



EXECUTIVE BOARD DECISION

REPORT OF: Executive Member for Resources

LEAD OFFICERS: Director of Finance and IT

DATE: 11 August 2016

PORTFOLIO/S AFFECTED: Resources

WARD/S AFFECTED: All

KEY DECISION: YES NO

SUBJECT: CORPORATE BUDGET MONITORING REPORT 2016/17 – Quarter 1 June 2016

1. EXECUTIVE SUMMARY

To report the overall financial position of the Council, both capital and revenue, highlighting major issues and explaining variations in the first quarter of the financial year.

2. RECOMMENDATIONS

That the Executive Board:

- a) Approves the revised capital programme as per Appendix 1, together with the variations shown in Appendix 2.
- b) Approves the variations to revenue expenditure listed in Section 6 giving rise to a forecast balance of £4.767 million in the unallocated General Fund revenue reserve at 31st March 2017, subject to the final outturn position for 2016/17 and the application of earmarked reserves.
- c) Approves the cash limit adjustments outlined in Appendix 3.

3. BACKGROUND

All portfolios are required to examine their revenue and capital budget position on a monthly basis.

4. KEY ISSUES & RISKS

- a) The projected aggregate cost of the Council's capital investment for 2016/17 has now increased from £23.811 million, as approved by Finance Council on 29th February 2016, to £40.902 million. The variation of £17.091 million (detailed at Appendix 2), reflects both the variations to the programme following the finalisation of the outturn position for 2015/16 (£7.090 million) and the variation to programmes made during the first quarter of the year (£10.001 million).
- b) As at 30th June 2016, the capital expenditure across the portfolios was £1.476 million (3.6% of the current projected spend).
- c) The estimate of capital receipts expected in 2016/17 is £2.1 million. To date £605,000 capital receipts have been received.

d) Actual revenue expenditure at 30th June 2016 in relation to cash limited budgets across all portfolios was £22.447 million, which is 19.9% of the current budget. Details of the forecast year end position for each portfolio are outlined in Section 6.

e) General Fund unallocated reserves of £4.767 million are forecast for 31st March 2017 subject to the final outturn position and application of earmarked reserves.

f) Earmarked reserves available to the Council are forecast to be £13.543 million at 31st March 2017 compared with £18.305 million at 31st March 2016, with a further £20.123 million of other reserves largely in relation to schools.

5. POLICY IMPLICATIONS

Accords with the capital strategy and the three year budget forecast within the Medium Term Financial Strategy 2016-20, as approved at Finance Council on 29th February 2016.

6. FINANCIAL IMPLICATIONS

6.1 CAPITAL PROGRAMME

The variations in projected spend and resource availability for 2016/17 are summarised, by portfolio, in Appendix 1. Details of all variations in spending are set out in Appendix 2.

The capital programme for 2016/17 has increased in the first quarter of the year by £10.001 million. The major capital variations to note are as follows:

6.1.1 Health and Adult Social Care

Telecare Assistive Programme - A scheme of £184,000 is requested to be added to the capital programme, which will be fully financed by Disabled Facilities Grant. The use of Telecare/ Assistive Technology is a way of supporting people with care needs and increasing their levels of independence.

Shorey Bank Extra Care Scheme – A site has been identified in the Council's Local Plan as being suitable and available for an extra care scheme. Approval is now sought to add the Council's contribution to the scheme to the capital programme. The contribution of £400,000 will assist the development of the bungalows, as previously reported this is to be funded from the Capital Contingent Scheme budget which is already included in the borrowing projections.

6.1.3 Environment

Following the reorganisation of Portfolio responsibilities a number of schemes have been moved from the Environment portfolio to the Regeneration portfolio. The transfers are itemised in Appendix 2 and reduces the Environment capital programme by £3.546 million. Slippage of £605,000 was added to the programme following finalisation of the outturn for 2015/16.

