

NOTICE OF KEY DECISION



Agenda Item	
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MEETING: CABINET
OVERVIEW & SCRUTINY COMMITTEE

DATE: 3 SEPTEMBER 2014
7 OCTOBER 2014

SUBJECT: CORPORATE FINANCIAL MONITORING REPORT –
APRIL 2014 TO JUNE 2014

REPORT FROM: LEADER OF THE COUNCIL AND CABINET MEMBER
FOR FINANCE

CONTACT OFFICER: STEVE KENYON, ASSISTANT DIRECTOR OF
RESOURCES & REGULATION (FINANCE &
EFFICIENCY)

TYPE OF DECISION: CABINET (KEY DECISION)

FREEDOM OF INFORMATION/STATUS: This paper is within the public domain

SUMMARY: The report informs Members of the Council's financial position for the period April 2014 to June 2014 and projects the estimated outturn at the end of 2014/15.

The report also includes Prudential Indicators in accordance with CIPFA's Prudential Code.

OPTIONS & RECOMMENDED OPTION Members are asked to note the financial position of the Council as at 30 June 2014, and to approve the s151 officer's assessment of the minimum level of balances.

IMPLICATIONS:

Corporate Aims/Policy Framework:

Do the proposals accord with Policy Framework? Yes.

Statement by the s151 Officer:

The report has been prepared in accordance with all relevant Codes of Practice. There may be risks arising from remedial action taken to address the budget position;

these will be identified by Directors at the quarterly Star Chamber meetings.

Statement by Executive Director of Resources & Regulation:

Successful budget monitoring provides early warning of potential major overspends or underspends against budgets which Members need to be aware of.

This report draws attention to the fact that, based on the most prudent of forecasts, several budget hotspots exist which will need remedial action.

Members and officers will be examining these areas in more detail at the Star Chambers.

This report is particularly significant as it informs Members of the baseline financial position from which the Council sets its 2015/16 budget.

Equality/Diversity implications:

No

Considered by Monitoring Officer:

Budget monitoring falls within the appropriate statutory duties and powers and is a requirement of the Council's Financial Regulations to which Financial Regulation B: Financial Planning 4.3. (Budget Monitoring and Control) relates. The report has been prepared in accordance with all relevant Codes of Practice.

Are there any legal implications?

Yes

Wards Affected:

All

Scrutiny Interest:

Overview & Scrutiny Committee

TRACKING/PROCESS

ASSISTANT DIRECTOR: Steve Kenyon

Chief Executive/ Strategic Leadership Team	Cabinet	Overview & Scrutiny Committee	Council	Ward Members	Partners
18/08/14	03/09/14	07/10/14			

1.0 INTRODUCTION

- 1.1 This report informs Members of the forecast outturn for 2014/15, based upon current spend for the period 1 April 2014 to 30 June 2014, in respect of the revenue budget, capital budget and the Housing Revenue Account.
- 1.2 Projections are based on current trends, information, and professional judgement from service managers and finance staff.
- 1.3 The revenue budget projections highlight the fact that budget pressures do still exist in some key areas and it will be necessary to continue to examine options for improving the situation further.

2.0 BUDGET MONITORING PROCESSES

- 2.1 Reports will be presented quarterly to facilitate close monitoring of spend and implementation of action plans during the year.
- 2.2 Reports are also presented to the Strategic Leadership Team on a monthly basis and detailed monitoring information will also be discussed at Star Chamber meetings during the year.
- 2.3 It is intended that improvements will continue to be made to the budget monitoring process, building on the significant developments implemented over the past few years.

3.0 SUMMARY OF REVENUE BUDGET POSITION

REVENUE OUTTURN 2013/14

- 3.1 The table below shows, there was a total underspend against the Revised Estimate of £0.406 million in 2013/14.

