

Cabinet

Report Title:	2016/17 Forecast Revenue and Capital Spending
Meeting Date:	21 st February 2017
Lead Councillor(s):	Councillor Richard Smith MVO, Cabinet Member for Finance and Heritage
Local Councillor(s):	All Councillors
Director:	Geoff Dobson, Director of Resource Management 01473 264347
Assistant Director or Head of Service:	Geoff Dobson, Director of Resource Management 01473 264347
Author:	Tracey Woods, Chief Accountant (Financial Control) 01473 265639

Brief summary of report

- This report presents a forecast for the 2016/17 revenue and capital budgets based on expenditure trends and information available at the end of December 2016. It is forecast that the revenue budget will be overspent by £11.9m of which £2.4m will be funded from the Dedicated Schools Grant (DSG). The capital programme for 2016/17 is £211.1m and it is expected that £136.1m will be spent by the end of the financial year.

What is Cabinet being asked to decide?

- The Cabinet is being asked to note:
 - the forecast outturn position for 2016/17 for revenue and capital spending.
 - the budget is being appropriately managed by Officers to try and remain within the resource limit agreed by the Council.
 - the significant transfers (virements) in accordance with the Council's Financial Regulations.

Reason for recommendation

- This paper presents a forecast for the 2016/17 revenue and capital budgets based on expenditure trends and information available at the end of December 2016.

What are the key issues to consider?

- The forecast outturn for the year ending 31 March 2017 is £9.5m higher than the approved budget. This is 1.9% of the net budget. There is also a forecast overspend of £2.4m against budgets funded from the Dedicated School Grant (DSG).

What are the resource and risk implications?

5. The major risk in managing the budget in 2016/17 is the requirement to achieve £34.4m of savings in the year whilst minimising the impact on front line services. Alongside this the cost and demand for purchased care placements for children and adults with significant care needs continue to put pressure on the Council's budget. As this report provides update information only no EIA is required.

What are the timescales associated with this decision?

6. Budget management is an ongoing process.

Alternative options

7. Cabinet may decide to direct Officers to take alternative action to manage the Council's budget position in 2016/17 as a result of the information in this report.

Who will be affected by this decision?

8. Staff who are responsible for the financial management of the resources of the Council and citizens of Suffolk who receive the Council's services.

Revenue Budget

Introduction

9. The Council set a net expenditure budget of £492.4m for the year 2016/17. This is the budget after fees, charges, contributions and some specific grants have been deducted. This budget is therefore funded by the New Homes Bonus, Rural Services Delivery Grant, Public Health ring-fenced grant, Education Services Grant, Transitional Grant, Revenue Support Grant, Business Rates, Council Tax and the Social Care Precept. The budget included a target for planned savings of £34.4m and £1.6m from the contingency reserve to reach a balanced budget.
10. This is the third budget monitoring report for the year 2016/17. It covers expenditure for the period April to December and shows that the forecast outturn is £9.5m higher than the approved budget. There is also a forecast overspend of £2.4m against budgets funded from the Dedicated School Grant (DSG). The level of the forecast overspend demonstrates the impact of the financial challenges that the Council continues to face. **Table 1** overleaf shows the forecast for each directorate.

Table 1 2016/17 Revenue Budget Monitoring for the Period Ending 31st December 2016

Full Year Budget (from budget book)	Directorate	Current Full Year Budget	Forecast Outturn	Variance over (+) under (-) Base Budget	Variance over (+) under (-) DSG Budget
£ million		£ million	£ million	£ million	£ million
217.1	Adult and Community Services (ACS)	215.8	215.8	0.0	
104.1	Children and Young People (CYP)	109.2	118.4	6.8	2.4
55.7	Public Health and Protection (PH&P)	56.7	56.5	-0.2	
90.8	Resource Management (RM)	94.9	95.4	0.4	
28.9	Corporate Resources and Capital Financing	21.2	23.7	2.5	
496.7		497.8	509.7	9.5	2.4
-4.3	Agreed Use of (-) / Contribution to (+) Reserves	-5.4			
492.4	Total Net Expenditure Budget	492.4			

Adult and Community Services (ACS)

