

Cabinet

Report Title:	2016/17 Forecast Revenue and Capital Spending
Meeting Date:	13 September 2016
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
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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 July 2016. It is forecast that the revenue budget will be overspent. The capital programme for 2016/17 is £197.8m and it is expected that £172.8m will be spent by the end of the financial year.

What is Cabinet being asked to decide?

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| <ol style="list-style-type: none"> The Cabinet is being asked: <ol style="list-style-type: none"> To note the forecast outturn position for 2016/17 for revenue and capital spending. That the budget is being appropriately managed by Officers to remain within the resource limit agreed by the Council. To note the significant transfers (virements) in accordance with the Council's Financial Regulations. |
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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 July 2016.

What are the key issues to consider?

- The forecast outturn for the year ending 31 March 2017 is £6.9m higher than the approved budget. This is 1.4% of the net budget. There is also a forecast overspend of £3.1m against budgets funded from the Dedicated School Grant (DSG).

What are the resource and risk implications?

- 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 first budget monitoring report for the year 2016/17. It covers expenditure for the period April to July and shows that the forecast outturn is £6.9m higher than the approved budget. 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 July 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)	215.9	216.4	0.5	
104.1	Children and Young People (CYP)	109.5	115.7	3.1	3.1
55.7	Public Health and Protection (PH&P)	56.6	56.6	0.0	
90.8	Resource Management (RM)	90.6	90.9	0.3	
28.9	Corporate Resources and Capital Financing	20.3	23.3	3.0	
496.7		492.9	502.9	6.9	3.1
-4.3	Agreed Use of (-) / Contribution to (+) Reserves	-0.6			
492.4	Total Net Expenditure Budget	492.4			

Adult and Community Services (ACS)

11. At the end of July, ACS is forecasting an overspend of £0.5m (0.2% of the budget). This is made up of overspends on budgets for Care Purchasing of £1m and Area Social Work Teams of £0.3m, mitigated in part by underspends in Housing Related Support of £0.4m, Management & Support of £0.3m and other smaller variances totalling £0.1m.
12. The social care precept of £5.4m has helped to fund demand and cost pressures in the Care Purchasing budget, including the impact of the National Living Wage. However, £1m of contract savings have now been allocated to this budget and work will now commence to bring the spend forecast back to within the revised budget.
13. Work on the systems transformation of ACS processes continues as part of the investment in IT infrastructure, with an expectation of future revenue savings being achieved once fully implemented. Area Team budgets have been reduced in preparation for this, but this will not be delivered in this year. This is being partly offset with a lower spend as a result of a number of vacancies in the system as part of the normal turnover of staff.
14. Housing Related Support continues to find efficiencies through improved contracting arrangements with some part year savings coming in this year in advance of a likely reduction in budget next year.
15. The Management & Support budget is underspent as a result of the collaborative management arrangements that are currently in place across ACS and CYP.

Children & Young People (CYP)

16. At the end of July, CYP are forecasting an overspend of £6.2m. This is made up of an overspend on budgets funded from the Dedicated Schools Grant (DSG) of £3.1m, and an overspend of £3.1m on those funded from base budget.
17. The overspend projected against DSG budgets reflects the continuing pressure on those children who have Special Educational Needs (SEN). Specific areas of overspend include the double funding of placements for pupils who would otherwise have attended Kingsfield PRU. In addition, the number of children who are unable to attend school due to ill health or exclusion, and the cost of meeting the SEN needs of children in mainstream education (including Post 16 learners), is increasing. Many of the external providers are at capacity, and so placements need to be sourced from providers further afield, or at higher cost in order to meet the needs of the child. Work is underway to review the high needs strategy to ensure the local authority can continue to provide good quality provision in appropriate locations and reduce the need for out of county provision. Some of this new provision includes post 16 provision for Severe Learning Difficulties (SLD) in Ipswich and Bury St Edmunds, and a new Free School for pupils with Social, Emotional and Mental Health needs in Carlton Colville which will open in September 2017.
18. The base budget overspend of £3.1m is a combination of an overspend of £5.4m in the Corporate Parenting service, an overspend of £0.5m on Social Care teams, and underspends of £2.8m elsewhere in the directorate.
19. The overspend in Corporate Parenting is a direct result of the increase in numbers of Children in Care (CiC). Although purchased placement numbers have decreased by 15 since the beginning of this financial year, the current number of placements is still 42 higher than at March 2015. Special Guardianship Orders (SGOs) also increased by 60 during 2015-16, and it is anticipated that this level of new activity will continue. This year also sees the full effect of increasing in-house carers allowances as agreed by Cabinet in June 2015. Whilst the service has successfully increased the number of in-house placements available, the increase in CiC activity has meant that these have been used to accommodate new CiC, rather than move existing placements from more expensive external provision where it is appropriate to do so.
20. The overspend on specialist Social Care teams continues to be due to the reliance on locum staff to support teams with high levels of vacancies. The recruitment and retention scheme for social worker posts has had a positive impact, and the service have plans in place to reduce the numbers of locums significantly during this financial year.
21. The base budget underspends of £2.8m are due to the level of vacancies in business support, early help teams and education and learning, combined with some currently uncommitted central directorate overhead budgets which are being held to mitigate the pressures described above. Some Early Help teams have struggled to recruit to posts following the Making Every Intervention Count

