- assess whether effective budget monitoring is taking place,
  - monitor the extent to which budgets are spent in accordance with agreed budget and policy framework,
  - challenge the reasonableness of projected over or underspends, and
  - monitor the achievement of predicted efficiency gains or progress in relation to savings proposals.

### 2. RECOMMENDATIONS PROPOSED TO CABINET

- 2.1 That Cabinet notes the extent of forecast revenue overspend at period 1 of £1.37 million
- 2.2 That Cabinet requires Chief Officers to provide information on how the overspend position will be brought back within budget, including alternative plans to deliver the £301,000 mandated savings reported as not achievable in the next monitoring report.
- 2.3 That Cabinet requires Directors to review levels of over and underspends and reallocate budgets to reduce the extent of compensatory positions needing to be reported prior to month 6 reporting.
- 2.4 That Cabinet appreciates the extent of predicted schools reserve usage and the anticipation that 13 schools will be in a deficit position by end of 2016-17.
- 2.5 That Cabinet considers the capital monitoring which exhibits only a small variance to budget as a result of recent Cabinet and Council approval on Caerwent House,
- 2.6 That Cabinet recognises the risk associated with having to rely on a use of capital receipts in the year anticipated and the potential for this to have significant revenue pressures should receipts be delayed and temporary borrowing be required.

### 3. MONITORING ANALYSIS

#### 3.1 Revenue Position

3.1.1 Revenue budget monitoring information for each directorate's directly managed budgets is provided together with information on corporate areas.

#### 3.1.2 Responsible Financial Officer's Summary of Overall Position Period 1

| <b>Table 1: Council Fund 2016/17 Outturn Forecast Summary Statement at Period 1 ( Month 2 )</b> | <b>Annual Forecast @ Month 2</b> | <b>Revised Annual Budget @ Month 2</b> | <b>Forecast Over/(Under) Spend @ Month 2</b> |
|---|----------------------------------|--|--|
|   | <b>£'000</b>                     | <b>£'000</b>                           | <b>£'000</b>                                 |
| Social Care & Health  | 41,186                           | 40,065                                 | 1,121  |
| Children & Young People   | 50,936                           | 50,520                                 | 416  |
| Enterprise  | 9,654                            | 9,179                                  | 475  |
| Operations  | 17,291                           | 17,250                                 | 41   |
| Chief Executives Unit   | 6,808                            | 6,834                                  | (26)   |
| Corporate Costs & Levies  | 19,868                           | 19,796                                 | 72   |
|   |                                  |  |  |
| <b>Net Cost of Services</b>   | <b>145,743</b>                   | <b>143,644</b>                         | <b>2,099</b>                                 |
|   |                                  |  |  |
| Attributable Costs – Fixed Asset Disposal   | 149                              | 95                                     | 54   |
| Interest & Investment Income  | (55)                             | (55)                                   | 0  |
| Interest Payable & Similar Charges  | 3,493                            | 3,493                                  | 0  |
| Charges Required Under Regulation   | 3,418                            | 3,418                                  | 0  |
| Contributions to Reserves   | 103                              | 103                                    | 0  |
| Contributions from Reserves   | (1,919)                          | (1,999)                                | 80   |
|   |                                  |  |  |
| <b>Amounts to be met from Government Grants and Local Taxation</b>                              | <b>150,932</b>                   | <b>148,699</b>                         | <b>2,233</b>                                 |
|   |                                  |  |  |
| General Government Grants   | (63,567)                         | (63,567)                               | 0  |
| Non-Domestic Rates  | (27,981)                         | (27,981)                               | 0  |
| Council Tax   | (63,961)                         | (63,411)                               | (550)  |
| Council Tax Benefits Support  | 5,945                            | 6,258                                  | (313)  |
| <b>Net Council Fund (Surplus) / Deficit</b>   | <b>1,368</b>                     | <b>(2)</b>                             | <b>1,370</b>                                 |
|   |                                  |  |  |
| <b>Budgeted contribution from Council Fund</b>  | <b>0</b>                         | <b>2</b>                               | <b>(2)</b>                                   |
|   | <b>1,368</b>                     | <b>0</b>                               | <b>1,368</b>                                 |

3.1.3 A comparison of the Net Council fund line against previous years activity indicates the following,

| <b>Net Council Fund Surplus</b> | <b>2016-17<br/>£000</b> | <b>2015-16<br/>£000</b> | <b>2014-15<br/>£000</b> |
|---------------------------------|-------------------------|-------------------------|-------------------------|
| Period 1                        | 1,368 deficit           | 867 deficit             | 219 deficit             |
| Period 2                        |                         | 1,066 deficit           | 116 deficit             |
| Period 3                        |                         | 162 deficit             | 144 deficit             |
| Outturn                         |                         | 579 surplus             | 327 surplus             |

3.1.4 Whilst the expectation is for the trend to show a similarly improving position as the year progresses, the extent of forecast deficit reported as a consequence of this first period is cause for concern, especially in comparison to outturn figures which are only 3 months different and would have absorbed the effect of circa £0.7 million redundancy costs, mandated savings not made of £0.537m and cost pressures in children's social services circa £1.2 million. Since last year, however, £2.8 million has been taken out of the budget as mandated savings. It might therefore be expected that the first forecast of the year would be closer to the budget, rather than the picture shown below.