11. At the end of December, ACS is forecasting a balanced budget position (see **Table 2**). This compares to an underspend of £1.0m forecast at quarter two. This change is as a result of a higher forecast spend for Care Purchasing (£0.4m) with increases within Older People and Learning Disability services, combined with a decrease in the underspend forecast for Housing Related Support (£0.2m), an increase in Homefirst & Area Teams spend (£0.2m) and smaller increases in Management & Support (£0.1m) and Commissioning & Specialist Services (£0.1m).
12. The budget for Care Purchasing is now forecast to overspend by £1.5m with most pressure being seen in Learning Disability services where the number of customers and cost is increasing. Older People services are also under strain with pressure across the Health and Social Care system.
13. Housing Related Support is forecast to underspend by £0.6m as efficiencies through improved contracting arrangements continue to be achieved. This is in advance of a planned reduction in budget next year.
14. The Family Carers budget remains underspent by £0.6m as extra investment in this service made at the time of the Care Act being introduced has not yet translated into a corresponding increase in spend, despite the number of outstanding assessments being reduced since quarter two.
15. The main element of the £0.5m forecast underspend in Management & Support continues to be legal costs associated with Deprivation of Liberty cases. Whilst the requirements from this legislation would cause the budget to be exceeded but because the assessment capacity of the service cannot meet the demand costs are lower as a result.

Children & Young People (CYP)

16. At the end of December, Children and Young People are forecasting an overspend of £9.2m, made up of an overspend on budgets funded from the Dedicated Schools Grant (DSG) of £2.4m, and an overspend of £6.8m on those services funded from base budget (See **Table 3**). This is an increase in the overspend on base budget of £2.1m, and a reduction in the overspend against DSG of £1.0m from the position projected at quarter two.
17. The DSG overspend reflects the continuing pressure on the Special Educational Needs (SEN) placements budget to either support children who are unable to attend school due to ill health or exclusion, or to meet the SEN needs of children in mainstream education. The forecast spend against SEN has reduced by £0.6m since quarter two due to the transfer of some pupils from out of county places back to local pupil referral units and others into bespoke local offers of provision put in place for them.
18. Work is underway to develop the SEN Sufficiency Plan and a working group has been established to review the current high needs provision and services. The key priority is to establish more local bespoke provision for SEN to ensure that spend can be managed within the budget going forward. The Schools Forum have agreed that an additional £3m will be transferred from the DSG schools block to the high needs block in 2017-18, the majority of which will be invested in delivering this priority.
19. The base budget overspend of £6.8m is a combination of an overspend of £7.0m in the Corporate Parenting service, an overspend of £1.1m on specialist Social Care teams, an overspend of £0.7m on revenue spend associated with infrastructure and potential capital projects, and underspends of £2.0m elsewhere in the directorate.
20. The overall overspend position on base budget has increased by £2.1m since that reported at quarter two. Whilst the number of purchased placements for Children in Care (CiC) has reduced over this financial year, the required accommodation to provide for the increasing age and complexity of needs of these children is recognised in higher weekly costs from providers. Significantly, the service is now looking after 2 children whose needs require secure accommodation at a combined total annual cost of £0.6m as well as an additional 8 children who require a Children's Home placement at an average weekly cost of £3,200.
21. There is an increase in the overspend projected against Specialist Social Care teams of £0.3m. Due to the continuing high number of vacancies and newly qualified social workers in some teams it has not been possible to reduce the reliance on locum staff to support these teams as had been anticipated. In addition, these budgets have had additional non-pay expenditure pressures from needing to provide additional support to children and families who are on the edge of care.
22. There is now a forecast overspend on the Home to School transport budget of £0.8m. The directorate had already planned to use £2.0m of reserves in this year to cover the projected cost of the service. Whilst the average daily cost has decreased from £110k to £108k since last year, the savings have not been

enough to manage within the budget. There are also a higher number of school days than average in this financial year (due to when Easter holidays fall).

23. The overspend is partly offset by the continuing level of vacancies in business support, early help teams and education and learning, combined with some currently uncommitted central directorate overhead budgets.

Public Health and Protection (PH&P)

24. At the end of December, Suffolk Fire & Rescue Service is forecasting an underspend of £0.2m. This relates mainly to underspends on the budgets for training and ill health retirement and anticipated salary savings that are being managed to meet the budget reduction in 2017/18.
25. In 2016/17 the Council has identified some other services that can be funded from the ring-fenced public health grant, in particular Localities and Partnerships, and in doing so savings of £1m have been achieved. The service is continuing to seek to identify other services which can be funded from the grant to deliver a further £0.4m of contract savings which have been allocated to the Public Health budget although the funding of this will require use of ring-fenced reserves in 2016/17. Public Health are expecting to use £0.8m in total of the ring-fenced grant reserve in 2016/17. This is shown as a planned contribution from reserves in **Table 4**.

