	Performance and Contract Management Committee **28 November 2017**
Title	**Quarter 2 2017/18** **Financial Monitoring Report**
Report of	Director of Resources
Wards	All
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A: Revenue forecast Appendix B (i): Capital forecast Appendix B (ii): Capital funding adjustments Appendix C: Prudential indicators Appendix D: Investments outstanding
Officer Contact Details	Gillian Clelland – Assistant Director of Finance (CSG) gillian.clelland@barnet.gov.uk

Summary

The report provides an overview of the council's financial performance for the six months to 30 September 2017.

Capital and revenue forecasts

The General Fund **revenue projected outturn** is £280.402m, which is an adverse variance of £3.203m (1.2 per cent) compared with the revised budget of £277.199m. The overall variance is largely driven by overspends in Family Services and Housing Needs and Resources. The projected outturn on the council's **capital programme** is £317.949m, £259.263m of which relates to the General Fund programme and £58.686m to the HRA capital programme. This is a variance of £90.604m against the 2017/18 revised budget of £408.553m. Further information can be found in Appendices A and B.

Treasury forecasts

In compliance with the requirements of the Chartered Institute of Public Finance and

Accountancy (CIPFA) Code of Practice, this report provides Members with a summary report of the treasury management activity during the period to 31 March 2017. The Prudential Indicators have not been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

As at 30 September 2017, investments totalled £100.000 million, achieving an average annual rate of return of 0.39 per cent against a benchmark average (London Interbank Bid Rate - LIBID) of 0.11 per cent.

Recommendations

1. **The Committee is asked to note the Q2 2017/18 revenue position, as detailed in paragraph 1.2 and in Appendix A.**
2. **The Committee is asked to note the savings forecast to be delivered in Q2 2017/18, as detailed in paragraph 1.2.15.**
3. **The Committee is asked to note the forecast level of reserves and balances as detailed in paragraph 1.3.**
4. **The Committee is asked to note the additions and deletions (which include virements) and accelerations and slippages in the capital programme, as detailed in paragraph 1.4 and in Appendix B.**
5. **The Committee is asked to note the treasury position outlined in paragraph 1.6.**

WHY THIS REPORT IS NEEDED

1.1 This report provides an overview of the council's financial performance for the six months to 30 September 2017. It is intended that this report is presented to the Committee on a twice yearly basis.

1.2 REVENUE FORECAST

General Fund

1.2.1 The forecast General Fund revenue outturn (after reserve movements) is £280.402m, which is a projected overspend of £3.203m (1.2 per cent) compared with the revised budget of £277.199m. See table 1 below.

Table 1: Revenue Forecast Outturn (Q2 2017/18)

Service	Original Budget £000	Revised Budget £000	Q2 Projected Outturn £000	Variance from Revised Budget Adv/(fav) £000	Variance from Revised Budget Adv/(fav) %
Adults and Communities	87,145	87,184	87,379	196	0.2
Assurance	5,859	6,096	6,375	279	4.6
Central Expenses	52,723	43,507	42,207	(1,300)	(3.0)
Commissioning Group	33,834	34,109	34,607	498	1.5

Service	Original Budget £000	Revised Budget £000	Q2 Projected Outturn £000	Variance from Revised Budget Adv/(fav) £000	Variance from Revised Budget Adv/(fav) %
CSG	21,161	21,836	22,036	200	0.9
Education and Skills	6,525	6,715	6,774	59	0.9
Family Services	52,445	58,471	59,816	1,345	2.3
Housing Needs and Resources (Barnet Homes)	5,560	5,560	6,970	1,411	25.4
Re	(824)	326	429	103	31.6
Street Scene	12,881	13,395	13,809	414	3.1
Total	**277,309**	**277,199**	**280,402**	**3,203**	**1.2**

The main reasons for the projected overspend are set out below.