3.1.5 .

| <b>Service</b>              | <b>2015-16 Outturn<br/>Variance<br/>£000</b> | <b>2016-17 Period 1<br/>variance<br/>£000</b> | <b>Difference<br/>£000</b> |
|-----------------------------|--|---|----------------------------|
| Social Care                 | 1283   | 1121  | (162)                      |
| Children & Young People     | (86)   | 416   | 502                        |
| Enterprise                  | (70)   | 475   | 545                        |
| Operations                  | (398)  | 41  | 439                        |
| Chief Executives            | (270)  | (26)  | 244                        |
| Corporate                   | (195)  | 72  | 267                        |
| <b>Net Cost of Services</b> | <b>264</b>                                   | <b>2099</b>                                   | <b>1835</b>                |

3.1.6 This first forecast is, however, indicative of the fact that it is based on 2 months actual data and 10 months estimated data. Service managers are naturally cautious about forecasting at this stage in the year, especially in areas where spend can be quite volatile. Directorates will be undertaking a piece of work to see if there is scope to move budgets to more accurately reflect where they are needed instead of continuing to report the extent of over or underspends outlined in the detail below. This would allow senior managers and Members to more clearly understand where the real pressures are and focus attention on managing these areas to ensure the overall budget is not exceeded. Once this further work is undertaken, recommendations will be brought back to Cabinet to find alternative savings for mandates and if further decisions are required to bring spending back in line with the budget.

3.1.7 Schools are also forecasting to use most of their reserves by the end of the year. Work is progressing to ensure that grant funding is identified in a timely manner so that this can be factored into the budget forecasts rather than coming it at the end of the year and causing a significant swing on the forecast. Budget management plans for all schools in deficit will be closely monitored to assess feasibility and progress and the need for any other mitigating actions.

3.1.8 In terms of the capital programme this year, it is relying on capital receipts being received in year – this is a risk that needs to be managed. If the capital receipts are not achieved there is the potential that borrowing will be required putting further strain on the revenue budget. In addition the tendered prices on the Future Schools programme are currently being worked through to see how the programme can be maintained within budget.

#### **Analysis of the Revenue budget under and overspending positions in each Directorate.**

3.1.9 A summary of main pressures and under spends within the Net Cost of Services Directorates are presented here:

| Directorate / Service area                   | Forecast Outturn Position exclusive of savings not yet achieved<br>£'000  | Targeted 2016-17 Savings not yet realised<br>£'000 | Forecast Outturn Position <u>net</u> of savings not achieved<br>£'000 | Movement since Period 0<br>Red= Adverse<br>(Green) = Favourable | Headline Comment  |
|--|---|--|---|---|---|
| <b>Social Care &amp; Health (SCH)</b>        | <p><b>Director's commentary</b></p> <p>At this early stage of the year the overall budget position for the directorate is exhibiting a £1.12m overspend.</p> <p>For the Adult Services division, the over spend at month 2 is £462K. We are on track to meet the £640K of mandated savings allocated to this division and are driving on with our practice change agenda.</p> <p>One area which we will further investigate as the year progresses is the Chepstow Community Care team which largely accounts for the divisional overspend. Over the past 12 months the Chepstow team has had pressures in terms of the need for residential placements and usage of approved domiciliary care providers is an additional factor.</p> <p>In terms of Children's Services, this division has a forecast overspend of £690K. As this is very early in the year being month 2, we need to exercise some caution as we know the external placement budget, which for some years has seen large overspends, has reduced demand from 2015/16. As placements in this area are very expensive, one or two placements during the year can see a rapid increase in spend.</p> <p>We are currently embarking on a new Children's Services strategy which will allow us to deal with future demand more effectively, not only from the budget but the outcomes of the child. Another strand is the workforce plan and once in full operation, will see a spend reduction with the withdrawal from the use of agency staffing.</p> |  |   |   |   |
|  |   |  |   |   |   |
| <b>ADULT SERVICES</b>                        |   |  |   |   |   |
| Severn View DC                               | 112   | 0  | 112   | <b>112</b>  | Main overspend is within the staffing budget due to cover for rota. The food and cleaning budgets are still overspending but a review of costs has commenced. |
| Transition Co-operative                      | (27)  | 0  | (27)  | <b>(27)</b>   | Income from staff seconded to the partnership agreement with Bridges Community Centre   |
| Adult Services Man/Support                   | (50)  | 0  | (50)  | <b>(50)</b>   | Vacant Team manager disabilities post pending directorate restructure   |
| Other Adult Services                         | (15)  | 0  | (15)  | <b>(15)</b>   | See Appendix 6  |
| <b>CHILDREN SERVICES</b>                     |   |  |   |   |   |
| Fostering Allowances and Payments For Skills | 153   | 0  | 153   | <b>153</b>  | Reflects financial support to the current number and age mix of children in foster care and skills payments to carers with SGO's                              |
| Younger People's Accommodation               | 124   | 0  | 124   | <b>124</b>  | Overspend mainly due to supported housing costs for 3 young people  |
| Counsel Costs                                | 111   | 0  | 111   | <b>111</b>  | At present we have no data to suggest the overspend position will not change from that of last financial year.  |
| External Placements - LAC                    | 72  | 0  | 72  | <b>72</b>   | At present we are forecasting a reduction in children requiring   |