Resource Management (RM)

26. Resource Management are forecasting an overspend of £0.4m at the end of December. This compares to an overspend of £0.1m forecast at quarter two. This largely relates to overspends in Passenger Transport, Highways, Information and Communication Technology (ICT) and Scrutiny and Monitoring. This is partly offset by an underspend on the budget for Waste and Infrastructure.
27. Passenger Transport are forecasting an overspend of £0.5m which is principally due to the delay in implementing the changes to the Park and Ride scheme.
28. The overspend of £0.4m on ICT is due to agency staff costs and third party contracts. The overspend on Scrutiny and Monitoring of £0.3m reflects budget pressures on the Coroners service.
29. Operational Highways are forecasting an overspend of £0.3m. Highways Works are reporting an overspend of £0.8m, partly relating to previous years' claims being settled in 2016-17. This overspend is offset by income on Network Assurance of £0.5m, in particular charges for road closures, which are more than anticipated.
30. An underspend on the Waste service of £0.9m largely relates to the Energy from Waste (EfW) contract, being a mixture of cost reduction and income generation, in particular the refinancing of the EfW contract and an increase in tonnage of trade waste. In addition, other significant areas of underspend include Household Waste Recycling Centres due to savings on site maintenance and garden waste tonnages are lower than expected.

Corporate & Capital Financing

31. An overspend of £2.5m is currently forecast on the Corporate & Capital Financing budget. When the budget for 2016/17 was agreed the Council targeted £5m of contract savings which were to be achieved through the Council behaving more commercially. To date £2.5m has been allocated to directorates and the balance is held corporately. Considerable efforts continue to achieve the full savings figure within this financial year, although this is now acknowledged to be difficult. In setting the 2017/18 budget these savings have been allocated to directorates pro-rata to non-pay spend. In addition the Council is seeking to find staff savings of £1.5m in 2016/17 and these have been allocated to directorates.
32. The Council holds a contingency budget of £2m. If this is not required during 2016/17 then this could be applied on a one-off basis to fund the overall overspend before using reserves.
33. As a result of the continuing low interest rate environment and a change in the policy on Minimum Revenue Provision that was agreed by the Council in February 2016 it is currently forecast that £12.7m will be contributed to the capital financing reserve at the end of the year. This will be used to finance capital expenditure and reduce the need to borrow.

Table 2 – 2016/17 Adult & Community Services Revenue Budget Monitoring for period ending 31st December 2016

Full Year Budget (from budget book)	Directorate Service	Change in Planned Reserve Movements	Virements	Current Full Year Budget	Forecast Outturn	Variance over (+) under (-) Budget	Explanation of Virements
£ million		£ million	£ million	£ million	£ million	£ million	
176.9	Care: Purchasing of Services	0.0	-4.8	172.1	173.6	1.5	Reallocation of budgets as part of budget rebase (-£3.2m). Allocation of contract savings (-£1.0m). Transfer to Commissioning and Specialist services for contract management (-0.2m), Aligning the budget for Direct Payment staff to the recovery of overpayments (-£0.250m) - transfer to Welfare Rights & Fairer Charging Teams budget.
28.5	Home First Re-ablement Service & Area Teams	0.0	-1.8	26.7	27.1	0.4	Reallocation of Care Act budgets (-£1.8m)
0.5	Community Equipment & Assistive Technology	0.0	-0.2	0.4	0.4	0.0	Movement of contract budget to Housing Related Support (-£0.2m)
3.1	Family Carers Support	0.0	0.0	3.1	2.6	-0.6	
1.0	Welfare Rights & Fairer Charging Teams	0.0	0.3	1.3	1.3	0.0	Aligning the budget for Direct Payment staff to the recovery of overpayments (£0.250m) - Transfer from Care Purchasing
8.0	Housing Related Support	0.0	0.2	8.1	7.5	-0.6	Movement of contract budget from Community Equipment & Assistive Technology (£0.2m)
7.9	Commissioners & Specialist Services	0.0	1.0	8.9	8.7	-0.2	Funding for contracts team (£0.5m), Reallocation of staffing budgets as part of review of pay budgets (£0.1m), Transfer from Management and Support to fund safeguarding team (£0.4m)
8.3	Culture, Libraries, Sport & Community	0.0	0.1	8.4	8.4	0.0	Transfer from Management and support (£0.1m)
3.9	Management and Support	0.0	0.1	4.0	3.5	-0.5	Allocation for Deprivation of Liberty (£1.0m), Transfer to Commissioning and Specialist services for contract management (-£0.3m), Staff savings (-£0.2m), Transfer to Culture, Libraries, Sport and Community (-£0.1m), Centralisation of Mobile Phone budgets to IT (£0.1m), Transfer to Commissioners & Specialist Services to fund safeguarding team (-£0.4m)
-21.0	Care Act and Better Care Fund	0.0	3.8	-17.3	-17.3	0.0	Adjustment of budget in line with expectations of funding from Health (£3.8m)
217.1		0.0	-1.4	215.8	215.8	0.0	
0.0	Planned use of (-) / Contribution to (+) Reserves			0.0	0.0		
217.1	Total Net Expenditure Budget			215.8	215.8		