1.2.2 The revenue budget for **Adults and Communities** is forecast to overspend by £0.196m. Adult Social Care (ASC) has experienced increasing complexity and demand for services since 2014/15. Following intensive work within the service in relation to a new operating model focused on a strength-based approach and substantial corporate investment by the council, as well as allocation of funding from the BCF/iBCF (Better Care Fund) to mitigate this increased complexity and demand, care costs are currently being forecast to come in on budget. As social care is a demand led service, the position may change if demand or complexity increases during the year above forecast levels. The current overspend position is in relation to expenditure on staffing and the cost pressure of needing to employ agency staff to cover front line roles while recruitment has been underway, alongside recruitment costs. Some of these costs are being mitigated though underspends on other staffing budgets, including holding posts vacant while recruitment is underway and not using agency staff unless business critical.

The Deprivation of Liberty Safeguards (DOLS) service continues to be a significant cost pressure in 2017/18, as a result of Supreme Court judgements in 2014/15 and a loss of grant funding since 2015/16.

1.2.3 **Assurance** is forecasting an overspend of £0.279m due to an underachievement of income, which is partly offset by an underspend on core hours.

1.2.4 As at Q2 2017/18, **Central Expenses** is forecast to underspend by £1.300m as central contingency has not yet been fully allocated.

1.2.5 The projected overspend for the **Commissioning Group**, which includes environment, parking and infrastructure, is £0.498m which represents 1.5 per cent of the total Delivery Unit budget. The forecast overspend is principally due to there being no budget for the out of hours service (GDIT) and the income budget for the registrar and mortuary services not being achieved.

1.2.6 The projected overspend of £0.200m for **CSG** represents 0.9% of the total Delivery Unit budget (£21.836m). Income is forecast to be below budget due to a shortfall in schools traded income and in print / photocopying recharges, offset by higher than budgeted recovery of court costs.

1.2.7 The forecast revenue outturn for **Education and Skills** as at Q2 is broadly in line with budget.

1.2.8 The projected overspend of £1.345m for **Family Services** represents 2.3 per cent of the total Delivery Unit budget (£58.471m). The majority of the forecast overspend (£1.118m) relates to external placements and associated services. The contingencies within the forecast have been set at a pessimistic level and are being reviewed. The remainder of the forecast overspend relates to staffing and in particular the need to pay market rates to recruit and retain staff.

1.2.9 The projected overspend of £1.411m for **Housing Needs and Resources** represents 25.4 per cent of the total Delivery Unit budget (£5.560m). The forecast overspend is largely due to a shortfall in rental income as a result of temporary accommodation rents being fixed at January 2011 Local Housing Allowance rates, in addition to income loss from hostels, temporary accommodation preventions, one-off private sector leasing prepayments and an increase in the bad debt provision.

1.2.10 As at Q2 2017/18, **Re** is forecasting an overspend of £0.103m which is mainly due to a shortfall in highways income.

1.2.11 The projected overspend of £0.414m for **Street Scene** represents 3.1% of the total Delivery Unit budget (£13.395m). The overspend relates to increased costs of staffing and equipment and a project to reduce these costs has commenced. There are also currently unachieved savings that were to be delivered through the alternative delivery model and a restructure to deliver these is pending. The service is holding vacancies pending that restructure. The income target for trade waste is currently forecast to be overachieved.

Housing Revenue Account (HRA)

1.2.12 As at 30 September 2017, the HRA is forecasting a surplus of £1.865m, compared to the budget of £2.185m.

Table 2: Housing Revenue Account Forecast

	Revised Budget £000	Q2 Projected Outturn £000	Variance from Budget Adv/(Fav) £000
Dwelling rents	(52,805)	(53,597)	(792)
Service and other charges	(8,852)	(9,136)	(284)
Housing management	20,298	20,983	685
Repairs and maintenance	7,486	7,486	-
Provision for bad debts	1,100	1,000	(100)
Regeneration	1,351	810	(542)
Capital charges	29,385	30,655	1,270
Interest on balances	(147)	(65)	82
Total	**(2,185)**	**(1,865)**	**319**

1.2.13 The main reasons for the variance from budget are set out below.

Income - Dwelling rents are projected to over recover by £0.792m. This is mainly due to lower than expected stock loss through the regeneration programme and also lower right to buy (RTB) sales. Tenant service charges, leasehold contributions and other non-dwelling income are projected to over recover by £0.284m.