Approval was given at Council Forum on 21st July 2016 to change to alternate weekly collections for residual waste. This may require some additional 240 litre burgundy bins to be purchased. Initial provision has been made for this within the programme and the position will be monitored as further needs are assessed.

6.1.4 Leisure, Culture & Young People

It is requested that the following schemes are added to the capital programme:

Waves Demolition – As indicated in the outturn report further expenditure of £345,000 is required in the current year to complete this scheme. This will be financed by an increase in main programme

funding, although this may be offset by any underspending on the Blackburn Leisure Centre scheme.

Woolridge Playing Fields – A new playing pitch strategy was commissioned by the Council to assess the supply and demand for all sports pitches across the borough. The strategy identified Woolridge playing fields as a priority for investment. This scheme will create new high quality football pitches, at both Woolridge and College playing fields, and refurbish the Council owned block of changing rooms at Pleckgate adjacent to the College playing field site. The total scheme costs are £477,000 and will be financed by external contributions obtained by East Lancashire Football Development Association of £265,000 and a Section 106 contribution of £212,000.

Making Rooms refurbishment – The Making Rooms project involves the development of a technical and creative innovation centre in Blackburn; the old Bentleys site will be refurbished for this purpose. The scheme will cover the refurbishment costs of £451,000 and will be financed by the Lancashire Enterprise Partnership Growth Deal funding.

6.1.5 Neighbourhoods and Prevention Services

A request is made for the following schemes to be added to the Capital Programme:

Department of Energy and Climate Change (DECC) Central Heating Fund - Blackburn with Darwen will act as accountable body for this scheme which will deliver central heating systems to fuel poor households across Lancashire. The total scheme cost is £2.242 million, which is fully financed from DECC grant. It has been agreed that the Central Heating Fund will be delivered as a Minor Works Grant and that Firefly Energi will provide customer engagement and installer compliance services, with grant approval and payment resting with the Council.

CCTV Hub – the estimated costs for the CCTV Hub scheme have increased by £219,000 compared to the initial estimate of costs produced prior to the appointment of a project adviser. The increase in costs will be fully financed by external grants and contributions. The setting up of the regional CCTV hub is a ground breaking piece of work, which other authorities are looking to replicate or set up similar schemes.

6.1.6 Regeneration

Following the transfer of responsibilities from the Environment portfolio, the capital programme for the Regeneration portfolio has increased by £3.546 million. The programme also reflects a reduction of £146,000 following finalisation of the outturn for 2015/16.

There are two new capital schemes to be added to the Regeneration capital programme in the first quarter of the year and approval is requested for these as follows:

Blackburn Cathedral/Café Northcote – Following submission and evaluation of a business case, the Lancashire Enterprise Partnership (LEP) Board has approved £250,000 funding from the Growth Deal to contribute to the Cathedral's capital cost of their new refectory. The Cathedral is working in partnership with the Northcote Group to develop the Cathedral's hospitality offer, including the operation of the refectory, which is known as "Café Northcote".

The Council as the applicant and the accountable body, will enter into a Grant Funding Agreement with the LEP and administer the funding, be responsible for delivering outputs and demonstrate match funding for the Cathedral and the Council (via £50,000 Assistance to Industry capital grant) to discharge the conditions of the grant.

Blakey Moor – This project will focus on the Northgate Conservation area and includes proposals for renovation and repair of historic buildings in this area over the next five years. The capital scheme will total £3.547 million and is funded by a mixture of grants, main programme borrowing and owner contributions.

In addition, the portfolio is reporting an increase of £306,000 to the Local Transport Plan programme to be financed from external contributions and an increase of £85,000 in relation to Highways Network Recovery to be financed by ERDF grant.

6.1.7 Resources

There are currently no capital scheme variations to report.