| Directorate / Service area                     | Forecast Outturn Position exclusive of savings not yet achieved<br>£'000 | Targeted 2016-17 Savings not yet realised<br>£'000 | Forecast Outturn Position <u>net</u> of savings not achieved<br>£'000 | Movement since Period 0<br><br>Red= Adverse<br>(Green) = Favourable | Headline Comment  |
|--|--|--|---|---|---|
|  |  |  |   |   | placement and in the number of placement days (especially residential & schools/colleges). However this budget is extremely volatile and as such we estimate 61 placements compared to 71 in 2015/16. |
| External Placement - Non-LAC                   | (150)  | 0  | (150)   | (150)   | This budget needs to be considered in conjunction with External Placement Lac Budget  |
| SCYP - Placement & Support Team                | 131  | 0  | 131   | 131   | Increased Court assessment and contact costs over and above the budget is the main cause of over spend  |
| SCYP - Supporting Children & Young People Team | 222  | 0  | 222   | 222   | Continued use of agency staff and conveyance costs have contributed to the budget position  |
| Safeguarding Unit                              | (35)   | 0  | (35)  | (35)  | Vacant Safeguarding team manager pending restructure  |
| FRS – Family Support Team                      | (29)   | 0  | (29)  | (29)  | Underspend mainly due to a reduction in section 17 and conveyance costs.  |
| Bus Cases / Temp Funding - Cabinet 06/05/15    | 71   | 0  | 71  | 71  | Posts within this Reserve funded budget are employed for the full year and agency staff are being used to cover vacancies.  |
| Other Children Services                        | (10)   | 0  | (10)  | (10)  | See Appendix 6  |
| <b>COMMUNITY CARE</b>                          |  |  |   |   |   |
| Abergavenny Adult Team                         | (122)  | 0  | (122)   | (122)   | There has been a reduction in the clients requiring residential care as more clients are able to cover own residential care   |
| Monmouth Adult Team                            | 116  | 0  | 116   | 116   | The over spend is mainly within the domiciliary care budget which is supporting 1,200 weekly care hours.  |
| Chepstow Adult Team                            | 535  | 0  | 535   | 535   | over the past 12 months a steady increase in clients requiring residential care. In addition the use of approved providers has also contributed to increase   |
| Mental Health Care Team                        | 74   | 0  | 74  | 74  | This budget is seeing some early affects of the new charging policy. Loss of income due to how the new Social Services and wellbeing Act treats charging for respite care in particular.              |
| Intermediate Care Fund                         | (115)  | 0  | (115)   | (115)   | We are currently in the planning phases of development to allocate this remaining budget Awaiting bid approval from host Health Board   |

| Directorate / Service area  | Forecast Outturn Position exclusive of savings not yet achieved<br>£'000 | Targeted 2016-17 Savings not yet realised<br>£'000 | Forecast Outturn Position <u>net</u> of savings not achieved<br>£'000 | Movement since Period 0<br>Red=<br>Adverse<br>(Green) =<br>Favourable | Headline Comment                    |
|-----------------------------|--|--|---|---|-------------------------------------|
| Other see Appendix 6        | (45)   | 0  | (45)  | (45)  | See SCH Appendix 6                  |
| <b>Total SCH at Month 2</b> | <b>1,121</b>   | <b>0</b>   | <b>1,121</b>  | <b>1,121</b>  | <b>Total SCH Outturn at Month 2</b> |

| Directorate / Service area               | Forecast Outturn Position exclusive of savings not yet achieved<br>£'000   | Targeted 2016-17 Savings not yet realised<br>£'000 | Forecast Outturn Position <u>net</u> of savings not achieved<br>£'000 | Movement since Period 0<br>Red=<br>Adverse<br>Green =<br>Favourable | Headline Comment  |
|--|--|--|---|---|---|
| <b>Children &amp; Young People (CYP)</b> | <p><b>Director's commentary</b></p> <p>The Directorate's Month 2 position is a forecasted overspend of £416,000, which we are anticipating will fall as we progress through the year. The Youth Service remains a volatile area having been subject to a £200,000 saving mandate in 2015/16 and additional reductions in external grants this year. The ALN budget is also under significant pressure due to the requirement to support more of our pupils with complex needs.</p> |  |   |   |   |
| Psychology Service                       | 21   | n/a  | 21  | <b>21</b>   | High levels of sickness have resulted in the requirement to bring in additional staff. In addition, new test equipment needed to be purchased for which no budget was originally set.   |
| Additional Learning needs                | 188  | n/a  | 188   | <b>188</b>  | The contingency budget is forecasted to overspend by £260,000. This has been offset by a projected saving of £72,000 against Independents and Local Authorities.  |
| Community Education Youth General        | 207  | 0  | 207   | <b>207</b>  | Significant reduction in external grants (C.£358k) has resulted in a sizeable projected overspend position.. 16-17 income – all we know of is £349k but this includes £90k of ESF, Remaining overspend is due to high income target set in order to compensate for loss of grant. |
| Other see Appendix 7                     | 0  | n/a  | 0   | <b>0</b>  |   |
| <b>Total CYP at Month 2</b>              | <b>416</b>   | <b>0</b>   | <b>416</b>  | <b>416</b>  | <b>Total CYP Outturn at Month 2</b>   |