Expenditure - Housing management costs mainly reflect the core management fee of £17.000m paid to Barnet Homes to manage the housing stock and are currently forecast to budget. The balance of £2.700m represents other demand-led costs and internal recharges. Management costs are projected to overspend by £0.685m which includes projections for a number of internal recharges to the HRA and the new Discretionary Housing Payments (DHPs) to Council tenants.

The repairs and maintenance budget of £7.486 relates to management fees paid to Barnet Homes for the repairs and maintenance of housing stock and refurbishment of void properties. This is forecast to budget as at Q2 and estimated spend includes day to day responsive and planned repairs.

The housing regeneration forecast is an underspend of £0.542m as a result of costs being partially recovered from developers on a number of regeneration schemes at Dollis Valley, Grahame Park, Stonegrove, West Hendon and Granville Road.

Capital charges which include depreciation, voluntary capital contributions and borrowing costs are projected to overspend by £1.270m. The depreciation forecast is now based on a projected year end depreciation charge of £23.200m and the resulting variance is fully compensated by underspends elsewhere in the HRA.

Dedicated Schools Grant (DSG)

1.2.14 The DSG budget at month 6 is projected to be a balanced position. However, there is currently an underlying pressure of £1.000m within High Needs top-ups which is being investigated. As reported to the Schools Forum, an additional draw down on reserves of £1.358m has increased the overall expenditure budget. This £1.358m relates to additional NNDR pressures, reduction to Individual Schools Budget (ISB) related funding (£0.591m), revised early years expenditure (£0.425m) and revised High Needs Place funding (£0.342m). The table below summarises the DSG position:

Table 3: Dedicated Schools Grant

	Revised Budget £000	Q2 Projected Outturn £000	Variance from Budget Adv/(Fav) £000
Schools			
- Individual Schools Budget	139,265	139,856	591
- Growth Fund	1,300	1,300	-
- Central schools expenditure	1,652	1,652	-
- ESG retained funding	798	798	-
Sub-total	**143,015**	**143,606**	**591**
Early Years Block	25,060	25,485	425
High Needs Block	43,578	43,920	342
Sub-total	**211,653**	**213,011**	**1,358**
DSG Income	(209821)	(209,821)	-
DSG c/f	(1832)	(3,190)	(1,358)
DSG Total	**-**	**-**	**-**

Savings

1.2.15 In 2017/18 the Council budgeted to deliver £19.825m of savings. Table 4 below summarises by Theme Committee the value of savings that have been achieved against the savings programme. As at 30 September 2017, £18.738m of savings are expected to be delivered by year end, which represents 94.5% of the target.

Table 4: Savings (Q2 2017/18)

Service	2017/18 MTFS Savings Target £000	Savings Achieved / Expected to be Achieved £000	Savings Unachiev-able £000	Savings Expected to be Achieved %
Adults and Safeguarding	4,867	4,867	-	100.0
Assets, Regeneration and Growth	4,976	4,783	193	96.1
Children, Education, Libraries and Safeguarding	3,656	3,512	144	96.1
Environment	3,965	3,315	650	83.6
Policy and Resources	2,361	2,261	100	95.8
	19,825	**18,738**	**1,087**	**94.5**

1.3 RESERVES AND BALANCES

General Fund Balance

1.3.1 The recommended limit for the council's General Fund balance is £12m and therefore the forecast revenue outturn results in the balance being £5.591m below this recommended limit. This reduction in the General Fund balance will need to be managed through the council's Medium Term Financial Strategy to ensure the balance is replenished as the reduced balance would not be sustainable given the risks the council faces over the short to long term.

Table 5: General Fund Balance

	£000
General Fund Balance brought forward 1 April 2016	**(9,614)**
Budgeted use of balance	-
Forecast variance	3,205
Forecast General Fund Balance 31 March 2017	**(6,409)**

Housing Revenue Account Balance

1.3.2 The Housing Revenue Account (HRA) has a budgeted contribution to balances of £2.185m in 2017/18. The forecast outturn for the year is a surplus of £1.865m, thus there is a forecast balance of £14.354m as at 31 March 2018.