6.1.8 Schools and Education

Capital grant of £8.727 million has been allocated to various schemes, of this £4.288 million is profiled to be spent in future years and £2.006 million is as yet unallocated. The 2016/17 capital programme for Schools and Education has increased by £1.291 million due to the recognition of the £961,000 Maintenance allocation together with £330,000 planned contributions from schools. Further clarification is provided in the table below :

	Position reported to Executive Board 07/04/16	Current update
	£000	£000
Basic Need Allocation 2016/17	5,334	5,334
Devolved Formula Capital	241	242
Carry over from 2015/16	4,393	4,196
Maintenance (allocation 11/02/16)	961	961
Total grant allocation	10,929	10,733
School contribution from Crosshill		230
School contribution from St Barnabas and St Pauls		50
School contribution from Lammack Primary		50
Total capital funding		11,063

6.2 CAPITAL RECEIPTS

The estimate of capital receipts expected in 2016/17 is £2.1 million, and actual capital receipts received to the end of June 2016 are £605,000. A reduction in receipts would require a corresponding increase in borrowing with consequential revenue costs.

6.3 CASH LIMITS AND REVENUE EXPENDITURE

6.3.1 Revenue Budget Overview

One of the key assumptions within the 2016/17 Budget and 2016-2020 Medium Term Financial Strategy is the delivery of workforce related savings of £13 million over a three year period. The savings were programmed with £3 million to be delivered in 2016/17.

These savings are required across the whole Council but were not attributed to or shared out across each portfolio at budget setting time as the timing and allocation of savings was not known.

A Workforce Review programme was established to support this and several reviews are now in train to support both delivery of the savings required and the implementation of new ways of working and digital solutions for the future. To provide assurance that the £3 million savings will be delivered in the current year, all areas across the Council are closely managing their staffing budgets to make savings including deleting posts that have been held vacant and can now be removed from the staffing establishment; cash limit adjustments to reflect these changes will be included within the next corporate budget monitoring report to Executive Board.

6.3.2 Performance Against Cash Limits

Appendix 3 details the approved portfolio cash limits and adjustments now being requested, including:

- budget virements (transfers) between portfolios, including adjustments to reflect the recent changes in portfolio responsibilities.
- transfers from earmarked reserves for the carry-over of resources from 2015/16.
- the re-alignment of budgets following conclusion of the Capita Technical Services contract on 30th June 2016 and the implementation of the new contract on 1st July 2016. The net impact of this is a saving of £481,000 in addition to those already made in respect of Revenues and Benefits, Accounts Payable and Accounts Receivable. These savings will be transferred into the earmarked reserve for part year effects of future savings plans.

It has been identified that a number of specific savings plans will not be achieved in full during 2016/17 due to the length of the lead-in time required to make the savings. Any potential portfolio savings shortfalls are currently being reviewed by the Finance team and will be reported to Executive Board in the next Corporate Budget Monitoring Report. Increasing the part year effect reserve, as noted above, will help to address the shortfall in year.

The principle issues for each portfolio are as follows:

Health & Adult Social Care

The HASC portfolio is predicted to spend in line with its cash limit, however there are significant emerging pressures. The position is being closely monitored and the financial impact for current and future years is being assessed. These emerging pressures include:

- statutory contractual rate uplifts to providers for National Living Wage, sleep-in allowances and enhanced quality status for some care homes;
- forecast transition costs for younger people moving from Children Services to Adults and
- the impact of changes in Learning Disability provision due to The Winterbourne review (Transforming Care).

The assessment of these pressures is partly dependant on the outcome of negotiations with providers, the assessment of future care needs for individuals and the availability of funding from the CCG. Action plans to mitigate the pressures are being identified and implemented.

Increased demand pressures in the ensuing months, particularly in the volatile area of external commissioning budgets, is likely to affect the current forecast position. The outturn position doesn't take into consideration any impact of the care contract price increases for residential, nursing, and domiciliary care nor the pressures arising as a result of any delayed implementation (or unrealised) efficiency targets. Forecasts will be refined and presented as we progress through the year as more specific and tangible information becomes available.