Table 3 – 2016/17 Children & Young People Services Revenue Budget Monitoring for period ending 31st December 2016

Full Year Budget (from budget book)	Directorate Service	Change in Planned Reserve Movements	Virements	Current Full Year Budget	Forecast Outturn	Variance over (+) under (-) Budget	Variance over (+) under (-) Grant Budgets	Variance over (+) under (-) Base Budget	Explanation of Planned Reserve Movements	Explanation of Virements
£ million		£ million	£ million	£ million	£ million	£ million	£ million	£ million		
9.3	Directorate Management/Overheads	0.0	-0.9	8.4	8.8	0.4	0.1	0.3		Contract and staff savings
61.3	Early Help & Specialist Services	0.8	1.4	63.5	69.4	5.9	-0.2	6.2	Fostering and Adoption (£0.3m), Safeguarding (£0.1m), Belhaven crisis provision (£0.2m), CYP Transformation (£0.2m)	Grant increases (£1.4m), Staff savings (-£0.2m). Transfer of contract from Education & Learning (£0.2m)
3.2	Commissioning	0.4	-0.3	3.3	3.2	0.0	0.0	0.0	Child & Adolescent Mental Health Services (£0.3m)	Building Care Capacity Officers transfer to Public Health (-£0.2m). Transfer of staff to Education & Learning (-£0.1m)
20.1	Home to School Transport	0.2	0.0	20.3	21.1	0.8	0.0	0.8	Funding for Special Educational Needs £0.2m	
90.0	Education & Learning	3.5	3.0	96.4	98.5	2.1	2.5	-0.4	Youth Guarantee/Apprenticeships in Skills (£3.1m), Special Educational Needs Disabilities reform (£0.4m)	PE & Sport/Music/Grant reductions (-£0.4m), DSG adjustments agreed with Schools Forum (£1.6m). Contract move to EH&SS (-£0.2m). Staff from Commissioning (£0.1m). Adult Skills Learning Grant (£1.9m)
242.7	Maintained Schools	1.6	-7.7	236.5	236.5	0.0	0.0	0.0	DSG underspend from 2014/15 agreed with Schools Forum	DSG academy conversion recoupment and reallocating of DSG budgets as agreed with Schools Forum
0.0	Schools Choice	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
-322.4	Grant Income	0.0	3.3	-319.1	-319.1	0.0	0.0	0.0		DSG recoupment adjustments (£6.2m), Unaccompanied Asylum Seeker Children forecast grant (-£1.2m), Adult Skills grant (-£1.9m), Other grant changes (£0.2m)
104.1		6.4	-1.3	109.2	118.4	9.2	2.4	6.8		
-4.7	Planned use of (-) / Contribution to (+) Reserves			-11.0	-11.0					
99.5	Total Net Expenditure Budget			98.2	107.3					

Table 4 – 2016/17 Public Health & Protection Revenue Budget Monitoring for period ending 31st December 2016

Full Year Budget	Directorate Service	Change in Planned Reserve Movements	Virements	Current Full Year Budget	Forecast Outturn	Variance over (+) under (-) Budget	Explanation of Planned Reserve Movements	Explanation of Virements
£ million		£ million	£ million	£ million	£ million	£ million		
0.2	Director Of Public Health and Protection	0.0	0.0	0.2	0.2	0.0		
21.4	Fire Service	0.2	-0.1	21.5	21.3	-0.2		Contract savings (£0.1m)
0.3	Health and Safety	0.0	0.0	0.3	0.3	0.0		
28.9	Health Improvement and Health Protection	0.8	-0.3	29.4	29.4	0.0	Use of ringfenced reserve	Contract savings (£0.4m) and changes in respect of Localities and Partnerships budget structure with Public Health.
0.4	Joint Emergency Planning Unit	0.0	0.0	0.4	0.4	0.0		
1.1	Knowledge and Intelligence	0.0	-0.5	0.6	0.6	0.0		Changes in respect of Localities and Partnerships budget structure with Public Health.
1.2	Localities and Partnerships	0.0	0.9	2.1	2.1	0.0		Changes in respect of Localities and Partnerships budget structure with Public Health. Includes transfer from RM Business Development.
2.3	Trading Standards	0.0	0.0	2.2	2.2	0.0		
55.7		0.9	0.1	56.7	56.5	-0.2		
0.9	Planned use of (-) / Contribution to (+) Reserves			0.0	0.0			
56.6	Total Net Expenditure Budget			56.7	56.5			

Table 5 – 2016/17 Resource Management Revenue Budget Monitoring for period ending 31st December 2016