Table 6: HRA Balance

	£000
HRA Balance brought forward 1 April 2017	**(12,489)**
Forecast surplus	(1,865)

Forecast HRA Balance 31 March 2018	**(14,354)**

Dedicated Schools Grant Balance

1.3.3 There is a projected drawdown from the DSG balance in 2017/18 of £3.190m, which results in a forecast balance as at 31 March 2018 of £1.035.

Table 7: DSG Balance

	£000
DSG Balance brought forward 1 April 2017	**(4,225)**
Projected drawdown	3,190
Forecast DSG Balance 31 March 2018	**(1,035)**

Earmarked Reserves

1.3.4 The council has set aside specific amounts as reserves for future policy purposes or to cover contingencies. As at 1 April 2017 the council held reserves of £96.799m. The balance as at 31 March 2018 is forecast to be £63.550.

Table 8: Earmarked Reserves

Service Area	Reserves b/fwd 1 April 2017 £000	Forecast Drawdown £000	Contrib-utions/ new reserves raised/ transfers £000	Reserves c/fwd 31 March 2018 £000
Central - Capital Financing	1,575	(1,439)	1,768	1,905
Central - Community Infrastructure Levy	16,178	(10,172)	10,629	16,635
Central - Infrastructure	20,393	(21,943)	8,903	7,353
Central - MTFS	15,425	(7,669)	2,000	9,756
Central - Risk	-	-	-	1,000
Central - Service Development	6,308	(2,404)	-	3,904
Central - Transformation	6,754	(2,254)	-	4,500
Service - Central expenses	7,268	(467)	-	6,801
Service - Education & Skills	14	(14)	-	-
Service - Commissioning	5,913	(2,981)	-	1,932
Service - Other	2,632	(401)	-	2,230
Sub-total General Fund Earmarked Reserves	**82,460**	**(49,744)**	**23,300**	**56,015**
Service - DSG	4,224	(3,190)	-	1,035
Service - Housing Benefits	1,030	-	-	1,030
Service - NLSR	604	-	-	605
Service - PFI	4,286	-	-	4,286
Service - Public Health	2,358	(1,300)	-	1,058
Special Parking Account (SPA)	1,837	(2,314)	-	(479)
Sub-total Ring-fenced Reserves	**14,339**	**(6,804)**	**0**	**7,535**
Total Earmarked Reserves	**96,799**	**(56,548)**	**23,300**	**63,550**

Provisions

1.3.5 Provisions are made where an event has taken place that gives the council a legal or constructive obligation that requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. For example, the council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation. As at 31 March 2017 the council held provisions of £49.926m. There have been no transfers to or from provisions in the half year to 30 September 2017.

Table 9: Provisions

Service Area	Provision b/fwd 1 April 2017 £000	2017/18 in-year expenditure £000	New provisions raised/ (written back)	Provision c/fwd 31 March 2018 £000
Bad and doubtful debts	32,256	-	-	32,256
Insurance	8,850	-	-	8,850
Service related provisions	2,481	-	-	2,481
Business Rates appeals	3,057	-	-	3,057
Other	282	-	-	282
	46.926	**-**	**-**	**46,926**

1.4 CAPITAL PROGRAMME

1.4.1 The projected outturn on the council's capital programme is £317.949m, £259.263m of which relates to the General Fund programme and £58.686m to the HRA capital programme. Table 10 below summarises the actual expenditure, budget and variance by service.

Table 10: Capital Forecast Outturn (Q2 2017/18)

Service	2017/18 Budget £000	Additions/ (Deletions) £000	(Slippage)/ Accelerated Spend £000	Q2 2017/18 Forecast £000	Forecast variance from Approved Budget £000	Forecast variance from Approved Budget %
Adults and Communities	2,035	(3)	-	2,032	(3)	(0.1)
Commissioning Group	51,863	(657)	(20,457)	30,749	(21,114)	(40.7)
Education and Skills	51,489	-	(20,000)	31,489	(20,000)	(38.8)
Family Services	18,605	-	(5,596)	13,009	(5,596)	(30.1)
Housing Needs and Resources (Barnet Homes)	45,424	-	(9,445)	35,979	(9,445)	(20.8)
Parking and Infrastructure	2,686	-	(350)	2,336	(350)	(13.0)
Re	142,574	11,337	(14,905)	139,006	(3,568)	(2.5)
Street Scene	4,663	-	-	4,663	-	-
General Fund Programme	**319,339**	**10,677**	**(70,753)**	**259,263**	**(60,076)**	**(18.8)**
HRA (Barnet Homes)	89,214	(6,551)	(23,977)	58,686	(30,528)	(34.2)
Total Capital Programme	**408,553**	**4,126**	**(94,730)**	**317,949**	**(90,604)**	**(22.2)**