(MEIC) restructure, and so the service is reviewing posts to ensure the best possible use of existing resources.

22. The Directorate Management Team (DMT) have created two Financial Oversight Boards to look at the specific areas of the service which are facing the most significant financial pressure (Corporate Parenting, and the DSG High Needs Block). The Boards will meet monthly to take an oversight of the service area and review any financial and service plans, before taking a view on their impact and ongoing sustainability. This will provide additional rigour and challenge to service areas, and make recommendations to DMT.

Public Health and Protection (PH&P)

23. At the end of July, Public Health and Protection are expecting to contain expenditure within the budget for 2016/17. 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 now seeking 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.
24. The Fire Service are forecasting spending will be contained within their approved budget.
25. Trading Standards are currently considering the option of a Joint Service with Norfolk County Council Trading Standards and whilst this will not impact spending for 2016/17 the allocated budgets are being reviewed as part of planning what a joint service might look like. The Joint Service is being considered against the benefits that such an approach might offer the people of Suffolk and Norfolk.

Resource Management (RM)

26. Resource Management are forecasting an overspend of £0.3m at the end of July. This largely relates to overspends in Passenger Transport, Scrutiny and Monitoring and the Highways and Transport service areas. These are partly offset by underspends on the budgets for Human Resources and Waste.
27. Highways and Transport are forecasting an overspend of £0.2m. This is due to vacant posts in the team which work on the capital programme. As the cost of these staff plus overheads is charged to capital a deficit exists in the budget. This work is now undertaken by Kier so this budget will need to be adjusted. A balanced position is forecast for Highways Works on the basis that the Contractors Plan that is held with Kier is currently on schedule for 2016-17.
28. Passenger Transport are forecasting an overspend of £0.3m which is principally due to the Park and Ride scheme. Commercial negotiations to implement a service that is self-financing are ongoing and as a result, savings generated will not have a full year effect in 2016-17.
29. The overspend on Scrutiny and Monitoring of £0.2m reflects the budget pressures on Coroners and Registrars.
30. Vacancy management and an increased level of income from Advertising within Human Resources has mitigated the overall overspend for RM by £0.2m along

with an underspend on Waste of £0.2m which is primarily due to a lower number of by-products being sent to landfill.

