

**EXECUTIVE BOARD DECISION FORM****DECISION TO BE TAKEN BY:** Executive Board**KEY DECISION:** Yes**PORTFOLIO AREA:** All**PORTFOLIOS AFFECTED:** All**WARDS AFFECTED:** All

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**SUBJECT:** Corporate Budget Monitoring Report 2013/14 – August 2013

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**1. RECOMMENDATIONS:**

The Executive Board is recommended to note the report and:

- a) approve the revised capital programme as per Appendix 1, together with the variations shown in Appendix 2,
- b) approve the variations to revenue expenditure listed in Section 6.3 giving rise to a predicted figure of £9.822 million unallocated General Fund revenue reserves at 31 March 2014.
- c) approve the cash limit adjustments outlined in Appendix 3.
- d) approve the write off of business rates arrears totalling £236,770.68, as detailed in 6.2.3.

**2. REASONS FOR THE DECISION**

To provide latest available capital and revenue budget monitoring information.

**3. STATEMENT OF COMPLIANCE**

The recommendations are made further to legal advice from the Deputy 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 completed. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

**4. DECLARATION OF INTEREST**

None.

<b>Signed:</b> <i>[Signature]</i> <b>Executive Member:</b> <b>Date:</b> <i>2nd Oct 2013</i> <b>Also present:</b>	<b>Signed:</b> <i>Jenise Park</i> <b>Chief Officer:</b> <b>Date:</b> <i>2/10/13</i>
<b>Date of Senior Policy Team Meeting(s):</b>	

**A list of background papers on this issue is held with:**

Contact Officer: Jeanette Moister (Ext 5702)  
Date: 2 October 2013

**Date of Publication:** *11th October 2013*

**Date of Expiry of Call-In Period:** *17th October 2013*



## EXECUTIVE MEMBER BRIEFING PAPER

**TO:** Executive Member - Resources  
**FROM:** Director of Finance  
**DATE:** 10 October 2013

**PORTFOLIOS AFFECTED:** All

**WARDS AFFECTED:** All

**KEY DECISION:** Yes

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### CORPORATE BUDGET MONITORING REPORT 2013/14 – AUGUST 2013

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#### 1. PURPOSE

- 1.1 To report the overall financial position of the Council, both capital and revenue, highlighting major issues and explaining variations since the last report.

#### 2. RECOMMENDATIONS

- 2.1 The Executive Board is recommended to note the report and:
- a) Approve the revised capital programme as per Appendix 1, together with the variations shown in Appendix 2.
  - b) Approve the variations to revenue expenditure listed in Section 6.3 giving rise to a predicted figure of £9.822 million unallocated General Fund revenue reserves at 31 March 2014.
  - c) Approve the cash limit adjustments outlined in Appendix 3.
  - d) Approve the write off of business rates arrears totalling £236,770.68, as detailed in 6.2.3. This has a nil effect on the 2013/14 Collection Fund as the increased liability is offset by the write off.

#### 3. RATIONALE

- 3.1 To provide the latest available capital and revenue budget monitoring information.

#### 4. KEY ISSUES

- 4.1 The projected aggregate cost of the Council's capital investment for 2013/14 has now increased from £67.8 million to £68.0 million.

- 4.2 As at 31 August 2013, current year capital expenditure across all portfolios was £16.4 million (24.1% of the current projected spend).
- 4.3 The estimate of capital receipts is £2.38 million, which is £620,000 less than included in the original capital programme. Actual capital receipts at the end of August were £153,000.
- 4.4 Actual revenue expenditure at 31 August 2013 in relation to cash limited budgets across all portfolios was £55.371 million, which is 43% of the current budget. Details of the predicted year end position in respect of each portfolio are outlined at 6.2.2. Current estimates of net revenue expenditure for the portfolios in 2013/14 are within 1% of the latest approved cash limit.
- 4.5 General Fund unallocated reserves are predicted to be £9.822 million at 31 March 2014 if all budgetary pressures are contained within the financial year.
- 4.6 Earmarked reserves available to the Council are predicted to be £18.970 million at 31 March 2014 compared with £21.455 million at 31 March 2013 with a further £14.239 million of other reserves, largely in relation to schools.