	£000's
2013/2014 Revised Estimate	148,640
2013/2014 Outturn	148,234
Underspend	(406)

- 3.2 Details of the major variations against budget are shown at Appendix A of the Revenue Outturn Report (pages 12 to 22): <http://councildecisions.bury.gov.uk/documents/s4034/Revenue%20Outturn%20Report%20201314.pdf>, and summarised below:

Department	Budget £000s	Outturn £000s	Variance £000s
Communities & Neighbourhood Services	39,541	39,410	(131)
Children's Services	47,444	47,841	+397
Adult Care Services	56,236	56,376	+140
Chief Executive's	4,926	5,286	+360
Non Service Specific	493	(679)	(1,172)
TOTAL	148,640	148,234	(406)

QUARTER 1 FORECAST 2014/15

3.3 The table below outlines the annual budget and forecast outturn based upon known factors and the professional views of service managers as at month 3:

Department	Budget £000	Forecast £000	Variance £000
Communities & Wellbeing	69,018	69,580	+562
Resources & Regulation	4,554	5,898	+1,344
Children, Young People & Culture	33,992	34,533	+541
DCN Residual	215	(170)	(385)
Non Service Specific	35,875	35,523	(352)
TOTAL	143,654	145,364	+1,710

3.4 The projected overspend of **£1.710m** represents approximately **1.19%** of the total net budget of £143.654m.

3.5 Members need to be aware that financial reporting involves an element of judgement, and this particularly applies to the treatment of budget pressures. Often an area of overspending identified at this point in the year will resolve itself before the end of the year following appropriate remedial action.

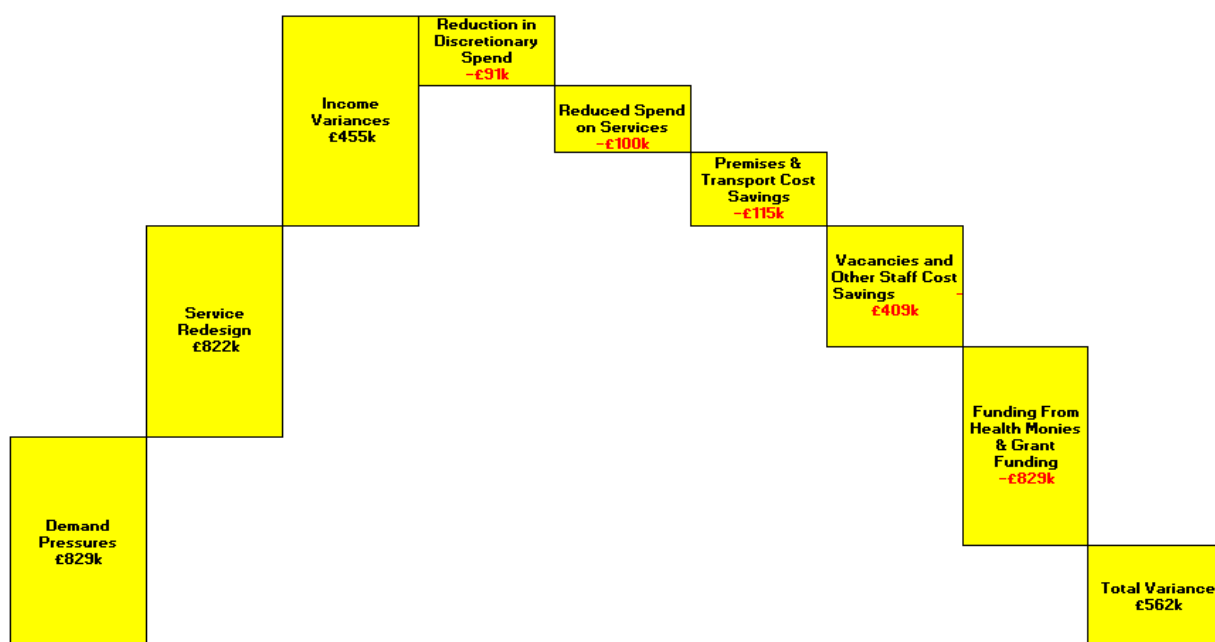
3.6 However it is felt appropriate to alert Members to potential problems at this stage so that they can monitor the situation and take ownership of the necessary remedial action and this is the basis on which the report is written.