Corporate & Capital Financing

31. An overspend of £3.0m 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. In addition the Council is seeking to find staff savings of £1.5m in 2016/17 and plans are in place for delivering £1m and £0.6m has been achieved to date and allocated to directorate budgets. As firm plans are not in place for the delivery of the remaining £2.5m contract savings and £0.5m staff savings within the current year it is forecast at this stage that these savings may not be delivered until 2017/18, resulting in an overspend of £3.0m.
32. The Council holds a contingency budget of £2m. If this is not required during 2016/17 then this could be applied 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 it is currently forecast that £11.9m 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 July 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	-4.5	172.4	173.4	1.0	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)
28.5	Home First Re-ablement Service & Area Teams	0.0	-1.7	26.8	27.1	0.3	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	3.1	0.0	
1.0	Welfare Rights & Fairer Charging Teams	0.0	0.0	1.0	1.0	0.0	
8.0	Housing Related Support	0.0	0.2	8.1	7.8	-0.4	Movement of contract budget from Community Equipment & Assistive Technology (£0.2m)
7.9	Commissioners & Specialist Services	0.0	0.6	8.5	8.3	-0.1	Funding for contracts team (£0.5m), Reallocation of staffing budgets as part of review of pay budgets (£0.1m)
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	0.5	4.4	4.1	-0.3	Allocation for Deprivation of Liberty (£1.0m), Transfer to Commissioning and Specialist services for contract management (-£0.3m), Staff savings (-£0.1m), Transfer to Culture, Libraries, Sport and Community (-£0.1m), Centralisation of Mobile Phone budgets to IT (£0.1m)
-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	-1.2	215.9	216.4	0.5	
0.0	Planned use of (-) / Contribution to (+) Reserves			0.0	0.0		
217.1	Total Net Expenditure Budget			215.9	216.5		

Table 3 – 2016/17 Children & Young People Services Revenue Budget Monitoring for period ending 31st July 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	-0.6	8.7	8.2	-0.5	-0.2	-0.3		Contract and staff savings
61.3	Early Help & Specialist Services	0.8	1.0	63.1	67.0	3.9	-0.2	4.0	Fostering and Adoption (£0.3m), Safeguarding (£0.1m), Belhaven crisis provision (£0.2m), CYP Transformation (£0.2m)	Grant increases (£1.2m), Staff savings (-£0.2m)
3.2	Commissioning	0.4	-0.2	3.3	3.3	0.0	0.0	0.0	Child & Adolescent Mental Health Services (£0.3m)	Building Care Capacity Officers transfer to Public Health (-£0.2m)
20.1	Home to School Transport	0.2	0.0	20.3	20.3	0.0	0.0	0.0	Funding for Special Educational Needs £0.2m	
90.0	Education & Learning	3.5	0.7	94.2	97.0	2.8	3.5	-0.7	Youth Guarantee/Apprenticeships in Skills (£3.1m), Special Educational Needs Disabilities reform (£0.4m)	PE & Sport/Music Grant reductions (-£0.5m), DSG adjustments agreed with Schools Forum (£1.2m)
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	5.8	-316.6	-316.6	0.0	0.0	0.0		DSG recoupment adjustments (£6.6m), Unaccompanied Asylum Seeker Children forecast grant (-£1.2m), Other grant changes (£0.4m)
104.1		6.4	-1.1	109.5	115.7	6.2	3.1	3.1		
-4.7	Planned use of (-) / Contribution to (+) Reserves			-11.1	-11.1					
99.5	Total Net Expenditure Budget			98.4	104.6					

Table 4 – 2016/17 Public Health & Protection Revenue Budget Monitoring for period ending 31st July 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	0.1	-0.1	21.5	21.5	0.0	Projects funding	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	0.6	-0.1	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		0.7	0.2	56.6	56.6	0.0		
0.9	Planned use of (-) / Contribution to (+) Reserves			0.2	0.2			
56.6	Total Net Expenditure Budget			56.9	56.9			