## 5. POLICY IMPLICATIONS

- 5.1 Accords with the capital strategy and the three year budget forecast within the Medium Term Financial Strategy 2013/2016, as approved at Finance Council on 4 March 2013 and incorporated within the Council's Corporate Plan.

## 6. FINANCIAL IMPLICATIONS

### 6.1 CAPITAL PROGRAMME AND CAPITAL FINANCING

#### 6.1.1 Capital programme

The variations in projected spend and resource availability for 2013/14 are summarised, by portfolio, in Appendix 1. Details of variations in spending of over £50,000 are set out in Appendix 2.

#### 6.1.2 Capital variations

The major capital variations to note are as follows:

##### **Environment**

- Davyfield Road Development – A retendering exercise has been carried out following the return of the original tenders which proved very expensive. The scheme was redesigned and the new tender costs are now lower, although still in excess of the amount in the capital programme. £350,000 funding for the increased costs has already been allowed for in reserves, with a further £338,000 borrowing now required.

##### **Leisure, Culture & Young People**

- Witton Park Athletics Development – The scheme is due to be completed this financial year and the retention monies will be accounted for as a

commitment in 2013/14, therefore, £105,000 is requested to be brought forward from 2014/15.

### **Neighbourhoods, Housing & Customer Services**

- Kingsway Extra Care Project – The scheme has now completed achieving a saving of £120,000.

### **Resources**

- Tower Block Air Conditioning – additional costs in the region of £50,000 have been identified for crane hire, which can be partially offset by savings reported on other schemes totalling £24,000.

#### 6.1.3 Capital receipts

The estimate of capital receipts is £2.38 million, which is £620,000 less than included in the original capital programme. Actual capital receipts at the end of August were £153,000. A reduction in receipts requires a corresponding increase in borrowing with consequential revenue costs.

## 6.2 CASH LIMITS AND REVENUE EXPENDITURE

### 6.2.1 Revenue budget overview

Strong cash balances suggest the Council will again be able to further delay the timing of borrowing in respect of the financing of capital expenditure. It is projected that there will be further savings of £41,000 to the net interest cost for the Council, offset by a £5,000 increase to the projected cost of Minimum Revenue Provision (MRP) this year.

### 6.2.2 Performance against cash limits

Appendix 3 details the approved portfolio cash limits, and adjustments now being requested, including budget virements (transfers) between portfolios. The principal issues for each portfolio are as follows:

#### **Health & Adult Social Care**

The portfolio is currently predicting to underspend against its approved cash limit by £289,000 which relates to slippage of part year projects in Public Health to 2014/15, and release of £200,000 contingency for Health Trust contracts, that is not now required.

Public Health budgets are funded by ringfenced Public Health Grant and any underspends in year are transferrable to a specific earmarked reserve for continuation of the programme in the following financial year. It is estimated that the contribution to the reserve for 2013/14 will be £289,000.

- As part of the safe transition of Public Health to the Council, the specialist Public Health team received a ring-fenced grant of £75,000 from the Department of Health. The balance of £61,200 was transferred to earmarked reserves in 2012/13 to meet one off commitments in 2013/14.

It is requested that the cash limit is increased for the balance of this funding to complete the projects.

Advance savings on the 2014/15 transformation programme due to both the closure timetable for the in-house residential homes and contract savings negotiated with external providers are, in the main, offsetting slippage of other savings on tendered services and contributions from the Clinical Commissioning Group (BwDCCG) which are yet to be realised.