1.4.2 The projected capital outturn is £90.604m (22.2%) lower than the latest approved budget, primarily due to slippage. The principal variances from budget and the reasons for these are as follows:

- Within the Commissioning Group capital programme, there is slippage of £10.000m on the Sports and Physical Activities project where final plans are still being completed, slippage of £6.300m on the ICT strategy project in relation to The Way We Work (TW3) and £1.200m on the Daws Lane Community Centre where the project is complete but the funds have been moved into 2018/19 to contribute towards the library being provided within the community centre.
- Within the schools capital programme, the overall budget has been reviewed and reprofiled to reflect a more realistic forecast spend. This has resulted in slippage of £20.000m to 2018/19.
- Within Family Services, there is slippage of £5.596m relating to the Meadow Close project, Youth Zone project, East Barnet Library project and the Family Services Estate project.
- The forecast capital outturn for Housing Needs and Resources shows slippage of £9.445m. The land transfer of 19 discrete sites to Open Door Homes (ODH) was delayed. Five sites have now transferred. A planned schedule of work is in place and reflected in the business plan. The contractor will be appointed once the land transfer is completed.
- The Re capital programme has decreased by £3.568m. This is due largely to slippage on regeneration schemes and highways schemes to 2018/19, offset by an addition in relation to Colindale Station.
- The HRA forecast shows a decrease of £30.528m. This is due to delays in a number of projects which are expected to slip to 2018/19 (Extra Care pipeline project, Dollis Valley shared equity, Moreton Close build and the acquisitions programme).

Funding of Capital Programme

1.4.3 Table 11 below shows the changes in the funding of the 2017/18 capital programme as a result of the slippage forecast at quarter 2.

Table 11: Funding of 2017/18 Capital Programme

Service Area	Grants £000	S106/ Other Contrib-utions £000	Capital Receipts £000	Revenue/ MRA £000	Borrow-ing £000	Capital Reserves £000	Total £000
Adults and Communities	-	-	-	-	(3)	-	(3)
Commissioning Group	(1,177)	-	(7,599)	-	(12,034)	(304)	(21,114)
Education and Skills (including schemes managed by Schools)	(11,345)	(2,211)	(1,387)	-	(5,057)	-	(20,000)
Family Services	-	-	-	-	(4,396)	(1,200)	(5,596)
Housing Needs Resources	-	(140)	(2,979)	(126)	(6,148)	(52)	(9,445)
Parking and Infrastructure	-	-	-	-	-	(350)	(350)
Regional Enterprise (Re)	(2,502)	10,492	(2,328)	(297)	(6,257)	(2,676)	(3,568)
Street Scene	(18)	(123)	-	-	141	-	-

Service Area	Grants £000	S106/ Other Contrib-utions £000	Capital Receipts £000	Revenue/ MRA £000	Borrow-ing £000	Capital Reserves £000	Total £000
General Fund Programme	**(15,042)**	**8,018**	**(14,293)**	**(423)**	**(33,754)**	**(4,582)**	**(60,076)**
HRA	(4,750)	95	(14,894)	2,308	(6,866)	(6,421)	(30,528)
Total Capital Programme	**(19,792)**	**8,113**	**(29,187)**	**1,885**	**(40,620)**	**(11,003)**	**(90,604)**

1.5 SUNDRY DEBT

Sundry debt write-offs

1.5.1 As part of the bi-annual monitoring process the council reports on all scheduled write-offs in excess of £5,000. The value of a write-off is determined at a debt value as per the council's financial regulations. Debts under £5,000 are approved by the Chief Finance Officer. Action taken to recover debt is as per the council's Income and Debt Management Policy. If an invoice is raised and remains unpaid, a 'dunning' process is initiated, as follows:

- Level 1 - a reminder is sent after 21 days
- Level 2 - a final notice is sent after 35 days, i.e. a further 14 days

The Income Team will review all Level 2 cases remaining outstanding greater than 49 days (allowing a further 14 days to pay after the Final Notice) to decide whether the debt recovery process should proceed.

