

EXECUTIVE BOARD DECISION FORM

DECISION TAKEN BY: EXECUTIVE BOARD

KEY DECISION: YES NO

PORTFOLIO AREA: All

PORTFOLIO/S AFFECTED: All
WARD/S AFFECTED: All

SUBJECT: CORPORATE BUDGET MONITORING REPORT 2014/15 – AUGUST 2014

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 7 giving rise to a predicted figure of £7.536 million unallocated General Fund revenue reserves at 31 March 2015.
- c) Approve the cash limit adjustments outlined in Appendix 3.

2. REASONS FOR THE DECISION

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



Any options considered are outlined in the attached Executive Member Briefing Paper.

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 if appropriate. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

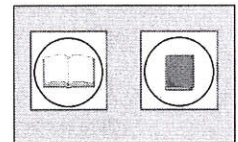
4. DECLARATION OF INTEREST

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.

<p>In making this decision I confirm that I have considered and understood the Equalities Impact Assessment (EIA) associated with this item. (if applicable)</p> <p>SIGNED: </p> <p>EXECUTIVE MEMBER</p> <p>DATE: 29th September 2014.</p>	<p>SIGNED: </p> <p>CHIEF OFFICER</p> <p>DATE: 29/9/14.</p>
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VERSION: 3.0

CONTACT OFFICER:	Jeanette Moister – Finance Manager (ext 5478)
DATE:	26 September 2014
BACKGROUND PAPER:	Capital Programme 2014-17 Revenue Budget 2014/15



TO BE COMPLETED BY DEMOCRATIC SERVICES	
Date of Publication:	10 th October 2014
Date of Expiry of Call-In Period:	16 th October 2014



EXECUTIVE MEMBER BRIEFING PAPER

TO: Executive Member for Resources

FROM: Executive Director, Resources & Transformation

DATE: 9 October 2014

PORTFOLIO AFFECTED: All

WARD/S AFFECTED: All

KEY DECISION: YES NO

CORPORATE BUDGET MONITORING REPORT 2014/15 – AUGUST 2014

1. PURPOSE

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

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 7 giving rise to a predicted figure of £7.536 million unallocated General Fund revenue reserves at 31 March 2015.
- c) Approve 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. RATIONALE

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

5. KEY ISSUES

- a) The projected aggregate cost of the Council's capital investment for 2014/15 has now

increased from £89.7 million to £90 million.

- b) As at 31 August 2014, current year capital expenditure across all portfolios was £10.2 million (11% of the current projected spend).
- c) The estimate of capital receipts expected in 2014/15 is £1.67 million. Actual capital receipts received to date are £438,000.
- d) Actual revenue expenditure at 31 August 2014 in relation to cash limited budgets across all portfolios was £56 million, which is 45% of the current budget. Details of the predicted year end position in respect of each portfolio are outlined in section 7. Current estimates of net revenue expenditure for the portfolios in 2014/15 are within 1% of the latest approved cash limit.
- e) General Fund unallocated reserves are predicted to be £7.536 million at 31 March 2015 if all budgetary pressures are contained within the financial year.
- f) Earmarked reserves available to the Council are predicted to be £22.615 million at 31 March 2015 compared with £22.097 million at 31 March 2014 with a further £19.317 million of other reserves, largely in relation to schools.

6. POLICY IMPLICATIONS

Accords with the capital strategy and the three year budget forecast within the Medium Term Financial Strategy 2014/2017, as approved at Finance Council on 3 March 2014.

7. FINANCIAL IMPLICATIONS

- **Capital programme and capital financing**

Capital Programme

The variations in projected spend and resource availability for 2014/15 are summarised, by portfolio, in Appendix 1. Details of variations in spending of over £50,000 are set out in Appendix 2.

Capital variations

The major capital variations to note are as follows:

Environment

- Additional grant funding of £283,000 has been received from the Department for Transport which will be used to fund repairs to potholes. It is anticipated that the grant will be spent in full in 2014/15.

Capital receipts

The estimate of capital receipts anticipated in 2014/15 is £1.67 million. Actual capital receipts received to date are £438,000. A reduction in receipts would require a corresponding increase in borrowing with consequential revenue costs.

- **Cash limits and revenue expenditure**

Revenue budget overview

The Council has been able to delay incurring borrowing in respect of financing capital expenditure. In addition to the savings on the interest cost of borrowing previously reported, further savings of £420,000 have now also been identified in relation to MRP costs, again related to lower than anticipated outturn capital spend in 2013/14.