- A cash limit increase of £50,000 is requested from money set aside in earmarked reserves in respect of the Telecare Project for assistive technology supporting people in their own homes or in residential care.
- A cash limit increase of £19,100 is requested from money set aside in earmarked reserves in respect of funding from the Department of Health/Skills for Care to enable commitment to the full training programme for the current year. Future grant contributions are dependent upon proven expenditure on specific social care training in the relevant 12 month period.
- The Government made grant funds available to authorities in 2012/13 to assist with the transition of Public Health. A balance of £56,700 was set aside in earmarked reserves in 2012/13 to be spent in 2013/14. It is proposed that this funding would be used to manage, oversee and monitor recurring contracts with Health Foundation trusts and enhances services with GPs and pharmacies to ensure safe transition of clinical contracts in this first year. A request is made to increase the Portfolio's cash limit by £56,700 in respect of this funding.
- A cash limit increase of £74,700 is requested from money set aside in earmarked reserves to fund payments relating to early retirements and voluntary redundancies following the remodelling of services.

### **Children's Services**

The Children's Services portfolio is currently forecasting to overspend by approximately £500,000 against its cash limit.

The commissioned placements budget is already over committed by £700,000 as at the end of August. Detailed work is undertaken quarterly to review every commissioned placement in detail to ensure the most appropriate and cost effective placements are used. At the latest review the financial commitment for a number of placements was extended until the end of the year in order to maintain stability for those cases, leading to the increased budget pressure. The department continues to promote strategies to stem the flow of new cases and ensure that any new placements are made in house wherever possible and only the most cost effective solutions to achieve best outcomes to meet individual needs are made.

It is anticipated there will be a pressure on adoption fees due to the new fee structure and increasing number of placements to be made. Work continues

to assess the financial impact of these changes and the scope to mitigate pressures by potential utilisation of some of the un-ringfenced adoption reform grant. Work is also underway to utilise Adoption Reform Grant monies to deliver improvements in Adoption services in support of the department's strategy for permanence.

Special guardianship orders (SGOs) continue to be a strategy to provide an exit route from care. Due to increasing numbers of SGOs this budget continues to be forecast as over committed.

The portfolio has continued with the strategy to freeze (or disestablish) staffing vacancies as much as the needs of the service would allow. This generates savings on staffing budgets to mitigate the demand pressures in this year and contribute to the delivery of further budget reductions for next year.

### **Environment**

The portfolio is incurring lead-in costs in relation to the re-structuring of the Grounds and Cleansing teams in particular. It is intended to cover these costs within existing budgets but a request for corporate support from the earmarked reserve may be made if this is not possible.

Landfill tonnages fell by 10% in August compared with the same month last year. Tonnages will continue to be monitored closely to determine if this is an ongoing trend. If this is the case, savings may be made against the budget based on 34,000 tonnes.

The portfolio is therefore currently forecasting to spend within the cash limit.

- A cash limit increase of £128,900 is requested from earmarked reserves for redundancy payments and other costs following the remodelling of services.
- A cash limit increase of £21,600 is requested from funds set aside in earmarked reserves for the Air Quality Grant. Expenditure has been committed and the grant will be fully spent in 2013/14.
- A request is made to transfer £75,100 from earmarked reserves for procurement costs for the waste disposal contract for 2013/14 with a further £24,900 identified for 2014/15.

### **Leisure, Culture & Young People**

The portfolio is currently forecasting to overspend by £36,900 as a result of a predicted shortfall of income at Blackburn Library, although the department is currently preparing an action plan to mitigate this pressure.

- A cash limit increase of £32,900 is requested from S106 reserves for the heating and water system replacement and kitchen refurbishment at Ivy Street Community Centre.

- Cash limit increases are requested from grant income set aside in earmarked reserves for the following projects:
  - £21,000 ARK project
  - £22,200 night in the museum project
  - £40,600 classical music programming
  - £32,100 extension to creativity works project
- The Council previously agreed a 5 year contribution to Tameside Borough Council towards the AGMA archaeological dig. A cash limit increase of £8,600 is requested for the 2013/14 contribution from money set aside in earmarked reserves.