4.0 SERVICE SPECIFIC FINANCIAL MONITORING

4.1 COMMUNITIES AND WELLBEING

4.1.1 The current projected overspend for Communities and Wellbeing is **£0.562m**, which is 0.8% of the Department's net budget of £69.018m

4.1.2 Reasons for major variations are illustrated in the chart overleaf;



4.1.3 Further details by service area are outlined below, along with remedial action being taken.

Adult Care/ Communities & N'hoods	Cost Bridge Activity	Variance £'000	Reason	Action Being Taken
Demand Pressures	Adult Care	+829	Demand pressures in Care in the Community budgets particularly around Domiciliary Care, Residential Care and Self Directed Support Budgets - (+£829k)	A range of preventative strategies continue to be introduced to manage this demand, such as reablement, triage, improved screening, 'signposting', and crisis response as well as a programme of training for front line staff around efficient support package planning. In addition, all existing high & medium cost care packages are kept under regular review.
	Communities & N'hoods	0		
	Sub Total	+829		
Service Redesign	Adult Care	+553	A number of service areas have yet to achieve 2014/15 savings target against specific schemes: Business and Development - £198k Commissioning Procurement & Finance - £135k Workforce -£20k Operations - £200k	An Action plan is being developed by senior management for each of the service areas, ensuring the savings target are achieved during 2014/15 at least on a temporary basis in the first instance, with longer term plans to achieve full year effect from 2015/16 onwards.
	Communities & N'hoods	+269	Current projections indicated that Civic Halls savings from self management and extra income target not likely to be achieved in full during 2014/15, although this will be monitored closely during 2014/15. (+£39k). Delay in new Leisure Centres project (+£100k) Leisure Trust (+£70k) Sports Development (+£60k)	Continue to market & promote service and assess income & profitability of activities/events. Saving expected in future years if project proceeds. Offset by underspend on DCN contingency budget for 2014/15. Offset by underspends if possible and/or use other savings transferred to reserves to offset cost pressure in short term.

	Sub Total	+822		
Income Variances	Adult Care	+8	Adult learning grant reduction (+£30k). Internal Recruitment agency additional income expectation (-£22k).	Planned reduction in spending levels in line with the grant receivable. This is a good news story for CWB and the hope is that further income can be generated from increased activity of the internal recruitment agency.
	Communities & N'hoods	+447	Difficulty in meeting beverage service/café income target due to reduced footfall (+£40k). Civic Halls surplus below target (+£92k). Shortfall on pest control income (+£25k). Leisure income not meeting targets, including income lost during closure of Radcliffe Pool for repairs (+£274k). Transport Services income forecast to exceed budget (-£142k). Shortfalls on bulky waste income (+£47k) and trade waste income (+£100k). Other variances (+£11k).	Offset as much as possible by reducing spend. Continue to market & promote service and assess income & profitability of activities/events. Service will be reviewed to see if deficit can be eradicated. Offset as much as possible by reducing spend. Savings to date are shown below. Use to offset other overspends. Offset by underspends elsewhere in the service.
	Sub Total	+455		
Reduced Discretionary Spend	Adult Care	-21	The main Adult Care training budget is not expected to fully spend during 2014/15 (-£21k).	Forecast underspend may be used to offset pressure within other areas of adult care service budgets.