Budget transfers to other portfolios have been requested as follows:

- A permanent transfer of £78,000 from Health and Adult Social Care to Children's Services portfolio in respect of the contractual arrangements pertaining to Caritas – Catholic Children Rescue Society (Maryvale).
- A permanent transfer of £15,900 from Health and Adult Social Care to Resources portfolio in respect of 0.81FTE Grade "C" administrative assistant post within the Adult Social Care Transactional Team based within the Finance team. The post undertakes debt management duties for Adult Social Care clients.

Public Health – The Executive Board is requested to approve transfers from earmarked reserves for the carry-over of resources from 2015/16 in respect of Public Health grant (£244,700) and Transforming Lives (£283,600) to reflect the slippage of the spend profile

Children’s Services

Based on current monitoring the portfolio is forecast to spend within cash limits however at this relatively early stage of the year it is difficult to accurately predict the final outturn given the volatility of demand led statutory services. At the end of Quarter 1 the portfolio is reporting significant pressures on commissioned placement budgets and special guardianship orders which are currently being offset by underspends elsewhere within the department. These and other areas of the budget are being closely monitored and more refined information will be reported over the coming months.

In respect of safeguarding issues, social work caseloads relating to vulnerable children are increasing and are generating internal cost pressures which need to be managed. Children’s Services are looking to identify savings within their own portfolio, in the first instance, to offset these additional pressures however corporate support may be required.

A virement of £78,000 is requested from Health and Adult Social Care in respect of the contractual arrangements pertaining to Caritas – Catholic Children Rescue Society (Maryvale).

Environment

The portfolio is currently forecasting to breakeven against its cash limit, however, this position assumes that budget shortfalls, further to efficiency reviews undertaken in the portfolio and decisions taken at Council Forum in July 2016, will be met by transfers from the earmarked reserve set aside to support the part year effect of future savings plans.

The following cash limit adjustments are requested for the Environment portfolio:

- A cash limit increase of £20,000 is required to fund the purchase of a mobile camera system to enable the Council to monitor hot spots and problem areas for fly tipping.
- Section 106 funding Milking Lane - A £500 contribution was received in relation to planning permission granted for a detached dwelling on land adjacent to 60 Milking Lane. The money will be spent on developing open space in the area.
- Section 106 funding Fernhurst – A contribution of £58,000 was received from Miller Homes for maintenance and landscaping of Fernhurst Farm. A draw down of £5,000 is currently requested.
- Pest Control Officer – It has been identified that there is a need for an additional Pest Control Officer due to increased demand and lengthy response times. £39,800 is needed to cover the costs of this additional post and equipment requirements.
- Capita Mail Service – This service, and respective income stream, has now ceased following the implementation of the new Capita contract. The part year affect is £7,770 in 2016/2017 and the full year affect in 2017/2018 will be £10,300.

Leisure, Culture and Young People

The portfolio is currently forecasting to breakeven against the cash limit, although this position assumes that the savings plan shortfalls in relation to Daisyfield, Audley, and Shadsworth leisure facilities and the Museum will be met by transfers from the earmarked reserve set aside to support

the one-off part year effect of future savings plans.

Approval is sought for an increase in the cash limit budget of £15,900 to cover the costs of the first quarter's Early Retirement / Voluntary Redundancy costs.

Neighbourhoods and Prevention Services

The portfolio is currently predicting to breakeven against its cash limit subject to the cash limit adjustments detailed in Appendix 3 including;

- A transfer of £42,000 from Resources portfolio has been requested as a result of the transfer of the Cohesion Advisor Post to Community Safety.
- A virement of £10,000 from the Resources portfolio in respect of the provision of housing advice which was formerly provided as part of the Advice For All service.

Regeneration

The portfolio is currently forecasting to breakeven against its cash limit subject to the cash limit adjustments detailed in Appendix 3.