Table 5 – 2016/17 Resource Management Revenue Budget Monitoring for period ending 31st July 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	0.0	-0.6	1.7	1.7	0.0		Staff transfer to Public Health and Protection
0.3	Chief Executive & Support Team	0.0	0.0	0.3	0.3	0.0		
1.9	Communications & Customer Service	0.6	0.1	2.6	2.6	0.0	Digital Transformation	
7.6	Corporate Property	0.0	0.4	8.0	8.0	0.0		Carbon Reduction Commitment and Energy Budget changes
2.2	Finance	0.0	0.1	2.3	2.3	-0.1		Vertas Income Budget Adjustment
21.0	Highways & Transport	0.0	-0.2	20.8	21.0	0.2		Carbon Reduction Commitment and Energy Budget changes
2.4	Human Resources	0.0	-0.1	2.4	2.1	-0.2		Vertas Income Budget Adjustment
11.3	Information & Communication Technology	-0.1	0.1	11.4	11.4	0.0		Vertas Income Budget Adjustment and Centralisation of Mobile Phone budgets to IT
12.4	Passenger Transport	0.0	-0.2	12.2	12.5	0.3		Contract Savings
1.1	Procurement & Contract Management	0.0	0.0	1.1	1.0	0.0		
3.5	Scrutiny & Monitoring	0.0	0.0	3.5	3.7	0.2		
3.6	Strategic Development	0.0	0.0	3.6	3.6	0.0		
21.0	Waste & infrastructure	0.0	-0.3	20.8	20.6	-0.2		Contract Savings
90.8		0.6	-0.8	90.6	90.9	0.3		
-0.5	Planned use of (-) / Contribution to (+) Reserves			-1.0	-1.0			
90.3	Total Net Expenditure Budget			89.5	89.8			

Table 6 – 2016/17 Corporate Resources & Capital Financing Revenue Budget Monitoring for period ending 31st July 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	-11.9	0.0	16.9	16.9	0.0	Contribution to capital financing reserve	
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/Management Fee/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	3.1	-3.4	-0.4	3.0		Allocation of Contract and Staff savings
28.9		-11.4	2.8	20.3	23.3	3.0		
-0.1	Planned use of (-) / Contribution to (+) Reserves			11.3	11.3			
28.8	Total Net Expenditure Budget			31.6	34.6			

Table 7 Cross Directorate Virements

ACS £ million	CYP £ million	PH&P £ million	RM £ million	Corporate £ million	
-0.1	-0.1	-0.0	0.2	-0.0	Unified Communications - Centralisation of Mobile Phone Budgets to IT
-0.0		0.1	-0.0		Salary budget adjustments for staff moves
	-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
-0.0	-0.0		0.2	-0.2	Carbon Reduction Commitment and Energy budget changes
-0.1	-0.4	-0.1	-0.0	0.6	Allocation of Staff Savings 2016-17
-1.2	-1.1	0.2	-0.8	2.8	

Table 8 Reserves

Adjusted Opening Balance of Reserves	Reserve	Planned Contributions to (+) or from (-) reserves	Use of Contingency Reserve to balance budget	Carry Forward Over (-) or Underspending (+)	Forecast Reserve Balance 31/3/17
£ million		£ million	£ million	£ million	£ million
	Service 'carry forward' reserves				
8.0	Adult & Community Services	0.0		-0.5	7.5
10.7	Children & Young People (non schools)	-3.7		-3.1	3.9
1.8	Public Health & Protection	-0.1		0.0	1.7
6.0	Resource Management	-1.0		-0.3	4.8
0.7	Corporate Resources and Capital Financing	-0.6		0.0	0.1
27.2	Sub Total	-5.3	0.0	-3.9	17.9
	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	4.7
18.3	Resource Management	-0.2		0.0	18.0
25.8	Corporate Resources and Capital Financing	-2.9		0.0	22.9
62.2	Sub Total	-6.3	0.0	0.0	55.9
5.0	Public Health (Ring Fenced Grant)	-0.6		0.0	4.4
38.5	Contingency		-1.6	-3.0	33.8
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	0.1		0.0	1.7
3.8	Sub Total	1.3	0.0	0.0	5.2
148.8	Sub Total - Non Schools	-10.9	-1.6	-6.9	129.4
25.8	Schools Balances	0.0		0.0	25.8
4.2	Dedicated Schools Grant Reserve	-1.6		-3.1	-0.4
30.0	Sub Total - Schools	-1.6	0.0	-3.1	25.4
42.4	Capital Reserves inc Financing	11.9		0.0	54.2
221.2	TOTAL	-0.6	-1.6	-10.0	209.0

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 £86.2m was brought forward from 2015/16 and additional funding of £12.3m has been received in quarter 1. This gives a revised expenditure programme of £197.8m. A summary of the capital programme and its financing is shown in **Table 9** below.