### **Neighbourhoods, Housing & Customer Services**

The Portfolio is currently predicted to spend above the cash limit by £49,000.

A proposal has been put forward to the Health & Adult Social Care portfolio for a contribution from Supporting People but this has yet to be agreed.

- Cash limit increases of £33,000 and £125,000 are requested from funds set aside in earmarked reserves for the relocation of Advice Services and the modernisation of the One Stop Shop respectively.
- Due to changes in Welfare Reform, customer demand has increased significantly. A transfer of £25,000 is requested from money set aside in earmarked reserves to enable the Council to engage specialist staff with experience in handling Revenue and Benefits enquiries.
- A cash limit increase of £26,400 is now requested from money set aside in earmarked reserves to be spent in 2013/14 on the installation of the ICT suites and other IT resources for Sustainable Neighbourhood Services.
- Cash limit reductions of £323,100 and £171,000 are requested in respect of ringfenced Social Fund grants relating to Community Care and Emergency Support due to a different accounting treatment to that previously adopted.

### **Regeneration**

The portfolio is currently forecasting to spend within its cash limit.

Whilst the portfolio is currently reporting a break even position it has previously received Business Rates demands for the old market building and perimeter shops amounting to £223,000. Refunds have now been received amounting to £174,205 of this cost. In addition rates revaluations are being pursued for previous financial years and it is anticipated that a successful resolution will offset this pressure in full.



To date costs of around £50,000 have been incurred regarding the Peel Centre judicial review. It is anticipated that these costs will be funded corporately once final costs are known.

The Authority incurs significant costs in relation to slips and trips insurance claims on our highways. This was a significant pressure last year and a detailed review of our current position has been undertaken to determine the position for 2013/14. Current forecasts indicate a pressure of around £200,000 arising due to increased settlement costs of previous years' claims. It is anticipated that this pressure will be able to be contained through overachievement of income targets and savings on running costs across the portfolio.

- A cash limit increase of £20,900 is requested from money set aside in earmarked reserves to fund payments relating to redundancy payments following the remodelling of services.
- Costs will be incurred in 2013/14 and 2014/15 as part of the Lead Flood Defence Authority responsibilities, including preparation of surface water management plans, local flood risk management strategy and flood hazard maps and plans. The Council received Government funding to support flood management in 2012/13 which has been set aside in earmarked reserves. A request is now made to transfer £54,700 of this to the Regeneration portfolio.
- Following flood damage in 2012, flood response work has been committed in various parts of the Borough funded from money held in reserves. A cash limit increase of £303,000 is requested in this respect.
- Work on the new Local Plan has begun and identifies the allocation of key housing sites setting out policy across a full range of issues including employment land, the environment, gypsies and travellers, retailing and heritage. This will be funded from the New Homes Bonus Grant which is held in reserves. A cash limit increase of £155,400 is requested for 2013/14.
- A cash limit reduction of £50,100 is requested to reflect a retrospective adjustment to the 2012/13 budget for the Regenerate Pennine Lancashire Company.

## **Resources**

The portfolio is currently predicting to underspend by £200,000 against the cash limit. Work has commenced on identifying savings in advance of the 2013/14 savings targets and as a result vacant posts are not being filled pending the review and remodelling of services.

It is anticipated that further savings will be identified from non-staffing budgets and these will be reported in due course.

- Funding of £5,000 was identified from the 2012/13 budget to carry out bespoke work in relation to e-tendering and e-quotes. This work has now been completed and a request is made to transfer this amount from earmarked reserves.
- A cash limit increase of £32,500 is requested from money set aside in earmarked reserves in respect of risk management training and to support the Business Continuity Plan.
- A cash limit reduction of £100,000 is requested in respect of council tax benefit clawed back relating to prior year adjustments.