| Directorate / Service area    | Forecast Outturn Position exclusive of savings not yet achieved<br>£'000  | Targeted 2016-17 Savings not yet realised<br>£'000 | Forecast Outturn Position <u>net</u> of savings not achieved<br>£'000 | Movement since Period 0<br><br>Red= Adverse<br>(Green) = Favourable | Headline Comment   |
|-------------------------------|---|--|---|---|--|
| <b>Enterprise (ENT)</b>       | <b>Director's commentary</b>  |  |   |   |  |
|                               | <p>The Directorate continues to respond to significant upheaval during the year with regard to increasing previous and current year mandated saving delivery and re-engineering of services. All of this is happening in tandem with lead responsibility for Future Monmouthshire and so balancing resources to manage today, whilst preparing for tomorrow is a challenge, but equally an opportunity we must continue to vigorously pursue.</p> <p>Commonly outturn forecasts improve during the year, and efforts will continue to be made to that end. But looking forward, continuing cost pressures remain around markets, leisure, museums and culture, and whilst we are generating more income than ever – it remains insufficient in meeting annually uplifted targets. This reflects some of the issues we're experiencing whereby the current service formats, mean we have saturated the markets available to us and without considerable capital investment - it is not feasible to charge premium rates. This position, which will not change as things currently stand, is now a driver underpinning exploration of alternative delivery vehicles and the Future Monmouthshire programme.</p> |  |   |   |  |
| Sustainability                | 51  | 34   | 85  | <b>85</b>   | £85k this is due to the sections inability to achieve the expected income target along with sustainable energy mandate   |
| Strategic Property Management | 48  | 30   | 78  | <b>78</b>   | Overspend by £78k is due in part to the inability to achieve this from the Strategic Property review mandate saving  |
| Cemeteries                    | (54)  | 0  | (54)  | <b>(54)</b>   | Under spend by £50k this mainly relates to higher income.  |
| County Farms Unit             | (19)  | 0  | (19)  | <b>(19)</b>   | lower than anticipated revenue maintenance   |
| Markets                       | 130   | 0  | 130   | <b>130</b>  | inability to achieve the expected income target by £121k and unbudgeted employee costs from Borough Theatre  |
| Community Hubs                | 1   | 20   | 21  | <b>21</b>   | unbudgeted supply staff along with the sections inability to achieve the full mandate saving relating to Community Hubs  |
| Eisteddfod                    | (80)  | 0  | (80)  | <b>(80)</b>   | £80k to be returned to the reserve the communities have raised £180k of the £300k underwritten   |
| Whole Place                   | (18)  | 0  | (18)  | <b>(18)</b>   | forecasting to underspend by £18k on supplies and services.  |
| Economic Development          | 0   | 90   | 90  | <b>90</b>   | Delay in Commercialisation of assets mandate   |
| Training Consolidation        | 0   | 40   | 40  | <b>40</b>   | The saving relating to the Training Services consolidation of £50,000 is unachievable. Alternative delivery plan being formulated                                      |
| ICT General Overheads         | 100   | 0  | 100   | <b>100</b>  | The overspend relates to a past service mandate not yet achieved to realise extra income from commercialisation of our software and onward sale to external customers. |

| Directorate / Service area                           | Forecast Outturn Position exclusive of savings not yet achieved<br>£'000 | Targeted 2016-17 Savings not yet realised<br>£'000 | Forecast Outturn Position <u>net</u> of savings not achieved<br>£'000 | Movement since Period 0<br>Red= Adverse<br>(Green) = Favourable | Headline Comment  |
|--|--|--|---|---|---|
| Museums  | (20)   | 20   | 0   | 0   | Whilst there is £40k inherent pressure affecting museums i.e. 20k relates to the additional Town Council Savings, 10k relates to Green screen savings carried forward from 2015-16 and 10k relates to the conservation service. The annual forecast is will be mitigated in full in future recovery plan proposals through revisions to service levels. |
| Leisure Service Management                           | 49   | 25   | 74  | 74  | 46k relates to a learning co-ordinator post which has been grant funded in the past, £20k relates to mandate B5 which is unachievable and £40k unbudgeted redundancy costs offset by underspends in supplies and services   |
| Tourist Information, Caldicot Castle & Country Parks | 97   | 20   | 117   | 117   | £80k over spend at Caldicot relating to staff costs and historical budget pressures. £37k relates to TICS staff costs and the inability to raise extra income to cover these due to the reduced operating hours.  |
| Other see Appendix 8                                 | (89)   | 0  | (89)  | (89)  |   |
| <b>Total ENT at Month 2</b>                          | <b>196</b>   | <b>279</b>   | <b>475</b>  | <b>475</b>  | <b>Total ENT Outturn at Month 2</b>   |

| Directorate / Service area | Forecast Outturn Position exclusive of savings not yet achieved<br>£'000   | Targeted 2016-17 Savings not yet realised<br>£'000 | Forecast Outturn Position <u>net</u> of savings not achieved<br>£'000 | Movement since Period 0<br>Red= Adverse<br>(Green) = Favourable | Headline Comment |
|----------------------------|--|--|---|---|------------------|
| <b>Operations (OPS)</b>    | <b>Head of Operations Commentary</b>   |  |   |   |                  |
|                            | Following the first two months transactions a small overspend is predicted in cleaning and schools catering. Work continues with town and community councils to gain support and funding for toilet cleaning which will assist is recovering the cleaning position and primary sector catering does suffer from variations leading into the Summer period. Often this is recovered in the Autumn and Winter period but officers will be monitoring performance. At this stage in the financial year officers anticipate some typical movement in budgets relating to service demand ( waste disposal, recycling, winter maintenance etc.) but do not anticipate such variations placing pressure upon service budgets over the year. However the new SWTRA agreement and the new financial arrangement between the |  |   |   |                  |



| Directorate / Service area  | Forecast Outturn Position exclusive of savings not yet achieved<br>£'000  | Targeted 2016-17 Savings not yet realised<br>£'000 | Forecast Outturn Position <u>net</u> of savings not achieved<br>£'000 | Movement since Period 0<br>Red=<br>Adverse<br>(Green) =<br>Favourable | Headline Comment   |
|-----------------------------|---|--|---|---|--|
|                             | lead authorities and SWTRA/WG is presently being developed and this has the potential to have a significant impact upon the budget as the method of cost recovery and the value of works undertaken is eventually agreed. Welsh Government is seeking to reduce the budget overall but at this stage it is not clear what effect this has upon MCC. It will become clearer during the year and the financial impact can be better assessed. |  |   |   |  |
| Building Cleaning           | 8   | 20   | 28  | 28  | Over spend in relation to delay in passing cleaning service to Town /Community Councils  |
| Schools Catering            | 17  | 0  | 17  | 17  | The catering service is forecasting to overspend due to the sections inability to achieve the full additional 2.5% increase on income. |
| Other see Appendix 9        | (4)   | 0  | (4)   | (4)   | Property Services on budget, need to ensure capital fee's estimates are achievable. Currently being analysed                           |
| <b>Total OPS at Month 2</b> | <b>21</b>   | <b>20</b>  | <b>41</b>   | <b>41</b>   | <b>Total OPS Outturn at Month 2</b>  |