Table 9 Capital Budget Monitoring for period ending 31st July 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	6.3	6.2	0.1
52.8	Children and Young People	68.8	68.8	0.0
1.6	Schools	4.0	4.0	0.0
3.4	Public Health & Protection	9.9	9.9	0.0
28.5	Highways	61.7	59.4	2.4
1.0	Waste & Environment	20.2	6.3	13.9
1.0	Property	10.6	6.7	3.9
3.0	IT	4.8	4.8	0.0
7.1	Broadband	11.4	6.6	4.7
99.3		197.8	172.8	25.0
	<u>Financed by:</u>			
8.7	Ringfenced Government Grant	14.9	14.4	0.5
5.2	Ringfenced Contributions	8.6	8.6	0.0
38.8	Non-Ringfenced Government Grant	39.9	39.8	0.1
4.6	Capital Receipts	12.3	9.7	2.6
4.1	Revenue Budgets or Reserves	16.1	12.7	3.4
37.9	Borrowing	106.0	87.6	18.4
99.3		197.8	172.8	25.0

Adult and Community Services (ACS)

35. The 2016/17 ACS capital programme of £6.3m includes £5.5m of funding brought forward from 2015/16 and it is currently forecast that £6.2m will be spent in this year. This includes £0.2m for Newmarket Library and a digital storage project and £0.1m that is being used for equipment for the reablement of customers.
36. The majority of the ACS capital programme is for IT transformation, for which £5.0m is allocated for a new care management system and mobile technology for practitioners. The contract for the new system is expected to be awarded in February 2017 with the costs likely to be front loaded so at this stage it is expected that the full budget will be spent in 2016/17.
37. 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. Therefore the majority of this funding will be carried forward to next year. As it is expected that new monies for these schemes is likely to be limited in future the existing funding is deliberately not being used in one year but rather spread over multiple years.
38. The Council is working in partnership with the University of Suffolk to deliver the Hold Heritage Centre. This is a three year project to bring all archives to one location on the waterfront and is expected to cost £20.3m, supported by a £10m lottery grant. In the current year £0.5m will be spent on the design and initial set up of the project.

Children and Young People (CYP)

39. At the end of quarter one the CYP capital programme for 2016/17 has been increased by £16.3m to £68.8m. This includes £18.3m brought forward from 2015/16 and £0.3m of capital receipts have been added. Furthermore, the Department for Education (DfE) have now confirmed capital grant allocations and Suffolk will receive £2.5m less than had been expected when the programme was agreed.
40. Of the £18.3m brought forward, £17.2m is directly allocated to continuing schemes which were not finished in 2015/16, and £1.1m is an uncommitted sum which has been added to the contingencies and emergency build budgets.
41. The cost of the basic need programme has been reduced by £3.0m based on the assumption that at least one school in the programme will be provided through the Free Schools Programme and so will not be funded by the Council. At this stage we do not know which school it will be, but through working closely with the DfE it is known that there are credible free school proposals for at least five of the new schools included in the CYP programme, so it is prudent to plan for at least one of these to come to fruition. This allows for the lower level of grant income to be covered without adversely affecting other schemes, or increasing the costs of borrowing.
42. All schemes have been reviewed and a further £2.8m is required to meet the costs of basic need schemes. This is a combination of schemes where there have been unexpected additional costs (such as asbestos removal at Stanton),

and schemes where the scope has been increased to provide more school places and facilities (such as Great Heath Primary). Additionally a number of schemes have been identified which were not in the original programme but are required to meet urgent need that was not predicted but is based on pupils applying to these schools. This includes extensions at the Bridge, Laureate Primary, Great Waldringfield, and Kesgrave High School to meet demand for places. This will be funded from contingencies held for this purpose.

43. At this stage of the year no significant slippage has been identified, but all projects will be reviewed again before quarter two. For new build basic need schemes there are risks around site acquisition which may lead to delays in spend, these will also be reported at quarter two if appropriate.

Public Health & Protection (PH&P)

44. The 2016/17 PH&P capital programme of £9.9m includes £5.7m brought forward from previous years.
45. During quarter one a contribution from the Police of £0.5m and £0.1m from the fire service reserve have been added to the fire estates improvement programme. This programme is now £3.8m and will be used to create shared blue light stations for Felixstowe, Saxmundham, Ipswich and other stations (subject to planning approvals).
46. The programme includes £2.7m for Suffolk Fire and Rescue Service transformation to support the Service's change programme and £3.1m for vehicle and equipment renewals. These are expected to be spent by the end of the financial year.