### **Schools & Education**

The portfolio is currently predicting to spend below its cash limit

Based on monitoring to the end of August it is forecast that the portfolio is likely to spend in the region of £150,000 below its approved cash limit. This is mainly due to savings in transport budgets and a number of posts that have been vacant since April 2013.

Further detailed analysis of planned expenditure is currently being undertaken to provide an updated forecast. This will take into account the impact of service reviews that are ongoing at the moment and an assessment of actual savings that have been delivered towards the transformation programme.

### **Dedicated Schools Grant / Schools Block**

Services in Schools & Education (DSG) are currently predicted to spend the funding available in 2013/14 through the Dedicated Schools Grant and Pupil Premium.

There are no plans to utilise the DSG reserve of £1.791 million this year. In light of future changes to Education Funding, Schools Forum will be reviewing how best to utilise this fund.

#### 6.2.3 Collection fund

### **Council Tax**

Income projections for council tax in 2013/14 continue to be above the original estimate, although the collection rate is slightly less than for the same period last year. Monitoring processes are currently being developed to track the various elements making up the net income figure, including the impact of the local Council Tax Support scheme and the removal of discounts for long term empty properties.

### **Business Rates**

Current income projections for business rates in 2013/14 are £1 million above the original estimate, although this estimate does not allow for any refunds following successful appeals against rating valuations. The collection rate is broadly in line with the same period last year.

Approval is requested to write off arrears totalling £236,770.68 in respect of business rates for 1 Arkwright Court, Darwen for the period 15 October 2010 to 7 July 2013. The debt arose following a court case which determined that the company was not entitled to mandatory rate relief. As a result the relief was cancelled and bills issued for the new liability. However, the company went into liquidation on 8 July 2013, a week after the court case concluded and the Council is now unable to recover the debt. This has a nil effect on the 2013/14 Collection Fund as the increased liability is offset by the write off.

### 6.3 **RESERVES**

#### 6.3.1 General fund unallocated reserves

*Note: In this paragraph predicted underspendings lead to an increase in reserves and are shown as a plus (+) and overspendings are shown as a minus (-).*

	<u>£000</u>	<u>£000</u>
Predicted last time (Executive Board 8 August 2013)		9,421
<u>Variations now requested</u>		
Savings transferred from contingency	+ 555	
Earmarked reserve for project management (see 6.3.2 below)	- 300	
Council Tax Benefit clawback adjustment	+ 100	
Retrospective adjustment for 2012/13 Regenerate Pennine Lancashire budget	+ 50	
Reduced grant allocation for Extended Rights to Free Travel	- 40	
Savings in relation to interest and debt repayments (see 6.2.1)	+ 36	+ 401
Predicted unallocated general fund reserves at 31 March 2014		9,822

#### 6.3.2 Project Management

Temporary project management posts have been created in order to manage the Cathedral Quarter and Blackburn Leisure Centre capital schemes. Not all these costs can be treated as capital and so it is proposed they be funded from revenue. An earmarked reserve of £300,000 will be set up to provide resources for the whole of the project period.

#### 6.3.3 Small Business Rate Relief

The Government has indicated that the Council will receive a grant towards the cost of small business rate relief (SBRR) in 2013/14. The exact calculations and accounting requirements have not yet been made clear, but

the indications are that the Council's entitlement may be significant, which would further increase unallocated reserves.

#### 6.3.4 Earmarked reserves

Earmarked reserves held for discretionary use by the Council are currently expected to reduce to £18.970 million compared with £21.455 million at 31 March 2013. Other earmarked reserves, largely in respect of schools, are currently £14.239 million. Details of all earmarked reserves are shown in Appendix 4.

### 6.4 **BALANCE SHEET POSITION**

#### 6.4.1 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. The usable reserves position is set out in section 6.2.