Full Year Budget (from budget book)	Directorate Service	Change in Planned Reserve Movements	Virements	Current Full Year Budget	Forecast Outturn	Variance over (+) under (-) Budget	Explanation of planned reserve movements	Explanation of Virements
£ million		£ million	£ million	£ million	£ million	£ million		
2.4	Business Development	0.8	-0.6	2.6	2.6	0.0	Raising the Bar (-£0.9m), Performance Reward Grant (£0.1m)	Transfer of Business Development Staff to Public Health and Protection (-£0.6m)
0.3	Chief Executive & Support Team	0.0	0.0	0.3	0.4	0.0		
1.9	Communications & Customer Service	0.6	0.0	2.6	2.7	0.1	Digital Transformation (-£0.6m)	
7.6	Corporate Property	1.3	0.3	9.3	9.3	0.0	Non Operational Property (-£0.9m), One-off Closure costs (-£0.4m)	Carbon Reduction Commitment Budget Centralisation (£0.2m), Corporate Budget Adjustment (£0.2m)
2.2	Finance	0.0	0.0	2.3	2.2	-0.1		
21.0	Operational Highways	0.4	-0.4	21.0	21.3	0.3	Contribution to On Street Parking (£0.4m)	Carbon Reduction Commitment Budget Centralisation (-£0.2m), Staffing to Strategic Development (-£0.2m)
2.4	Human Resources	0.0	-0.1	2.4	2.3	-0.1		
11.3	Information & Communication Technology	0.0	0.2	11.5	11.9	0.4		Unified Communications (£0.2m)
12.4	Passenger Transport	0.2	-0.2	12.4	12.9	0.5	Community Transport (£0.1m)	Allocation of Contract Savings - Concessionary Fares (-£0.2m)
1.1	Procurement & Contract Management	0.0	0.0	1.1	1.0	0.0		
3.5	Scrutiny & Monitoring	0.1	0.0	3.6	3.8	0.3		
3.6	Strategic Development	0.4	0.1	4.2	4.1	-0.1	River Crossings (-£1.0m), On Street Parking Account (£0.8m), Endeavour House Travel Plan (-£0.1m)	Staffing from Highways & Transport (£0.2m)
21.0	Waste & infrastructure	2.0	-1.2	21.8	20.9	-0.9	Waste - Breakage and Due Diligence for Energy from Waste Refinancing (£2.2m), Suffolk Waste Partnership (-£0.2m)	Allocation of Contract Savings - Waste (-£0.3m), Capital Financing (-£0.8m), Staff Savings Allocation (-£0.1m)
90.8		6.0	-1.9	94.9	95.4	0.4		
-0.5	Planned use of (-) / Contribution to (+) Reserves			-6.5	-6.5			
90.3	Total Net Expenditure Budget			88.4	88.9			

Table 6 – 2016/17 Corporate Resources & Capital Financing Revenue Budget Monitoring for period ending 31st December 2016

Full Year Budget (from budget book)	Directorate Service	Change in Planned Reserve Movements	Virements	Current Full Year Budget	Forecast Outturn	Variance over (+) under (-) Budget	Explanation of Planned Reserve Movements	Explanation of Virements
£ million		£ million	£ million	£ million	£ million	£ million		
28.8	Capital Financing	-12.7	0.8	17.0	17.0	0.0	Contribution to capital financing reserve	Transfer from Waste for PFI
1.9	Premature Retirement Costs	0.0	0.0	1.9	1.9	0.0		
0.7	Flood Defence Committee Levies	0.0	0.0	0.7	0.7	0.0		
0.3	Eastern Inshore Fisheries and Conservation Authority (EIFCA)	0.0	0.0	0.3	0.3	0.0		
1.4	Councillors	0.0	0.0	1.4	1.4	0.0		
0.1	External Audit Fees	0.0	0.0	0.1	0.1	0.0		
0.8	Locality Budget	0.5	0.0	1.2	1.2	0.0	Previous year underspend brought forward	
-1.4	Vertas Dividend/Interest and corporate contract rebates	0.0	0.5	-0.9	-0.9	0.0		Carbon Reduction Commitment and Energy budget changes
2.9	Corporate Contingency	0.0	-0.9	2.0	2.0	0.0		Carbon Reduction Commitment and Energy budget changes
-6.5	Contract and Staff Savings to be allocated	0.0	4.0	-2.5	0.0	2.5		Allocation of Contract and Staff savings
28.9		-12.2	4.5	21.2	23.7	2.5		
-0.1	Planned use of (-) / Contribution to (+) Reserves			12.1	12.1			
28.8	Total Net Expenditure Budget			33.3	35.8			