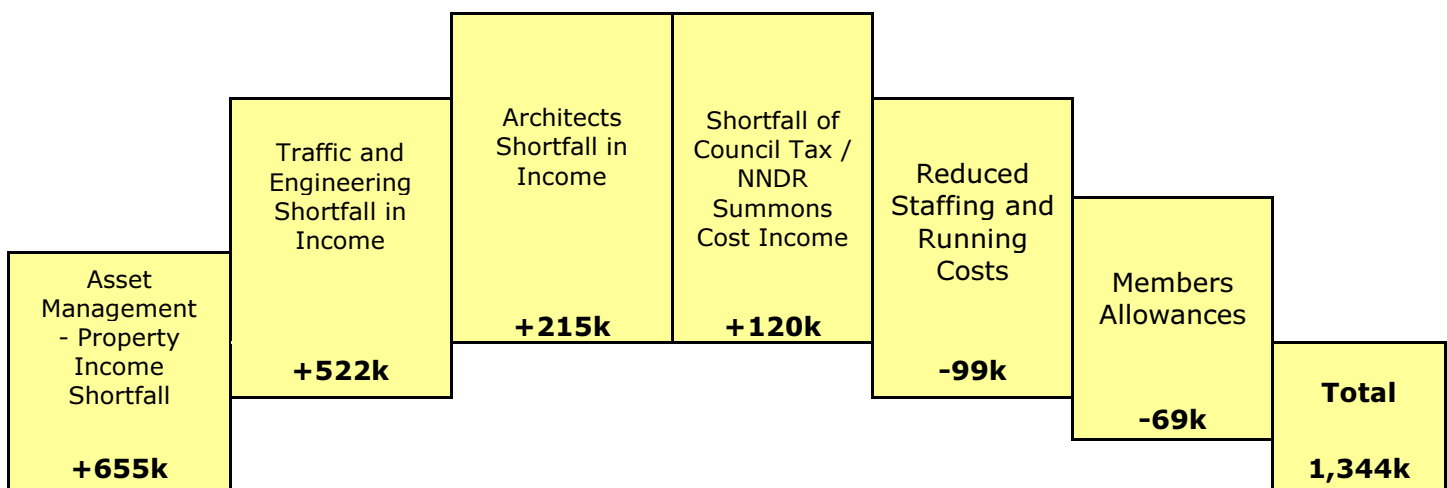
	Communities & N'hoods	-70	<p>Reduced spend at Leisure Centres (-£72k).</p> <p>Forecast underspend on caddy liners, after budget saving target taken into account (-£114k).</p> <p>Forecast overspend on budget for bulking up waste at Fernhill and costs of disposing of leaf clearance waste (+£80k).</p> <p>Forecast overspend on supplies & materials in waste management/ street cleaning (+£37k).</p> <p>Other variances (-£2k).</p>	<p>Use net savings to offset overspends.</p> <p>Monitor service and review arrangements as required.</p> <p>Overspends are offset by forecast savings on staff costs.</p>
	Sub Total	-91		
Reduced Spend on Services	Adult Care	-100	Reduce spend activity on Carers services budget (-£100k).	Forecast underspend may be used to offset pressure within other areas of adult care service budgets.
	Communities & N'hoods	0		
	Sub Total	-100		
Premises & transport cost savings	Adult Care	0		
	Communities & N'hoods	-115	<p>Underspends on transport repairs, hire & leasing costs (-£115k) plus other minor variances.</p> <p>The figure assumes that repair costs at Radcliffe pool to be met from reserves/capital.</p>	Use savings to offset overspends.
	Sub Total	-115		
Vacancies and Other Staff Cost Savings	Adult Care	-138	<p>The following budgets are reporting underspends largely as a result of staffing vacancies:</p> <p>Strategic Commissioning (-£65k) Reablement (£-4k) Assessment and Care Mgt (-£10k) Older Peoples Day Care (-£59k)</p>	Forecast underspend will be used to offset pressure within other areas of adult care service budgets.
	Communities & N'hoods	-271	<p>Reduced spend on Leisure Centre staff during closures (-£95k).</p> <p>Transport salary savings from reduced overtime/standby, vacancies & flexible retirements (-£19k).</p>	Use savings to offset overspends.

			Underspendings on waste management employee costs (-£157k).	
	Sub Total	-409		
Funding from Health Monies & Grant Funding	Adult Care	-829	Funding to support the demand pressures of the Care in the Community budgets (-£829k).	Utilisation of historic underspends from Adult Care Specific Grants and a contribution of the Health monies towards the demand pressures within Community Care are ensuring that the net expenditure is balanced in year.
	Communities & N'hoods	0		
	Sub Total	-829		
	Grand Total	+562		

4.2 RESOURCES AND REGULATION

4.2.1 The Resources & Regulation Department is forecasting an overall overspend of **£1.344m**, or 29.5% of a net budget of £4.554m.

4.2.2 Reasons for major variations are illustrated in the chart below;



4.2.3 Reasons for major variations are illustrated in the table below;

Activity	Variance £'000	Reason	Action Being Taken
Property Services	+655	<p>Shortfall in income due to reduced occupancy levels.</p> <p>Should all of the properties within the non-operational property portfolio be let, the level of current market rents is such that the income budgets would still not be achieved.</p>	<p>Although most of the units at Bradley Fold that were vacated in 2011/12 have now been re-let, rents are significantly lower than what were achieved before the economic downturn. A number of units which were previously let have now been demolished owing to their poor condition. and business cases are being looked at for redevelopment viability.</p> <p>The accounts for the Mill Gate Centre have been scrutinised in detail to ensure that all monies properly due to the Council are being paid and this will be an ongoing process.</p> <p>A report is due to be considered by Cabinet on 3rd September which proposes the acquisition of secure property investments and the disposal of poorly performing assets. This would increase revenue income to the Council and achieve greater returns than monies currently held in other investments.</p>
Traffic & Engineering	+522	<p>Estimated shortfalls in income relating to on and off-street parking and parking fines (+£294k), Greater Manchester Road Activities Permit Scheme (GMRAPS) (+£124), bus lane enforcement (+£31k), traffic management severance pay (+£17k) and delayed savings from Engineering Consultancy management restructure (+£56k).</p>	<p>Monitor income levels, adjust expenditure and targets where possible and review staff resources allocated to GMRAPS.</p> <p>Severance pay and management restructure delayed savings are one-offs to achieve planned savings longer term.</p>