#### 6.4.2 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 section 6.1.

#### 6.4.3 Borrowing and investments

Long term borrowing requirements flow from the capital programme. Regular meetings take place between the Director of Finance, her staff and the Council's independent treasury consultants, Sterling Consultancy Services, and options for optimising borrowing requirements are actively reviewed.

Short term borrowing and investments are used only to help with cash flow management, whereby the Council's surplus cash balances are managed on a day to day basis in line with the Treasury Management Strategy approved by Finance Council. The Council spreads its investment risk over a number of institutions, and has limits on how much can be invested in any one institution and for how long.

The list of approved institutions undergoes regular review by the Treasury Management Group in conjunction with information from the Council's treasury consultants.

Investment criteria have been temporarily modified to reduce the length of time deposits are made with particular institutions. In addition, the Council has continued to defer taking out new borrowing, partly financing the capital programme from internal deposits, in order to reduce the amount of externally invested sums. Both these changes may affect the Council's opportunities for obtaining the maximum benefit from interest rate changes but this increased risk has been balanced against the reduction in exposure to potential investment risks.

	Amounts at 31/08/13 £ 000's
Long term borrowing	139,889
Transferred debt re Local Government Re-organisation	18,640
Investments made by the Council	42,000

#### 6.4.4 Debtors

The Council has a corporate debt policy and more specific policies for 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.

	Arrears at 30/08/13 £'000	Arrears at 31/03/13 £'000	Collection Rates
<b>Council tax arrears</b>			
Current year balances *	26,936		
Previous year balances	5,104	5,726	
Current collection rate Aug 2013			45.11%
Equivalent collection Aug 2012			46.25%
<b>Business rates arrears</b>			
Current year balances *	24,202		
Previous year balances	2,189	2,113	
Current collection rate Aug 2013			50.50%
Equivalent collection Aug 2012			50.30%
<b>Housing benefit overpayments</b>			
Current balances Aug 2013	1,905	1,795	
Equivalent balances Aug 2012	1,723		
Current collection rate Aug 2013			25.36%
Equivalent collection Aug 2012			29.28%
<b>Sundry debt arrears</b>			
Current balances	2,523	4,155	
Equivalent balances Aug 2012	2,540		
Current collection rate Aug 2013			92.01%
Equivalent collection Aug 2012			92.33%
<b>Adult social care arrears</b>			
Current balances	489	501	
Equivalent balances Aug 2012	405		
Current collection rate Aug 2013			80.92%
Equivalent collection Aug 2012			74.15%

\* Current year arrears balances for council tax and business rates are the total amounts due for the year, but not yet paid. Comparative figures for the same period in 2012/13 are £24.548 million and £24.081 million respectively.

Collection rates for the Adult Social Care arrears have increased to 81% from 74% last year resulting from positive action taken to reduce the number of arrears outstanding.

#### 6.4.5 Creditors

The Council's general policy is to ensure 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	2,080	70.13%	70.13%	73.27%
May	42	77.99%	74.09%	77.14%
June	213	74.35%	74.17%	78.17%
July	1,416	67.29%	72.32%	79.07%
August	145	80.02%	73.80%	79.55%

## 7. LEGAL IMPLICATIONS

7.1 None

## 8. RESOURCE IMPLICATIONS

8.1 None

## 9. EQUALITY IMPLICATIONS

9.1 The decisions to be taken do not change policy and do not require any further consideration in respect of equality issues.

## 10. CONSULTATIONS

10.1 Regular and frequent consultation with service departments is an essential feature of the budget monitoring process.

<p><b>Signed:</b> </p> <p><b>Director of Human Resources and Legal Services</b></p> <p><b>Date:</b> 2/10/13.</p>	<p><b>Signed:</b> </p> <p><b>Director of Finance</b></p> <p><b>Date:</b> 2/10/13.</p>
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**Contact Officer:** Jeanette Moister – Finance Manager (Ext 5702)  
**Date Prepared:** 2 October 2013  
**Background Papers:** Capital Programme 2013-16  
Revenue Budget 2013/14