| <b>Chief Executive's Office (CEO)</b> |  |  |   |   |   |
|---------------------------------------|--|--|---|---|---|
| Directorate / Service area            | Forecast Outturn Position exclusive of savings not yet achieved<br>£'000 | Targeted 2016-17 Savings not yet realised<br>£'000 | Forecast Outturn Position <u>net</u> of savings not achieved<br>£'000 | Movement since Period 0<br>Red=<br>Adverse<br>(Green) =<br>Favourable | Headline Comment  |
| Revenues                              | 15   | 0  | 15  | 15  | Overspend mainly due to summons income being less than budgeted |
| Systems & Exchequer                   | (22)   | 0  | (22)  | (22)  | additional recharge income received from Schools                |
| Other see Appendix 10                 | (84)   | 65   | (19)  | (19)  |   |
| <b>Total CEO at Month 2</b>           | <b>(91)</b>  | <b>65</b>  | <b>(26)</b>   | <b>(26)</b>   | <b>Total CEO Outturn at Month 2</b>                             |

| Directorate / Service area                         | Forecast Outturn Position exclusive of savings not yet achieved<br>£'000 | Targeted 2016-17 Savings not yet realised<br>£'000 | Forecast Outturn Position <u>net</u> of savings not achieved<br>£'000 | Movement since Period 0<br>Red=<br>Adverse<br>(Green) =<br>Favourable | Headline Comment  |
|--|--|--|---|---|---|
| <b>Corporate (COL)</b>                             |  |  |   |   |   |
| Audit Commission Fees (Certification Grant Claims) | 0  | 0  | 0   | 0   | No variance identifiable at Month 2                               |
| Early Retirement Pension Costs                     | 72   | 0  | 72  | 72  | Additional pension strain cost notified in latter part of 2015/16 |

|                                   |           |          |           |           |                                     |
|-----------------------------------|-----------|----------|-----------|-----------|-------------------------------------|
| Insurance Premium Payment(Direct) | 0         | 0        | 0         | 0         | No variance identifiable at Month 2 |
| <b>Total COL at Month 2</b>       | <b>72</b> | <b>0</b> | <b>72</b> | <b>72</b> | <b>Total COL Outturn at Month 2</b> |

| Directorate / Service area                | Forecast Outturn Position exclusive of savings not yet achieved<br>£'000 | Targeted 2016-17 Savings not yet realised<br>£'000 | Forecast Outturn Position net of savings not achieved<br>£'000 | Movement since Period 0<br><br>Red=<br>Adverse<br>(Green) =<br>Favourable | Headline Comment  |
|---|--|--|--|---|---|
| <b>Appropriations (APP)</b>               |  |  |  |   |   |
| Attributable Costs - Fixed Asset Disposal | 54   | 0  | 54   | 54  | A reserve funded budget for Estates Officer time was omitted in error when preparing the 16/17 MTFP |
| Interest Payable and Similar Charges      | 0  | 0  | 0  | 0   | No variance identifiable at Month 2   |
| Priority Investment Reserve               | 80   | 0  | 80   | 80  | £80k contribution from reserves in respect of Eist  |
| <b>Total APP at Month 2</b>               | <b>134</b>   | <b>0</b>   | <b>134</b>   | <b>134</b>  | <b>Total App Outturn at Month 2</b>   |

| <b>Financing (FIN)</b>       |              |            |              |              |   |
|------------------------------|--------------|------------|--------------|--------------|---|
| Council Tax                  | (550)        | 0          | (550)        | (550)        | Increased Council Tax Base                |
| Benefit Support              | (313)        | 0          | (313)        | (313)        | Less claimants than Budgeted              |
| Total Financing              | (863)        | 0          | (863)        | (863)        | <b>Total Financing Outturn at Month 2</b> |
| <b>Grand Total @ Month 2</b> | <b>1,006</b> | <b>364</b> | <b>1,370</b> | <b>1,370</b> |   |

3.1.10 More detailed monitoring information together with a narrative of more significant variance over £25,000 is provided in the Select Appendices 2 to 5.

### 3.2 **SCHOOLS**

3.2.1 Each of the Authority's Schools is directly governed by a Board of Governors, which is responsible for managing the school's finances. However, the Authority also holds a key responsibility for monitoring the overall financial performance of schools. Below is a table showing the outturn forecast Schools' balances position based on month 2 projections.

| Draft Council Fund Outturn 2016/17– Schools Summary outturn position at Month 2 (Period1) | (A) Opening Reserves (Surplus) / Deficit Position 2016/17<br>£'000 | (B) Budgeted Draw on School Balances 2016-17<br>£'000 | (C) Variance on Budgeted Reserve Draw<br>£'000 | (D) Draw Forecasted on School Balances @ Month2<br>£'000 | Forecasted Reserve Balances at 2016-17 Outturn (A+D)<br>£'000 |
|---|--|---|--|--|---|
| <b>Clusters</b>   |  |   |  |  |   |
| Abergavenny   | (594)  | 508   | 56   | 564  | (30)  |
| Caldicot  | (590)  | 498   | 31   | 529  | (61)  |
| Chepstow  | 218  | (162)   | 52   | (110)  | 108   |
| Monmouth  | (299)  | 181   | (34)   | 147  | (152)   |
| Special   | 109  | (50)  | 0  | (50)   | 59  |

|  |         |     |     |       |      |
|--|---------|-----|-----|-------|------|
|  | (1,156) | 975 | 105 | 1,080 | (76) |
|--|---------|-----|-----|-------|------|

3.2.2 School balances at the beginning of the financial year amount to £1,156,000. The Schools budgeted draw upon balances is forecasted to be £975,000 for 2016/17, therefore leaving £181,000 as forecasted closing reserve balances. All schools are required to provide final budget statements by 31<sup>st</sup> May. CYP are, however, still awaiting 2 signed budgets which may result in a change to this budgeted amount. The anticipated draw on reserves as at period 1 is £105,000 more than budgeted, with the key message that 2016-17 likely to effectively eliminate collective school reserves.