Architects	+215	Estimated shortfall in income target due to the reduction in tender levels that reflect the economic climate, this reduces the overall fees chargeable for the same amount of input. There has been a reduction in large projects and increases in time charge activity limits the potential for surplus income. The projection is in line with outturn for the past few years.	Reduce spend and fee levels where possible.
Summons Costs	+120	Summons costs income for council tax and business rates are forecast to under-recover against historically over-inflated income budget targets.	Internal measures being taken to improve the income recovery rate.
Reduced Staffing and Running Costs	-99	Vacant posts not filled and tightening of controllable expenditure across the department.	To be used to assist in reducing the estimated overspend within the department.
Members Allowances	-69	Reductions in the level of Special Responsibility Allowances paid to Members continue to result in this forecasted underspend.	To be used to assist in reducing the estimated overspend within the department.

4.3 CHILDREN'S, YOUNG PEOPLE AND CULTURE

4.3.1 The overall Children's, Young People & Culture budget is currently projecting an overspend of **£0.541m**, or 1.59% based on net budget of £33.992m.

4.3.2 Reasons for major variations are illustrated in the chart below;

Children's Social Care Demand Pressures	Children's Agency	Plan for Change Savings	Use of one-off funding	Reduced Spending on Services	Other Variations	Total
	+597k					
+1,119k						+541k

4.3.3 Further details of the major variations are provided in the table below:

Activity	Variance £'000	Reason	Action Being Taken
Social Care Demand Pressures	+1,119		
	Made up of:		
Leaving Care	+420	Spending on housing and further education of 19+ students who have now left our care.	The overspend remains at similar levels to the previous year due to housing costs. Additional costs are expected for the void costs for properties earmarked for the HEN Project.
Advice & Assessment	+545		Overspend due to agency social workers currently forecast for the full year, 2 agency Social workers are covering sickness/maternity, 13 are above establishment and have been brought in to bring caseload numbers into line with Ofsted recommended quotas.
Safeguarding	+92		The overspend is predicted due to agency social workers covering vacancies, this could reduce if they are successful in recruiting.
Children & Young people in Care	+62		Forecast overspending of £62,000 due to an establishment shortfall, honorarium and Agency staff to cover sickness.

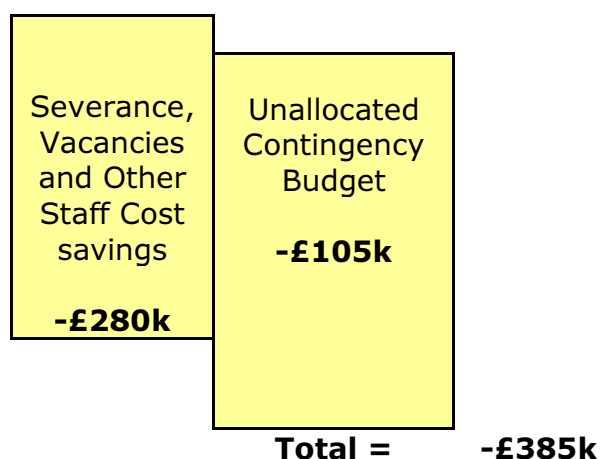
Demand pressures - Children's Agency Placements	+597	Continuing increased Demand	<p>The continuing overspend has decreased from the projected £1½+ million overspending during the corresponding period in 2013/14.</p> <p>A range of preventative strategies have been /are being introduced to try to minimise future spending, with all high and medium cost care packages being rigorously reviewed. It is estimated that during the forthcoming months this overspend will continue to reduce the cost burden on this highly volatile budget.</p> <p>It is anticipated that these strategies will result in a balanced budget in 2015/16.</p> <p>However, there is no guarantee that the total expenditure will be reduced as unknown future demand pressures could have a significant impact on the budget.</p> <p>Children, Young People & Culture constantly strive to minimise the costs of each placement, which are amongst the lowest in the north-west, but it is extremely difficult to contain a budget that is subject to such significant and variable demand pressures.</p>
Plan for Change Savings	+72		
Libraries	+22		School library services have ceased however there are still associated service costs.
School Crossing Patrol	+50		Plan for Change savings 2013/14 not implemented.