Depending on the type of debt, customer and circumstances, the use of debt collectors or issuing proceedings in the County Court is considered. Each case is treated individually and the circumstances of each debt are assessed prior to a decision being made, in conjunction with the delivery unit, on the recovery of the debt.

1.5.2 No debts have been written off in the six months to 30 September 2017.

1.6 TREASURY MANAGEMENT

Treasury Outturn

1.6.1 In compliance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice this report provides Members with a summary report of the treasury management activity during the period to 30 September 2017. The Prudential Indicators have not been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield. Further details of compliance with prudential indicators are contained in Appendix C and in the Treasury Management Mid-year Review elsewhere on the agenda.

The Local Government Act 2003 requires the council to set an Affordable Borrowing Limit, (the Authorised limit), irrespective of its indebted status. This is a limit which should not be breached. During the period to 30 September 2017, there were no breaches of the Authorised Limit and the Operational Boundary.

1.6.2 The council's timeframes and credit criteria for placing cash deposits and the parameters for undertaking any further borrowing are set out in the Treasury Management Strategy (TMS). The TMS Strategy for 2017/18 was approved by Council on 7 March 2017. The Treasury Management Strategy requires regular compliance reporting to this Committee to include an analysis of deposits made during the review period. This also reflects good practice and will serve to reassure this Committee that all current deposits for investment are in line with agreed principles as contained within the corporate Treasury Management Strategy.

This report therefore asks the Committee to note the continued cautious approach to the current investment strategy.

Investment Performance

1.6.3 Investment deposits are managed internally. As at 30 September 2017, deposits outstanding were £100.000 million, achieving an average annual rate of return of 0.39 per cent against a benchmark average (London Interbank Bid Rate - LIBID) of 0.11 per cent. The list of deposits outstanding as at 31 March 2017 is attached as Appendix D and summarised in table below.

Table 12: Summary of Investments as at 30 September 2017

	£000
Local Authorities	16,000
Money Market Funds	35,000
UK Banks & Building Societies	29,000
Enhanced Cash Funds	20,000
TOTAL	**100,000**

The benchmark, the average 7-day LIBID rate, is provided by the authority's treasury advisors Capita Treasury Solutions. The LIBID rate is the rate that a Euromarket bank is willing to pay to attract a deposit from another Euromarket bank in London.

Debt Management

1.6.4 The total value of long term loans as at 31 March 2017 was £304.080m. There has been no external borrowing in the financial year to date. The average rate for total borrowing for the half year ending 30 September 2017 was 3.89 per cent.

2 REASONS FOR RECOMMENDATIONS

2.1 These recommendations are to provide this Committee with the necessary information to oversee the performance of the corporate plan and service and contract performance. This paper enables the council to meet the budget agreed by Council on 7 March 2017.

3 ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 None.

4 POST DECISION IMPLEMENTATION

4.1 None.

5 IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 The report provides an overview of financial performance for the half year, including a full year forecast of revenue and capital expenditure

5.1.2 Robust budget monitoring is essential to ensure that there are adequate and appropriately directed resources to support delivery and achievement of council priorities and targets as set out in the Corporate Plan and Commissioning Plans. In addition, adherence to the Prudential Framework ensures capital expenditure plans remain affordable in the longer term and that capital resources are maximised.

5.1.3 Relevant council strategies and policies include the following:

- Medium Term Financial Strategy
- Treasury Management Strategy
- Debt Management Strategy
- Insurance Strategy
- Capital, Assets and Property Strategy.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

5.3 Legal and Constitutional References

5.3.1 Section 151 of the Local Government Act 1972 states that: “without prejudice to section 111, every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”. Section 111 of the Local Government Act 1972, relates to the subsidiary powers of local authorities.