3.2.5. This remains a cause for concern, which has been expressed in previous years, but hasn't actually manifest itself as a problem at the year-end due to the receipt of ad-hoc grants by EAS late in the year which supplement/mitigate the year end position.

| Financial Year-end | Net level of School Balances |
|--------------------|------------------------------|
| 2011-12            | (965)                        |
| 2012-13            | (1,240)                      |
| 2013-14            | (988)                        |
| 2014-15            | (1,140)                      |
| 2015-16            | (1,156)                      |
| 2016-17 Forecast   | (76)                         |

CYP colleagues continue to work with EAS to improve the communication process, but ironically that may have an adverse effect on level of reserves needing to be carried forward.

3.2.4 6 schools exhibited a deficit position at the start of 2016/17 it is anticipated this will rise to 13 by end of 2016-17, effectively a third of schools will be in deficit by end of year. Particularly significant volatility is evident at Comprehensive school level with Monmouth not yet having returned its approved budget, King Henry utilising £241,000 reserve and pushing them to a £134,000 deficit, Caldicot utilising £204,000 of their reserve leaving a £5,000 surplus reserve and Chepstow being intent to replenish its reserve by £257,000. In the latter case governors subscribed to a further £56,000 savings during their budget setting consideration to ensure they were back on track with the 2016-17 reserve levels communicated in its original recovery plan.

3.2.7 Individual School Balances are available in Appendix A at the end of this report

### 3.3 2016/17 Savings Progress

3.3.1 This section monitors the specific savings initiatives and the progress made in delivering them in full by the end of 2016/17 financial year as part of the MTFP budgeting process. .

In summary they are as follows,

#### **2016/17 Mandated Budgeted Savings Progress at Month 2**

| <b>DIRECTORATE</b>                 | <b>Specific Savings Initiatives 2016/17 £'s</b> | <b>Savings Identified @ Month 2 £'s</b> | <b>% Progress In Savings Achieved</b> | <b>Delayed Savings to 2017/18 £'s</b> | <b>Savings Unachievable in 2016/17 £'s</b> |
|------------------------------------|---|---|---------------------------------------|---------------------------------------|--|
| <b>Children &amp; Young People</b> | 600,000   | 600,000                                 | <b>100%</b>                           | 0                                     | 0  |
| <b>Social Care &amp; Health</b>    | 640,000   | 640,000                                 | <b>100%</b>                           | 0                                     | 0  |
| <b>Enterprise</b>                  | 799,000   | 540,000                                 | <b>68%</b>                            | 0                                     | 259,000                                    |
| <b>Operations</b>                  | 1,065,000                                       | 1,045,000                               | <b>98%</b>                            | 0                                     | 20,000                                     |
| <b>Chief Executives Office</b>     | 555,000   | 490,000                                 | <b>88%</b>                            | 43,000                                | 22,000                                     |
| <b>Total Budgeted Savings</b>      | <b>3,659,000</b>                                | <b>3,315,000</b>                        | <b>91%</b>                            | <b>43,000</b>                         | <b>301,000</b>                             |

3.3.2 Forecasted mandated savings are currently running at 91%, with currently £301,000 being deemed unachievable at the end of month 2, and a further £43,000 unlikely to crystallise in 2016-17.

3.3.3 The emphasis of reporting savings has changed from previously where savings were reported when they were manifest, however the judgement is now whether saving is forecast to be achieved.

3.3.4 The savings appendix also has a traffic light system to indicate whether savings are likely to be achieved or have reasons explaining the mandates delayed implementation. The following summary of savings mandates are still reported to be high or medium risk.

#### Children and Young People (CYP)

- Current financial year savings anticipated to be met in full.

#### Social Care & Health (SCH)

- Current financial year savings anticipated to be met in full.

#### Enterprise (ENT)

- Mandate A5: Sustainable Energy Initiatives: Expected income targets of £34,000 are unachievable, alternative delivery plan of increased income on property rental portfolio and reduced expenditure on repairs and maintenance proposed
- Mandate B3: Training Services Consolidation: Consolidation of authorities existing training functions and increased revenue streams is only likely to achieve £10,000 of the £50,000 originally reported. Alternative delivery plans are being considered.

- Mandate B5: Community Asset Transfer / Income Generation £160,000: £115,000 is currently unachievable as MCC still in discussions over transfer of Chepstow Drill Hall and Melville Theatre. £45,000 of the £60,000 savings contained within the mandate are forecast to be achieved.
- Mandate B18: Strategic Property Review: £30,000 shortfall identified as £10,000 from failure to achieve Residential Letting Income and £20,000 on the Depot Rationalisation Programme which will take longer than expected.
- Mandate 21: Town & Community Councils: The mandate is currently £60,000 short of the £135,000 in regard to the service collaboration for Tourism (£20k), Museums (£20k) and Community Hubs (£20k). The Museums element is anticipated to be found from revised service levels.

#### Operations (OPS)

- Mandate 21: Town & Community Councils: The mandate is currently £20,000 short of the £265,000 in regard to the service collaboration for Public Conveniences.

#### Chief Executive's Office

- Mandate B2: Rationalise Business Support: £22,000 currently being forecast as unachievable, alternative delivery plan will be implemented at month 6 if savings still cannot be found.
- Mandate B11: Senior Leadership Structure Review: Currently £42,700 of the £315,000 mandated savings still to be found. Current structures under review in regard to achieving this further saving.