Use of previous year's monies	-717	Previous years' underspending of external grant monies brought forward	During 2012/13 Children's Services took action to reduce spending in particular areas, including many supported by external grants as well as utilising underspendings on some externally funded schemes that now no longer exist. These unspent monies were brought forward into 2014/15 and are being used to offset some of the demand pressures affecting the department.
Reduced Spending on Services	-479		
	Made up of:		
School Attendance	-65		Higher than anticipated buy-back income and penalty notice income.
Youth Service	-68		Savings identified on youth projects used to offset the shortfall on salaries.
Management & Administration	-346		Continued use of external funding.
Other	-51		Grant from Museum Development Fund has now ceased, alternative funding is being sourced but unsecured at this stage (+£55k); General efficiencies and budget management savings (-£106k).

4.4 COMMUNITIES AND NEIGHBOURHOODS - RESIDUAL

4.4.1 There is a projected underspend of £0.385m on former DCN costs against a budget of £215,000.

4.4.2 The main reasons are shown in the chart below:



4.4.3 Further details are provided in the table below;

Activity	Variance £'000	Reason	Action Being Taken
Severance vacancies and other staff cost variances.	-280	Salary savings of £80,000 in 2014/15 from approved VER/VES applications. Provision in budget for severance costs (-£200k) currently uncommitted.	Full year impact of savings from approved VERS will be used in 2015/16 to reduce the need to make alternative cuts in services. Budget may be required later in the year if further VER/VES applications are received and approved.
Uncommitted contingency budget	-105	Budget set aside to meet unforeseen costs. No commitments identified.	Transfer budget to other departments to offset budget pressures from delays in achieving savings.

4.5 NON-SERVICE SPECIFIC

4.5.1 There is a forecast net underspend of **£0.352m**, or 0.98% based on net budget of £35.875m. This relates primarily to the Council's Treasury Management activity (see Section 8.0, page 19 for further details), increased annual subscription costs and contributions (+£130k) and a slightly higher than expected airport dividend (+£84k).

5.0 CAPITAL BUDGET

5.1 CAPITAL PROGRAMME

5.1.1 The revised estimated budget for the Capital Programme 2014/15 at the end of June is shown in the table below:

2014/15	£m
Original Capital Programme	24.284
Approved Slippage from 2013/14	16.126
In year adjustments and contributions	(0.408)
Estimated re-profiled projects into 2015/16	(9.368)
Revised Budget for Year at Quarter 1	30.634

5.1.2 The expenditure and funding profile for the Capital Programme together with a detailed breakdown of the Original Approved Programme, the Revised Estimate, Forecast Outturn, Actual Spend to end of Month 3, and the estimated under/over-spend of the capital programme for 2014/15 is shown in Appendix A.

5.1.3 Members should note that given the complexity and size of some of the larger schemes currently in the Council's Capital Programme the information received from budget holders can vary significantly from one quarterly report to the next and should be read in this context.

5.1.4 At the end of Quarter 1, a total of **£9.368m** of the 2014/15 budget has been identified for re-profiling to 2015/16. Most of this amount is attributed to Children's, Young People & Culture Services Projects where the schemes are funded mainly by grants from Department of Education to a total of £8.570m. The remainder is attributable to Highways Traffic Calming schemes with a total of £0.219m and a further £0.475m on the A56 Prestwich Village Corridor Improvements.

5.2 Expenditure

5.2.1 The Forecast Outturn as at Month 3 is **£28.915m** and Budget Managers have reported that they expect to spend up to this amount by 31 March 2015.

5.2.2 The actual expenditure incurred by the end of Month 3 totals **£1.968m**.

5.2.3 The main areas of expenditure in the first quarter are:

- Property Redevelopment Schemes £0.335m
- Children's, Young People and Culture £0.605m
- Older People schemes £0.134m
- Housing Public Sector £0.193m

5.3. Variances

5.3.1 Appendix A provides details of variances for each scheme based on latest available information received from budget managers and at Month 3 it shows a projected underspend for the Programme of £1.721m. This amount is the balance of several

larger schemes in the programme that are in the process to finalise details and not material in relation to the size of the programme and the schemes that are forecasted to overspend are monitored and analysed by budget managers. Remedial action if required will be taken as soon as the schemes' details for expenditure and funding availability are finalised.