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

Within the Independent Sector Commissioning area there are demand led pressures relating to adult care and support services. In particular the following services are expected to show a pressure at year end; extra care, supported living service, home care and direct payments and personalisation.

It is considered that this pressure which is in the region of £1.5 million is due to an increase in demand, especially for meeting complex needs which started in the last quarter of 2013/14 and has continued. The unfolding position is being closely monitored.

The portfolio is also unlikely to achieve its 2014/15 savings target of £3,942,000 in full until 2015/16 due to the part year effect of some efficiency reviews and the lead in time for renegotiation of block contracts with providers. Progress at the end of August shows that efficiency savings of £1,037,000 have been made. The estimate for total efficiencies to be delivered by the end of the year is £2,792,000 leaving a projected shortfall of £1,150,000.

As previously reported the portfolio is facing significant non-recurring costs related to the closure of the Council's residential homes for older people, though the full year savings will exceed the original target when fully in effect from 2015/16. The portfolio is requesting a cash limit increase from the part year effect reserve to offset the pressures arising from delays in the closure programme due to a lack of bed availability in the sector into which current residents could move and ongoing security and holding costs on the properties which have been closed.

The department is making plans to mitigate the overspend position. These plans include changes to current operating processes; increasing reviews of packages; freezing all recruitment other than statutory posts; maximising income potential from external funding sources and accelerating work with an external efficiency partner. The portfolio is, therefore, currently predicting to overspend by £690,000 against the approved cash limit.

Public Health monitoring has identified savings against activity led budgets and slippage on parts of the programme yet to be commissioned, which may lead to an underspend at year end. The programme is being reviewed to evaluate where investments are behind target in order to ensure delivery to programme before March 2015.

- A cash limit increase of £350,000 is requested from earmarked reserves to offset the pressures arising from delays in the residential homes closure programme.

Children's Services

Current monitoring information indicates that the portfolio will be on target to spend in line with the anticipated cash limit. It is difficult, at this stage of the year to accurately predict the final outturn given the uncertainty and volatility of the demand led core statutory service pressures governing this portfolio, however, it is anticipated that the portfolio will manage its ongoing pressures against areas of underspend to spend in line with the overall cash limited budget.

A detailed review is underway to firm up latest projections on commissioned placement budgets, adoption fees, special guardianship orders and leaving care, which are likely to be the central focus to the overall financial outcome for this portfolio. These and other areas of the budget are continuing to be closely monitored and more refined information will be reported over the coming months.

- A cash limit increase of £50,000 is requested from money set aside in earmarked reserves for the Local Safeguarding Children Board.

Environment

The portfolio is currently forecasting to spend within the cash limit, however, there are a number of volatile, high value budgets that require close monitoring throughout the year.

Green waste tonnages are significantly higher than the same period in previous years which is commensurate with the mild weather.

The LED retrofit project is behind schedule due to procurement delays. The impact on the savings target will be monitored closely.

Leisure, Culture & Young People

The portfolio is currently predicting to spend in line with the approved cash limit.

- A cash limit increase is requested of £54,300 in respect of the revenue contribution to Witton Athletics Outdoor Track reported in August which will now be funded from the Leisure Strategy contingent scheme.
- A transfer of £30,000 from earmarked reserves is requested to fund essential external building work at Bangor Street Community Centre.
- A cash limit increase of £27,300 is requested to cover costs incurred in respect of town centre events staged throughout the summer e.g. FNL, BEAT and First Thursday.

Neighbourhoods, Housing & Customer Services

The portfolio is currently predicting to spend in line with the approved cash limit.

Regeneration

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

- A transfer of £60,000 is requested from money set aside in earmarked reserves for settlement of property search claims.
- A cash limit increase of £43,000 is requested from earmarked reserves to fund costs incurred for Blackburn Beat.

Resources

The portfolio is currently predicting to breakeven against the approved cash limit.

ITM&G department has continued to invest in additional resources and devices for the migration to Windows 7. This additional cost in the current year of around £400,000 will be partially funded from money set aside in earmarked reserves and from savings which have been identified across the portfolio, mainly resulting from holding posts vacant in anticipation of savings targets for 2015/16.