Cash limit increase requests are made as follows:

- Additional funding £42,000 to support workload pressures on the drainage team.
- That the Property Resilience Grant funding of £69,200 (carried forward from 2015/16) to be brought into the portfolio budget to support local homes and businesses who were impacted by the winter floods.

Resources

The portfolio is currently predicting to spend within cash limits, subject to the approval of the following requests:

- Cash limit reductions totalling £252,800 in respect of workforce savings of £3 million in 2016/17, following the Senior Management review which came into effect on 1 April 2016;
- A £142,000 transfer from earmarked reserves to support the new Growth Programme Director post.
- A transfer of £42,000 to the Neighbourhoods & Prevention Services portfolio as a result of the transfer of the Cohesion Advisor Post to the Community Safety team.
- A virement of £10,000 to the Neighbourhoods & Prevention Services portfolio in respect of the provision of housing advice which was formerly provided as part of the Advice For All service.
- A permanent transfer of £15,900 from Health and Adult Social Care in respect of resources to undertake debt management duties for Adult Social Care clients.

Schools & Education

The Portfolio is currently predicting to spend in line with its cash limit, subject to the cash limit adjustments detailed in Appendix 3.

Dedicated Schools Grant / Schools Block

Services in Schools & Education (DSG) are currently predicted to spend the funding available in 2016/17 through the Dedicated Schools Grant and Pupil Premium.

Schools and Education funding from DSG is monitored by the Schools Forum and reports are

considered on a regular basis.

6.4 General Fund Unallocated Reserves

Note in this paragraph predicted underspending leads to an increase in reserves and is shown as a plus (+) and overspending is shown as a minus (-).

	£000	£000
Balance at 31 March 2016 including effect of final revenue outturn 2015/16		4,495
<i>Variations now requested:</i>		
Savings in relation to interest and debt repayment		374
	(42)	
Mobile Camera System - Fly tipping/putting outside waste	(20)	
Pest control Officer - 12 mth contract	(40)	(102)
Predicted unallocated general fund reserves at 31 March 2017		4,767

6.5 Earmarked reserves

Earmarked reserves held for discretionary use by the Council are currently expected to reduce to £13.543 million compared with £18.305 million at 31 March 2016. Other earmarked reserves, largely in respect of schools, are currently £20.123 million. Details of all earmarked reserves are shown in Appendix 4.

6.6 BALANCE SHEET POSITION

6.61 Overview

Good balance sheet management assists in effective use and control over the Council's assets and liabilities. Key assets comprise the Council's tangible fixed assets, debtors, investments and bank balances. Key liabilities are long and short-term borrowing, creditors and reserves.

6.6.2 Non-current Assets

Tangible non-current assets include property, plant and equipment held by the Council for use in the production or supply of goods and services, for rental to others or for administrative purposes. Property assets are the responsibility of the Resources portfolio. One fifth of all assets are re-valued every year, and annual reviews are undertaken to establish whether any impairment or other adjustments need to be applied. New assets, and enhancements to existing assets, are managed by way of the capital programme, which is reported on in Appendix 1.

6.6.3 Borrowing and Investments

The Council has continued in its strategy of not taking up long-term borrowing in respect of financing capital expenditure and by taking short term borrowing instead. No long term borrowing was taken in 2014/15, 2015/16 or in the current year to date. One anticipated result of UK's BREXIT decision is for interest rates to continue at low levels for even longer. Primarily for this reason, it is projected that the Council will make a net saving on interest costs of £269,000 (compared to the original estimate for 2016/17). Further savings may be reported in this regard as the timing and level of borrowing needs

are firmed up across the year.

Allowing for the outturn capital spend for 2015/16 gives a further saving, of £105,000 on the level of Minimum Revenue Provision that will be required in this year.