5.3.2 Brief reasons for all variances are provided in Appendix A attached with the report.

5.4 Funding

5.4.1 The funding profile included in Appendix A shows the resources available to cover the capital programme during 2014/15.

5.4.2 The principal source of funding for Capital schemes approved for the 2014/15 programme consists of external resources together with resources unspent and carried forward from previous years. The Council and Cabinet have also approved a second phase of Invest to Save schemes supported by the Council's own resources of **£0.886m** for the year.

5.4.3 The position of the capital receipts and borrowing as at the end of Month 3 is reported below. The figures in the table show the total funding requirement for the revised estimated capital programme and the expected resources to be supported by the Council as at the end of Quarter 1 of the year.

2014/15 Use of Council Resources for Capital Investment	£m
Revised Capital Programme for the year	40.002
Use of external funding and contributions	34.969
Balance of programme relying on Council resources	5.033
Use of Capital receipts and earmarked reserves	0.905
Use of Prudential Borrowing (2014/15 approved Invest to Save schemes)	0.886
Use of Prudential Borrowing (2013/14 schemes brought forward)	3.242
Total Council Resources used to support the Capital Budget for Year	5.033

5.5 Capital Programme Monitoring

5.5.1 The programme will be monitored closely during the year by the Capital Programme Monitoring Group (CPMG) and Management Accountancy with an aim to deliver schemes on cost and on time with minimum potential slippage into 2015/16. Departmental representatives will examine and confirm any action necessary to ensure that schemes are completed within approved time and cost parameters with slippage into the following years shown at its minimum.

6.0 HOUSING REVENUE ACCOUNT

- 6.1 The Housing Revenue Account (HRA) relates to the operation of the Council's housing stock and can be viewed as a landlord account. It is required by statute to be accounted for separately within the General Fund and is therefore effectively ring-fenced.
- 6.2 The latest estimates show a projected surplus (working balance carried forward) of £1.000m at the end of 2014/15. The projected outturn shows a working balance carried forward of £0.811m. See Appendix B.
- 6.3 There are a number of variations that contribute to the projected outturn position however the only area where the variance exceeds 10% and £50k is Interest receivable – on balances. The projected reduction in income of £0.073m reflects the lower rate of interest achieved in the last financial year.
- 6.4 The two main impacts on the HRA year-end balance are normally **void levels** and the **level of rent arrears**, but levels of **Right to Buy sales** can also be a major influence on the resources available.

Voids:

The rent loss due to voids for April to June was on average 2.26% compared to a void target level set in the original budget of 1.8%. If this level continues for the rest of the year there would be a reduction in rental income of around £0.136m; the projection of rental income in Appendix B has been calculated on this basis.

Six Town Housing have started a review looking at the voids processes and the various factors affecting demand.

Arrears:

The rent arrears at the end of June totalled £0.882m, an increase of 3.7% since the end of March. Of this total £0.372m relates to former tenants and £0.510m relates to current tenants.

The Council is required to make a provision for potential bad debts. The contribution for the year is calculated with reference to the type of arrear, the amount outstanding on each individual case and the balance remaining in the provision following write off of debts.

Based on the performance to the end of June, projected for the full year, this provision would require an additional contribution of £0.200m to be made.

The 2014/15 HRA estimates allow for additional contributions to the provision totalling £0.614m, £0.184m for uncollectable debts and £0.430m to reflect the potential impact that welfare benefit changes could have on the level of rent arrears. Therefore there is a potential underspend of £0.414m. The projected outturn has not been amended to reflect this as the impact of further benefit changes needs to be assessed and the level of rent arrears is volatile.

Right to Buy Sales:

From April 2012 the maximum Right to Buy discount increased from £26,000 to £75,000.

This has resulted in an increase in the number of applications and ultimately sales. There were 13 sales in 2012/13 and this increased to 40 sales last year.

The forecast for 2014/15 was set at 42, this being the level of sales assumed for Bury in the Government's self-financing valuation.

From July 2014 the maximum Right to Buy discount will increase from £75,000 to £77,000 and the maximum percentage discount on houses will increase from 60% to 70% (in line with the discounts allowed on flats). These changes may increase the number of applications and sales.