Schools & Education

The Portfolio is currently predicting to spend below its cash limit. Following a detailed review of all budget headings the portfolio is anticipating estimated savings of approximately £401,900. These savings have arisen due to a number of posts that are currently vacant within the portfolio and savings that have been identified in advance of their planned delivery in 2015/16.

Dedicated Schools Grant / Schools Block

Services in Schools & Education (DSG) are currently predicted to spend the funding available in 2014/15 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.

Collection fund

Council tax income projections continue to be favourable, with targets likely to be exceeded by year end. The impact of the local Council Tax Support scheme continues to be less than the original estimate, and is being closely monitored.

Projections for business rates have dropped since the last corporate monitoring report and income is slightly below target at the end of August. This is largely due to the outcome of successful appeals against rating valuations and work is ongoing to monitor the impact of both backdated refunds and the ongoing effect on the gross debit. The effect of the new "Autumn Statement" reliefs is now showing in system reports and is included in the monitoring position.

Collection rates are in line with the same period last year for council tax, and slightly lower than the same period last year for business rates.

- **Reserves**

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
Predicted last time (Executive Board 14 August 2014)		12,786
<i>Variations now requested:</i>		
Reduction in Education Support Grant	- 123	
Transfer to Redundancy Reserve	- 1,500	
Transfer to Part Year Effect Reserve	- 4,000	
Environmental liabilities insurance for LSVT	- 47	
Savings in relation to interest and MRP costs	+ 420	- 5,250
Predicted unallocated general fund reserves at 31 March 2015		7,536

Earmarked reserves

Earmarked reserves held for discretionary use by the Council are currently expected to increase to £22.615 million compared with £22.097 million at 31 March 2014. Other earmarked reserves, largely in respect of schools, are currently £19.317 million. Details of all earmarked reserves are shown in Appendix 4.

- **Balance sheet position**

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.

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.

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, Arlingclose, 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 30/08/14 £000
Long term borrowing	143,327
Transferred debt re Local Government Re-organisation	18,075
Recognition of Debt re PFI arrangements	73,031
Investments made by the Council	38,200

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, financed through PFI arrangements. These adjustments were 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).

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 31/08/14 £000	Arrears at 31/03/14 £000	Collection Rates
Council tax arrears			
Current year balances *	27,282		
Previous year balances	6,057	6,809	
Current collection rate August 2014			45.18%
Equivalent collection August 2013			45.11%
Business rates arrears			
Current year balances *	25,103		
Previous year balances	3,413	2,909	

Current collection rate August 2014			49.40%
Equivalent collection August 2013			50.50%
Housing benefit overpayments			
Current balances	2,779	1,539	
Equivalent balances August 2013	2,633		
Current collection rate August 2014			23.75%
Equivalent collection August 2013			25.36%
Sundry debt arrears			
Current balances	2,892	3,574	
Equivalent balances August 2013	2,524		
Current collection rate August 2014			87.09%
Equivalent collection August 2013			92.01%
Adult social care arrears			
Current balances	404	491	
Equivalent balances August 2013	489		
Current collection rate August 2014			91.00%
Equivalent collection August 2013			80.92%

* 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 2013/14 are £35.467 million and £36.534 million respectively.

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	306	82.12%	82.12%	70.13%
May	389	87.78%	84.97%	74.09%
June	933	85.97%	85.30%	74.17%
July	1,677	81.48%	84.33%	72.32%
August	102	86.14%	84.68%	73.80%

8. LEGAL IMPLICATIONS

None

9. RESOURCE IMPLICATIONS

None

10. EQUALITY AND HEALTH IMPLICATIONS

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

Option 1 EIA not required – this has been discussed with Corporate Equality.

Option 2 In determining this matter the Executive Board members need to consider the Equality Impact Assessment (EIA) associated with this item in advance of making the decision. *(insert EIA link here)*

Option 3 Attached is a copy of the EIA which Executive Board members need to consider in advance of making the decision.

11. CONSULTATIONS

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

SIGNED: 
DIRECTOR OF HR & LEGAL SERVICES

DATE: 29/9/14.

SIGNED: 
DIRECTOR OF FINANCE

DATE: 29/9/14

VERSION: 3.0

CONTACT OFFICER: Jeanette Moister – Finance Manager (Ext 5478)

DATE: 26 September 2014

BACKGROUND PAPERS: Capital Programme 2014-17
Revenue Budget 2014/15