Table 7 Cross Directorate Virements

ACS £ million	CYP £ million	PH&P £ million	RM £ million	Corporate £ million	
-0.1	-0.1		0.2		Unified Communications - Centralisation of Mobile Phone Budgets to IT
	-0.2	0.8	-0.6		Localities & Partnerships team move from RM and CYP to Public Health & Protection
-1.0	-0.4	-0.5	-0.5	2.4	Allocation of Contract Savings 2016-17
			0.2	-0.2	Carbon Reduction Commitment and Energy budget changes
			-0.8	0.8	Waste transfer to Capital Financing for PFI
-0.3	-0.6	-0.3	-0.3	1.5	Allocation of Staff Savings 2016-17
-1.4	-1.3	0.0	-1.9	4.5	

Table 8 Reserves

Adjusted Opening Balance of Reserves	Reserve	Planned Contributions to (+) or from (-) reserves	Use of Contingency Reserve to balance budget	Capital Receipts & Capital Financing Forecast	Carry Forward Over (-) or Underspending (+)	Forecast Reserve Balance 31/3/17
£ million		£ million	£ million	£ million	£ million	£ million
	Service 'carry forward' reserves					
8.0	Adult & Community Services	0.0			0.0	8.0
10.7	Children & Young People (non schools)	-3.7			-6.8	0.3
1.8	Public Health & Protection	-0.1			0.2	1.9
7.1	Resource Management	-2.2			-0.4	4.5
0.7	Corporate Resources and Capital Financing	-0.6			0.0	0.1
28.2	Sub Total	-6.5	0.0	0.0	-7.0	14.7
	Earmarked reserves					
4.0	Adult & Community Services	0.0			0.0	4.0
9.1	Children & Young People (non schools)	-2.9			0.0	6.2
5.0	Public Health & Protection	-0.3			0.0	4.6
18.3	Resource Management	-1.9			0.0	16.4
24.7	Corporate Resources and Capital Financing	-2.9			0.0	21.8
61.2	Sub Total	-8.1	0.0	0.0	0.0	53.1
5.0	Public Health (Ring Fenced Grant)	-0.8			0.0	4.3
38.5	Contingency		-1.6		-2.5	34.3
11.0	County Fund	0.0			0.0	11.0
1.1	Trader: Schools Choice	0.0			0.0	1.1
	Renewals Reserves					
0.4	Adult & Community Services	0.0			0.0	0.5
0.0	Children & Young People (non schools)	0.0			0.0	0.0
1.8	Public Health & Protection	1.2			0.0	3.0
1.5	Resource Management	0.0			0.0	1.5
3.8	Sub Total	1.2	0.0	0.0	0.0	5.0
148.8	Sub Total - Non Schools	-14.1	-1.6	0.0	-9.5	123.5
25.8	Schools Balances	0.0			0.0	25.8
4.2	Dedicated Schools Grant Reserve	-1.6			-2.4	0.3
30.0	Sub Total - Schools	-1.6	0.0	0.0	-2.4	26.1
42.4	Capital Reserves inc Financing	10.3		-0.3	0.0	52.3
221.2	TOTAL	-5.4	-1.6	-0.3	-11.9	201.9

Capital Programme

Introduction

34. The capital expenditure programme for 2016/17 agreed by the County Council in February 2016 was £99.3m. A total of £88.1m was brought forward from 2015/16 and additional funding of £23.7m has been received in the first three quarters resulting in a revised expenditure programme of £211.1m. A summary of the capital programme and its financing is shown in **Table 9** below.

Table 9 Capital Budget Monitoring for period ending 31st December 2016

Original Expenditure Programme 2016/17		Revised Expenditure Programme 2016/17	Forecast Outturn	Variance Against Revised Programme
£ million		£ million	£ million	£ million
0.9	Adult & Community Services	11.2	8.4	2.8
52.8	Children and Young People	67.6	38.9	28.7
1.6	Schools	4.1	4.1	0.0
3.4	Public Health & Protection	10.1	2.8	7.3
28.5	Highways	69.5	59.2	10.3
1.0	Waste & Environment	21.8	7.1	14.7
1.0	Property	10.3	6.2	4.1
3.0	IT	5.1	4.0	1.1
7.1	Broadband	11.4	5.4	6.0
99.3		211.1	136.1	75.0
	<u>Financed by:</u>			
8.7	Ringfenced Government Grant	21.8	20.1	1.7
5.2	Ringfenced Contributions	11.4	3.5	7.9
38.8	Non-Ringfenced Government Grant	39.9	29.9	10.0
4.6	Capital Receipts	12.7	6.6	6.1
4.1	Revenue Budgets or Reserves	16.5	5.4	11.1
37.9	Borrowing	108.8	70.6	38.2
99.3		211.1	136.1	75.0

Adult and Community Services (ACS)