The number of sales has a direct effect on the resources available to the HRA – the average full year rent loss for each dwelling sold is around £3,800.

- 6.5 There have been 7 sales in the period April to June. The level of applications and sales is being monitored and the rental income projections will be revised at the end of the second quarter if sales are expected to exceed forecast.

7.0 PRUDENTIAL INDICATOR MONITORING

- 7.1 It is a statutory duty for the Council to determine and keep under review the "Affordable Borrowing Limits". The authority's approved Prudential Indicators (affordability limits) for 2014/15 is outlined in the approved Treasury Management Strategy Statement.

- 7.2 The authority continues to monitor the Prudential Indicators on a quarterly basis and Appendix C shows the original estimates for 2014/15 (approved by Council on 19 February 2014) with the revised projections as at 30 June 2014. The variances can be seen in the Appendix together with explanatory notes. The Prudential Indicators were not breached during the first three months of 2014/15.

8.0 TREASURY MANAGEMENT

8.1 Investments:

- 8.1.1 At the 30 June 2014 the Council's investments totalled £66.5 million and comprised:-

Type of Investment	£ Million
Call Investments (Cash equivalents)	35.7
Fixed Investments (Short term investments)	30.8
Total	66.5

- 8.1.2 All investments were made in line with Sector's suggested credit worthiness matrices and the approved limits within the Annual Investment Strategy were not breached during the first quarter of 2014/15.

- 8.1.3 The Council has earned the following return on investments:
Quarter 1 0.67%

- 8.1.4 This figure is higher than Sector's suggested budgeted investment earnings rate for returns on investments, placed for periods up to three months in 2014/15, of 0.50%

8.2 Borrowing:

8.2.1 No external borrowing was undertaken in the quarter to 30th June 2014.

At 30 June 2014 the Council's debts totalled £217.914 million and comprised:-

	30th June 2014		
	Principal		Avg. Rate
	£000	£000	
Fixed rate funding			
PWLB Bury	153,862		
PWLB Airport	4,549		
Market Bury	57,500	215,911	
Variable rate funding			
PWLB Bury	0		
Market Bury	0	0	
Temporary Loans / Bonds	2,003	2,003	
Total Debt		217,914	3.96%

8.2.2 The overall strategy for 2014/15 is to finance capital expenditure by running down cash/investment balances and taking shorter term borrowing rather than more expensive longer term loans. With the reduction of cash balances the level of short term investments will fall. Given that investment returns are likely to remain low for the financial year 2014/15, then savings will be made by running down investments and taking shorter term loans rather than more expensive long term borrowing.

8.2.3 It is anticipated that further borrowing will be undertaken during this financial year.

9.0 MINIMUM LEVEL OF BALANCES

9.1 The actual position on the General Fund balance is shown in the following table:

	£m
General Fund Balance 31 March 2014 per Accounts	11.580
Less : Minimum balances to be retained in 2014/15	-4.500
Less : Contribution towards cost of Equal Pay	-1.500
Less : Forecast overspend	-1.710
Available balances at 1 April 2014	3.870

9.2 Based on the information contained in this report, on the risk assessments that have been made at both corporate and strategic level, on the outturn position for 2014/15 and using information currently to hand on the likely achievement of savings options, it is clear that there is no reason to take the minimum level of balances above the existing level of £4.500m.

9.3 In light of the above assessment it is recommended that the minimum level of balances be retained at **£4.500m**.

9.4 Members are advised that using available balances to fund ongoing expenditure would be a breach of the Council's Golden Rules. Likewise, Members are advised that the Authority faces significant funding reductions in the future, and balances are likely to be required to fund one-off costs of service transformation.

10.0 EQUALITY AND DIVERSITY

10.1 There are no specific equality and diversity implications.

11.0 FUTURE ACTIONS

11.1 Budget monitoring reports will continue to be presented to the Strategic Leadership Team on a monthly basis and on a quarterly basis to the Cabinet; Overview & Scrutiny Committee; and Audit Committee.

11.2 Star Chambers have been diarised for Quarters 1, 2 & 3 with Q1 meetings scheduled to take place in August 2014.

Councillor Mike Connolly, Leader of the Council and Cabinet Member for Finance

List of Background Papers:-

Finance Working Papers, 2014/15 held by the Assistant Director of Resources & Regulation (Finance & Efficiency).

Contact Details:-

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