Highways

47. The Highways capital programme for 2016/17 is £61.7m, which includes £21.8m of funding brought forward from 2015/16 and additions at quarter one of £11.4m. The additions include bringing forward the 2017/18 allocation of £6.0m for additional highways investment. Furthermore the Cabinet agreed in May a £3.0m contribution to the development costs in 2016/17 of the Upper Orwell Crossings Ipswich and Lake Lothing third crossing in Lowestoft. The Government has also announced that the Council will receive £1.4m of grant funding specifically for pot holes.
48. The current expected spend is £59.0m, the expected slippage of £2.4m mainly relates to the Beccles relief road (£1.9m). Construction of the Beccles southern relief road has been delayed due to objections received to the compulsory purchase and side roads orders. The Department for Transport requires a public inquiry, which was held in mid-August 2016. Subject to a satisfactory and timely decision by the Secretary of State it is anticipated that construction will start in 2017.

Waste & Environment

49. The Waste & Environment Programme includes £14.7m for Waste. It is expected that £0.8m will be spent in 2016/17 on household waste and recycling centres, including the expansion of Mildenhall HWRC. The remaining £13.9m will be carried forward into 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 the Ransomes Europark in Ipswich.
50. The programme also includes £3.7m for Green Deal Communities grants. At present £2.2m has been spent 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 remain £1.5m will be spent by the end of the year.
51. It is expected that £1.0m will be spent on Lowestoft flood project and £0.8m has been added to the Waste & Environment programme for the Council's contribution to the Ipswich Cornhill redevelopment project.

Property

52. The £10.6m programme for Property includes £8.6m carried forward from 2015/16 and an additional £1.0m has been added to the South Lowestoft Industrial estate project in quarter one. The additional funding is to allow the project to build larger units as per the recommendations from the marketing agency.
53. In quarter one the expected spend is £6.7m, most of the expected underspend relates to the South Lowestoft industrial units (£3.1m), which will be spent in 2017/18. The final accounts for the construction of Riverside Road are in the process of being paid. Work is continuing on the refurbishment of Beacon house to allow the Coroner's Service to be relocated, as well as develop other office space.

IT & Broadband

54. The capital programme for IT & Broadband in 2016/17 is £16.2m, which includes £5.6m brought forward from 2015/16. The funding relates to phase two of the Superfast Broadband project and the delivery of Suffolk's IT Strategy. There is key investment this year going into the network architecture and capacity across the county in order to be able to deliver services such as video and audio conferencing, using Skype for Business as part of the Unified Communication programme deployment. Cyber security threats continue to be a key area of risk requiring strategic investment into intelligent network security products to protect the council's network and information.
55. Additional investments in Business Intelligence and Predictive Analytics are being made in order to use data and information to enable the Council to proactively manage down service demand through intelligent and proactive intervention. Capital funding is also being put into the council's new Customer Relationship Management system to support its digital transformation objectives.

56. It is expected that £11.4m of the programme will be spent in 2016/17, including £6.6m on Suffolk Local Broadband, £4.8m on IT schemes including £0.9m for Unified Communications. The slippage of £4.8m relates to the Broadband project and will be spent in 2017/18 as the programme continues to roll out to achieve the 98% coverage.

Capital Receipts

57. During the first quarter of 2016/17 sales of £3.4m have been completed. There are currently sales with solicitors of £9.0m and Corporate Property are actively progressing sales estimated at £2.8m. There were £8.4m of capital receipts brought forward from 2015/16 and it is currently forecast that £9.7m will be needed to fund the current capital programme in 2016/17.

Conclusion

58. The Council's finances continue to be managed effectively but it is clear that containing spending within 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 services for the most vulnerable in Suffolk has increased which may require the Council to use reserves in the current financial year. However, the Council continues to target savings from contracts and staff in 2016/17 which will reduce the forecast overspend.

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/rdonlyres/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/>