	Amounts at 31/03/15 £000	Amounts at 31/03/16 £000	Amounts at 30/06/16 £000
Short term borrowing	5,000	18,500	15,000
Long term borrowing	140,485	134,684	134,684
Transferred debt re Local Government Re-organisation	17,352	16,658	16,658
Recognition of debt re PFI arrangements	71,536	70,095	69,709
Investments made by the Council	7,460	10,550	9,405

The totals include the debt recognised on the balance sheet as a result of accounting adjustments in respect of bringing into use the new BSF school buildings which are financed through PFI arrangements. These adjustments are made to ensure that the Council's effective control over, and use of, these assets is recognised with corresponding adjustments to the debt. These changes do not add to the costs faced by the Council Tax payer as the actual capital costs for these schools form part of the ongoing stream of payments made to the PFI contractor (which are in turn largely offset by PFI grant funding from the Government).

6.6.4 Debtors

The Council has a corporate debt policy as well as other specific policies for the management of debt in the key areas of council tax, business rates, housing benefit overpayments, sundry debts and adult social care. The table below summarises the collection performance of the various debts and the total outstanding debt in the respective areas at a single point in time, i.e. 30th June 2016. The table also shows the corresponding level of debt at the same point in the last financial year.

	Position at 30/06/16	Position at 30/06/15
Council tax		
Current year arrears (£000)	38,632	37,143
Previous year arrears (£000)	8,413	7,297
Total Council tax arrears	47,045	44,440
Collection rates	27.88%	27.93%
Business rates		
Current year arrears (£000)	37,602	37,174
Previous year arrears (£000)	3,013	2,884
Total Business rates arrears	40615	40,058
Collection rates	26.3%	26.4%
Housing Benefit		

Overpayments balances (£000)	2,650	2,062
Collection rates	10.10%	17.68%
Sundry debt		
Arrears balances (£000)	4,170	2,900
Collection rates	83.13%	86.67%
Adult Social Care debt		
Arrears balances (£000)	411	495
Collection rates	78.15%	78.92%

6.6.5 Creditors

In general, the Council's policy is to ensure that all creditors are paid within the contractual terms agreed, with a view to optimising cash flow benefit. However for the time being, in response to the Government's request to assist businesses during the recession, the Council is aiming to pay all trade creditors within 10 days of receipt of invoices. Performance in this respect is shown in the table below.

Month	Balance at end of month £'000	Percentage paid within 10 days		
		In month	Year to date	Equivalent previous years
April	5	77.32%	77.32%	88.67%
May	412	84.97%	81.01%	87.65%
June	2180	75.73%	79.20%	88.15%

7. LEGAL IMPLICATIONS

The Council has a duty to ensure it can deliver a balanced budget. The Local Government Act 2003 imposes a duty on an authority to monitor its budgets during the year and consider what action to take if a potential deterioration is identified.

8. RESOURCE IMPLICATIONS

None.

9. EQUALITY AND HEALTH IMPLICATIONS

Please select one of the options below. Where appropriate please include the hyperlink to the EIA.

Option 1 Equality Impact Assessment (EIA) not required – the EIA checklist has been completed.

Option 2 In determining this matter the Executive Member needs to consider the EIA associated with this item in advance of making the decision. (*insert EIA link here*)

Option 3 In determining this matter the Executive Board Members need to consider the EIA associated with this item in advance of making the decision. (*insert EIA attachment*)

10. CONSULTATIONS

11. STATEMENT OF COMPLIANCE

The recommendations are made further to advice from the Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation and an equality analysis and impact assessment has been considered. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

12. DECLARATION OF INTEREST

All Declarations of Interest of any Executive Member consulted and note of any dispensation granted by the Chief Executive will be recorded in the Summary of Decisions published on the day following the meeting.

VERSION:	0.02
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CONTACT OFFICER:	Gaynor Simons (Ext 5635) Julie Jewson (Ext 5893)
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DATE:	3 rd August 2016
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BACKGROUND PAPER:	
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