35. The ACS capital programme is £11.2m. It is forecast that £8.4m will be spent this year.
36. The programme includes £4.9m for the ACS IT transformation programme and it is expected that the contract for a new case management system will be awarded in February 2017. The cost of this is likely to be front loaded, with £3.0m likely to be incurred in 2016/17 and the balance of £1.9m carried over to 2017/18.
37. The Hold Heritage Centre project is a partnership between the Council and the University of Suffolk. This is a three year project at a cost of £20.3m, supported by a £10.9m grant from the lottery, £5m from borrowing and the remaining from external sources. For 2016/17 £0.5m was allocated to the design and initial set up of the project and it is now expected that £0.28m will be spent this year, the remainder will be paid out in the first quarter of next year.
38. The Disabilities Facilities Grant of £4.9m has been received and £2.7m has been transferred to the districts and borough councils. It has been agreed with these councils that the balance of £2.2m was to be retained by SCC to support the central equipment store and sheltered housing projects for disabled clients. It is expected that the total grant of £4.9m will be spent this year.
39. The programme includes £0.1m for housing projects. There has been some spend in 2016/17 to complete existing projects but the only new project identified was for Lakenheath and planning permission has been refused. Three new projects have now been identified although the spend will not start until next financial year. There is still a balance of funding and this will be carried forward to next year. It is expected that new monies for these schemes will be limited in future, therefore existing funding is deliberately not being used in one year but rather spread over multiple years.

Children and Young People (CYP)

40. At the end of quarter 3 the CYP capital programme for 2016/17 has been increased by £0.33m to £67.6m. The additional funding is from S106 developer contributions for Otley Primary School to allow an extension to existing premises and a new pre-school.
41. It is forecast that £38.9m will be spent in 2016/17 and £28.7m will be carried forward to 2017/18. The majority of the carry forward, £22.4m, relates to basic need schemes. There are a number of factors for this, one being the uncertainty surrounding potential Free School bids and planning issues for Lakenheath and Red Lodge Primary Schools. There are also delays in planning and ecology works that are impacting the work at Exning Primary School.
42. The programme includes £4.2m for Special Educational Needs (SEN) provision, of which £3.0m relates to the provision of a school for pupils with Autistic Spectrum Conditions in Ipswich. This is currently on hold until a possible Free School bid is approved. The remaining £1.2m relates to SEN projects that are in the early stages of development and design.
43. It is expected that £2.2m of funding allocated for Major Programmes will not be spent this year. This mainly relates to the Riverwalk Special School relocation to Hardwick Middle School and the co-location of Early Years on the Sexton's

Manor site. The scope of the project for Riverwalk Special School has changed. The project is relocating and expanding the site to cope with demand in school places. The Early Years project is due for completion by Easter 2017 and the Riverwalk Special School is due by September 2018, therefore the majority of the spend will occur in 2017/18 and 2018/19.

Public Health & Protection (PH&P)

44. The capital programme of £10.1m includes £5.7m brought forward from previous years. With the exception of a small contingency held for emergency purposes the capital funding is allocated to projects.
45. The Fire Service capital programme is being used to support the creation of additional shared 'blue-light' stations. This is predominantly funded by a £4.9m transformation grant from the Department for Communities and Local Government with new facilities nearing completion at Felixstowe and Saxmundham. There are further facilities expected to be delivered or work started in Newmarket, Beccles, Sudbury, Ipswich and Mildenhall in 2017/18 and 2018/19. Further investment is required to a number of other operational stations as well as the Service Training centre at Wattisham. This work is planned to take place in 2017/18 and 2018/19. Funding from the capital programme is also used to fund the rolling 10-year risk critical renewal plan for fleet and equipment at an average cost of £1.5m per annum.

Highways

46. The total programme budget for Highways is £69.5m. In quarter three, the programme has increased by £2.7m as The New Anglia Local Enterprise Partnership (LEP) has contributed an additional £2.2m to the programme to cover the Ipswich Radial Corridors and Bury St Edmunds Sustainable Transport schemes. The remaining £0.5m comes from developer contributions.
47. The maintenance programme is forecast to come in on budget at the end of the financial year.
48. There are a number of non-maintenance schemes which will require £10.2m of funding to be carried forward to 2017/18. Of this, £2.7m relates to the Beccles Relief Road which was subject to a public inquiry. Compulsory purchase and side roads orders have now been confirmed by the Secretary of State and it is anticipated that construction will commence early in the 2017/18 financial year.
49. A number of projects in Ipswich and Bury St Edmunds have taken longer than expected to progress through the pre-construction phase, including £1.3m for Bury St Edmunds Sustainable Transport and £2.3m relating to Integrated Transport. It is anticipated that construction works will be completed during 2017/18.
50. The Cabinet agreed in May a £1.5m contribution to the development costs in 2016/17 of the Lake Lothing third crossing in Lowestoft. The programme is still on target to meet the key milestones but the profile of expenditure has been revised and £1.0m will be carried forward to next financial year.