5.3.2 Section 28 of the Local Government Act 2003 (the Act) imposes a statutory duty on a billing or major precepting authority to monitor, during the financial year, its income and expenditure against the budget calculations. If the monitoring establishes that the budgetary situation has deteriorated, the authority must take such action as it considers necessary to deal with the situation. Definition as to whether there is deterioration in an authority’s financial position is set out in sub-section 28(4) of the Act.

5.3.3 The council’s Constitution, in Article 7 Committees, Forums, Working Groups and Partnerships sets out the functions of the Performance and Contract Management Committee including:

a) Overall responsibility for quarterly budget monitoring, including monitoring trading position and financial strategy of Council services and external providers.
b) To make recommendations to Policy and Resources and Theme Committees on relevant policy and commissioning implications arising from the scrutiny of

performance of council services and external providers.

c) Specific responsibility for the following function within the council:
    a. Risk Management
    b. Treasury Management Performance

5.3.4 The council's Constitution, Financial Regulations Part 17, Financial Regulations section 4. paragraphs 4.4.9 - 11 state:

- Allocations from the central contingency relating to planned developments will be approved by the Chief Finance Officer (section 151 officer), in consultation with the Chairman of the Policy and Resources Committee, following the receipt from a Chief Officer of a fully costed proposal to incur expenditure that is in line with planned development (including full year effect).
  Where there is a significant increase in the full year effect, the contingency allocation must be approved by the Policy and Resources Committee.

- Allocations from the central contingency for unplanned expenditure, including proposals to utilise underspends previously generated within the service and returned to central contingency, will be approved by the Chief Finance Officer in consultation with the Chairman of Policy and Resources Committee.
  Where there are competing bids for use of underspends, additional income or windfalls previously returned to central contingency, priority will be given to the service(s) that generated that return.

- Allocations for unplanned expenditure over £250,000 must be approved by Policy and Resources Committee.

5.3.5 The Chief Finance Officer (section 151 officer) will report in detail to Performance and Contract Management Committee at least four times a year, at the end of each quarter, on the revenue, capital budgets and wider financial standing.

5.3.6 The council's Constitution, Part 17, Financial Regulations section 4 paragraph 4.4.3 states amendments to the revenue budget can only be made with approval as per the scheme of virements table below:

Virements for allocation from contingency for amounts up to £250,000 must be approved by the Section 151 Officer in consultation with appropriate Chief Officer
Virements for allocation from contingency for amounts over £250,000 must be approved by Policy and Resources Committee
Virements within a service that do not alter the bottom line are approved by Service Director
Virements between services (excluding contingency allocations) up to a value of £50,000 must be approved by the relevant Chief Officer
Virements between services (excluding contingency allocations) over £50,000 and up to £250,000 must be approved by Chief Officer and Chief Finance Officer in consultation with the Chairman of the Policy and Resources Committee and reported to the next meeting of the Policy and Resources Committee
Virements between services (excluding contingency allocations) over £250,000 must be approved by Policy and Resources Committee

Capital Virements
Policy & Resources Committee approval is required for all capital budget and funding virements and yearly profile changes (slippage or accelerated spend) between approved capital programmes i.e. as per the budget book. The report must show the proposed: i) Budget transfers between projects and by year; ii) Funding transfers between projects and by year; and iii) A summary based on a template approved by the Section 151 Officer
Policy and Resources Committee approval is required for all capital additions to the capital programme. Capital additions should also be included in the quarterly budget monitoring report to Performance and Contracts Committee for noting.
Funding substitutions at year end in order to maximise funding are the responsibility of the Section 151 Officer.

5.4 Risk Management

5.4.1 Various projects within the council's revenue budget and capital programme are supported by time-limited grants. Where there are delays to the implementation of these projects, there is the risk that the associated grants will be lost. If this occurs either the projects will be aborted or a decision to divert resources from other council priorities will be required.

5.4.2 The revised forecast level of balances needs to be considered in light of the risk identified in 5.4.1 above.

5.5 Equalities and Diversity

5.5.1 None in the context of this report.

5.6 Consultation and Engagement

N/A