### 3.4 Capital Position

3.4.1 The summary Capital position as at month 2 is as follows

| <b>MCC CAPITAL BUDGET MONITORING 2016-17 AT MONTH 2 by SELECT COMMITTEE</b> |                                  |   |  |  |   |  |
|---|----------------------------------|---|--|--|---|--|
| <b>CAPITAL BUDGET<br/>SELECT PORTFOLIO</b>                                  | <b>Annual Forecast<br/>£'000</b> | <b>Slippage Brought / Forward<br/>£'000</b> | <b>Total Approved Budget 16/17<br/>£'000</b> | <b>Provisional Capital Slippage to 2017/18<br/>£'000</b> | <b>Revised Capital Budget 2016/17<br/>£'000</b> | <b>Forecasted Capital Expenditure Variance<br/>£'000</b> |
| Children & Young People   | 33,161                           | 39,731                                      | 43,227                                       | (10,066)   | 33,161  | 0  |
| Adult   | 92                               | 30  | 92   | 0  | 92  | 0  |
| Economic & Development  | 445                              | 680   | 380  | 0  | 380   | 65   |
| Strong Communities  | 7,939                            | 3,243                                       | 7,939  | 0  | 7,939   | 0  |
| <b>Capital Schemes Total</b>  | <b>41,637</b>                    | <b>43,684</b>                               | <b>51,638</b>                                | <b>(10,066)</b>  | <b>41,572</b>                                   | <b>65</b>  |

### 3.5 Proposed Slippage to 2017-18

3.5.1 The only proposed slippage apparent at month 2 relates to Future Schools initiative, and reflects the latest cash flow profile provided by CYP colleagues.

### 3.6 Capital Outturn

3.6.1 The only revision to capital programme has been to reflect the changes approved to Caerwent House scheme approved by Cabinet in June meeting, which introduces net £65,000 costs to be afforded from unspecified underspends in capital programme as year progresses.

3.6.2 Whilst schemes are commonly reported as being at breakeven with budget this early in the financial year, past year's activity suggests this prediction is unlikely to be the reality at outturn. The tendered prices on the Future Schools programme are currently being worked through and may result in a capital pressure.

### 3.7 Capital Financing and Receipts

3.7.1 Given the anticipated capital spending profile reported in para 3.1.1, the following financing mechanisms are expected to be utilised.

**MCC CAPITAL FINANCING BUDGET MONITORING 2016-17 AT MONTH 2 By FINANCING CATEGORY**

| <b>CAPITAL FINANCING SCHEME</b>     | <b>Annual Forecast Financing</b> | <b>Slippage Brought / Forward</b> | <b>Total Approved Financing Budget 16/17</b> | <b>Provisional Budget Slippage to 2017/18</b> | <b>Revised Financing Budget 2016/17</b> | <b>Forecasted 2016/17 Capital Financing</b> |
|-------------------------------------|----------------------------------|-----------------------------------|--|---|---|---|
|                                     | <b>£'000</b>                     | <b>£'000</b>                      | <b>£'000</b>                                 | <b>£'000</b>                                  | <b>£'000</b>                            | <b>£'000</b>                                |
| Supported Borrowing                 | 2,406                            | 0                                 | 2,406  | 0   | 2,406                                   | 0   |
| General Capital Grant               | 1,464                            | 0                                 | 1,464  | 0   | 1,464                                   | 0   |
| Grants and Contributions            | 15,640                           | 16,050                            | 16,875                                       | (1,235)                                       | 15,640                                  | 0   |
| S106 Contributions                  | 1,262                            | 880                               | 1,262  | 0   | 1,262                                   | 0   |
| Unsupported borrowing               | 11,969                           | 11,553                            | 20,801                                       | (8,832)                                       | 11,969                                  | 0   |
| Earmarked reserve & Revenue Funding | 1,091                            | 590                               | 1,091  | 0   | 1,091                                   | 0   |
| Capital Receipts                    | 7,627                            | 14,500                            | 7,627  | 0   | 7,627                                   | 0   |
| Low cost home ownership receipts    | 112                              | 112                               | 112  | 0   | 112                                     | 0   |
| Unfinanced                          | 0                                | 0                                 | 0  | 0   | 0                                       | 0   |
|                                     |                                  |                                   |  |   |   |   |
| <b>Capital Financing Total</b>      | <b>41,572</b>                    | <b>43,684</b>                     | <b>51,339</b>                                | <b>(10,066)</b>                               | <b>41,572</b>                           | <b>0</b>                                    |

### 3.8 Useable Capital Receipts Available

3.8.1 In the table below, the effect of the changes to the forecast capital receipts on the useable capital receipts balances available to meet future capital commitments is shown. This is also compared to the balances forecast within the 2016/20 MTFP capital budget proposals.

Movement in Available Useable Capital Receipts Forecast

| <b>TOTAL RECEIPTS</b>   | <b>2016/17</b> | <b>2017/18</b> | <b>2018/19</b> | <b>2019/20</b> |
|---|----------------|----------------|----------------|----------------|
|   | <b>£000</b>    | <b>£000</b>    | <b>£000</b>    | <b>£000</b>    |
| Balance b/f 1 <sup>st</sup> April                                       | 5,311          | 11,753         | (2,746)        | (1,812)        |
| <b>ADD</b>  |                |                |                |                |
| Receipts forecast received  | 21,640         | 5,400          | 5,400          | 5,500          |
| Deferred capital receipts   | 4              | 4              | 4              | 4              |
| <b>LESS</b>   |                |                |                |                |
| Receipts to be applied  | (7,928)        | (18,171)       | (4,471)        | (509)          |
| Set aside   | (7,274)        | (1,732)        | 0              | 0              |
| <b>Predicted Year end receipts balance</b>                              | <b>11,753</b>  | <b>(2,746)</b> | <b>(1,813)</b> | <b>3,182</b>   |
| <b>Financial Planning Assumption 2016/20 MTFP Capital Budget</b>        | <b>18,151</b>  | <b>6,452</b>   | <b>3,985</b>   | <b>3,481</b>   |
| <b>Increase / (Decrease) compared to MTFP Capital Receipts Forecast</b> | <b>(6,398)</b> | <b>(9,198)</b> | <b>(5,798)</b> | <b>(298)</b>   |