Waste & Environment

51. The total budget for Waste and Environment is £21.8m of which £7.1m is expected to be spent in the current financial year.
52. Of the £14.7m waste budget, £0.3m has been spent in 2016/17 on the expansion of the Mildenhall household waste and recycling centre which is now complete. The remaining £14.4m will be carried forward to future years as plans for the improvement of existing household waste sites and new transfer stations are developed. The priority for the use of the funds will be the West Suffolk Operational Hub at Bury St Edmunds and the East Suffolk transfer station at Ransomes Europark in Ipswich.
53. The programme includes £3.7m for the Green Deal Communities grant, £3.4m of which has been spent to the end of December to help Suffolk homeowners and private renting tenants with the cost of installing energy efficiency home improvements, with the primary focus on solid wall insulation. The remaining £0.3m will be spent by the end of the financial year. The programme also includes £1.0m for the Lowestoft flood project, with current spend of £1.5m, due to part of the costs being brought forward. This will be offset against funding which is in the budget for next year. Ipswich Borough Council has requested that the Council's contribution of £0.8m to the Cornhill redevelopment project is paid over in 2017/18 as there have been some delays in the project so the funding is not yet required.

Property

54. The property budget has increased by £0.5m in quarter three to £10.3m due to the addition of two new projects, the Mildenhall Hub and Smarter ways of working in Ipswich. Both schemes are looking at relocating staff and public services to central locations to remove the need for smaller locality offices/facilities. The Smarter ways of working project is also looking at how floor plates in Endeavour House are structured to ensure the office space is utilised to its full potential.
55. In quarter three the expected spend on the total programme is £6.2m, the majority of the underspend relates to the South Lowestoft industrial units (£2.3m) which will be spent in 2017/18.
56. The remaining underspend relates to the Greenest County project (£1.8m). This was originally allocated to support solar panels and bio mass boilers but due to changing technology, rising maintenance costs and changes in government incentives it has been decided that the project should be put temporarily on hold. Corporate property and Concertus are currently preparing a new business case to ensure the funding is targeted to the right technologies that offer the best returns.

IT & Broadband

57. The capital programme for IT in 2016/17 has increased by £0.5m to £5.1m. This is due to the establishment of a central budget to purchase IT equipment for new starters rather than manage this provision in individual directorates.

58. It is expected that £4.0m of the IT budget will be spent in 2016/17 with the remainder being spent early in 2017/18. This carry forward includes the records management storage solution, where the lease to be renewed and the licence for alterations have been agreed in principle but until finalised part of the spend will be delayed until 2017/18. The unified communications project has seen delays due to the switch from Windows Mobile to Android. There have also been delays with the delivery of a Skype pilot due to resourcing issues and prioritisation of resources in IT.
59. The Broadband budget is £11.4m, it is expected that £5.4m will be spent in this financial year. The underspend of £6.0m will be spent in 2017/18 as the programme continues to roll out to achieve the target of 98% coverage.

Capital Receipts

60. During the third quarter of 2016/17 sales of £0.9m have been completed, which brings the year to date total to £9.2m. There are currently sales with solicitors of £3.2m and Corporate Property are actively progressing sales estimated at £6.5m. There were £8.4m of capital receipts brought forward from 2015/16 and it is currently forecast that £6.8m will be needed to fund the current capital programme in 2016/17.

Conclusion

61. The Council's finances continue to be managed effectively but it is clear that containing spending within the budget while maintaining services is becoming very challenging in the face of significant savings targets that are the necessary response to the Government's reductions to local government funding. Demand for and the cost of providing services for the most vulnerable in Suffolk continues to increase so it is expected that the Council will be required to use service reserves in the current financial year to balance Directorate budgets. In setting the 2017/18 budget additional funding has been added to the budgets for adults' and childrens' services but the challenge of containing the cost of these services will continue.

Sources of further information

Revenue Budget 2016/17 and Capital Programme 2016/19

<https://www.suffolk.gov.uk/council-and-democracy/budget-council-tax-and-finance/the-budget-for-suffolk/>

Scheme of Resource Management – Financial Procedures

<http://www.suffolk.gov.uk/NR/rdoonlyres/54DC8E78-E6DE-4357-B784-42791FF7A8CC/0/04ConstitutionPART41b.pdf>

Council Payments over £250

<http://www.suffolk.gov.uk/council-and-democracy/council-data-and-transparency/council-expenditure-and-contracts/expenditure-exceeding-250/>