3.8.2 The balances forecast to be held at the 31<sup>st</sup> March each year are lower than forecast in the MTFP, mainly due to the delayed LDP receipts. The difference reduces to virtually nil by March 2020 when all the LDP sites are forecast to have been sold. The table above is artificial in evidencing negative receipts, this wouldn't be the reality, alternative funding sources would need to be utilised when a positive level of receipts expires, and levels of set aside will be reviewed during 2016/17 to ensure the balances held at the 31<sup>st</sup> March remain positive.

3.8.3 The forecast receipt figure above for 2016/17 includes receipts from the old Abergavenny cattle market site, Coed Glas and the Old County Hall site. However there is an increasingly significant risk to the Council resulting from the need to utilise capital receipts in the same year that they come into the Council. This provides no tolerance or flexibility should the receipts be delayed, which isn't uncommon, and would necessitate compensatory temporary borrowing which is more costly than utilising capital receipts and would necessitate additional revenue savings annually to afford. Much of the capital receipts funding presumptions concerning affording Future schools aspirations are predicated on receiving the cattle market receipt during 2016-17, and at the moment the timing of this material receipt appear a little uncertain.



### 3.9 Reserve Usage

3.9.1 Revenue and Capital monitoring reflects an approved use of reserves. At this early stage in the year, services assume full reserve usage of amounts previously approved, with the exception of Eisteddfod funding where the Council agreed to underwrite any shortfall in £300,000 community fund raising. Given activity evident in this first period a further £80,000 backstop funding won't be necessary on top of the previous £130,000 fund raising evident at outturn. There is a separate report on the Cabinet agenda relating to a review of earmarked reserves and recommendations for how they are managed going forward.

3.9.2 The following predicted position reflects capital and revenue presumptions evident in period 1 monitoring.

| <b>SUMMARY EARMARKED RESERVES FORECAST 2016-17</b> |                   |                 |                  |                  |                   |
|--|-------------------|-----------------|------------------|------------------|-------------------|
| Earmarked Reserves                                 | 2015-16           | Revenue         |                  | Capital Usage    | 2016-17           |
|  |                   | Approved Usage  |                  |                  |                   |
|  | C/FWD             | Replenishment   | Draw on          |                  | c/fwd             |
|  |                   | of Reserves     | Reserves         |                  |                   |
| Invest to Redesign                                 | -1,298,155        | -72,508         | 507,357          | 233,363          | -629,943          |
| IT Transformation                                  | -886,835          |                 |                  | 248,862          | -637,973          |
| Insurance & Risk Management                        | -1,236,396        |                 |                  |                  | -1,236,396        |
| Capital Receipt Regeneration                       | -322,361          |                 | 95,376           |                  | -226,985          |
| Treasury Equalisation                              | -990,024          |                 |                  |                  | -990,024          |
| Redundancy & Pensions                              | -1,311,256        |                 | 592,521          |                  | -718,735          |
| Capital Investment                                 | -1,264,599        |                 |                  | 619,236          | -645,363          |
| Priority Investment                                | -1,120,069        |                 | 783,914          |                  | -336,155          |
| Museums Acquisitions                               | -56,760           |                 |                  |                  | -56,760           |
| Elections  | -108,183          | -25,000         | 100,000          |                  | -33,183           |
| Grass Routes Buses                                 | -139,702          | -5,000          |                  |                  | -144,702          |
| <b>Sub Total</b>                                   | <b>-8,734,340</b> | <b>-102,508</b> | <b>2,079,168</b> | <b>1,101,461</b> | <b>-5,656,219</b> |
| <b>Restricted Use Reserves</b>                     |                   |                 |                  |                  |                   |
| Youth Offending Team                               | -325,000          |                 |                  |                  | -325,000          |
| Building Control Trading                           | -12,008           |                 |                  |                  | -12,008           |
| Outdoor Education Centres                          | -190,280          |                 |                  |                  | -190,280          |
| CYP Maternity                                      | -104,000          |                 |                  |                  | -104,000          |
| <b>Total Earmarked Reserves</b>                    | <b>-9,365,628</b> | <b>-102,508</b> | <b>2,079,168</b> | <b>1,101,461</b> | <b>-6,287,507</b> |

## 4 REASONS

4.1 To improve budget monitoring and forecasting information being provided to Senior Officers and Members.

## 5 RESOURCE IMPLICATIONS

5.1 To improve budget monitoring and forecasting information being provided to Senior Officers and Members.

## **6 EQUALITY AND SUSTAINABLE DEVELOPMENT IMPLICATIONS**

6.1 The decisions highlighted in this report have no equality and sustainability implications.

## **7 CONSULTEES**

Strategic Leadership Team  
All Cabinet Members  
All Select Committee Chairman  
Head of Legal Services  
Head of Finance

## **8 BACKGROUND PAPERS**

8.1 Month 2 monitoring reports, as per the hyperlinks provided in the Select Appendices

## **9 AUTHOR**

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### **Appendices**

Appendix 1 Mandated Savings Progress Report  
Appendix 2 Strong Communities Select Committee portfolio position statement  
Appendix 3 Economy and Development Select Committee portfolio position statement  
Appendix 4 Adult Select Committee portfolio position statement  
Appendix 5 Children and Young People Select Committee portfolio position statement