

NOTICE OF KEY DECISION



MEETING: CABINET
OVERVIEW & SCRUTINY COMMITTEE

DATE: 26 NOVEMBER 2014
9 DECEMBER 2014

SUBJECT: CORPORATE FINANCIAL MONITORING REPORT –
APRIL 2014 TO SEPTEMBER 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 September 2014 and projects the estimated outturn at the end of 2014/15.

It sets out a proposed series of measures to curb spend in 2014/15 and proposes that this continues into 2015/16, as detailed in paragraph 3.7 on page 4.

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 September 2014, and to approve the s151 officer's assessment of the minimum level of balances.

Members are also asked to approve the series of measures to curb spend in 2014/15 and 2015/16, to be implemented with effect from 1 December 2014.

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 and the proposed series of measures 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

Chief Executive/ Strategic Leadership Team	Cabinet	Overview & Scrutiny Committee	Council	Ward Members	Partners
10/11/14	26/11/14	03/12/14			

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 September 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. A series of measures has been proposed to curb spend in 2014/15 and these are detailed in paragraph 3.7 on page 4.

2.0 BUDGET MONITORING PROCESSES

- 2.1 Reports are 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 is also 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

- 3.1 The table below outlines the annual budget and forecast outturn based upon known factors and the professional views of service managers as at month 6:

Department	Budget £000	Forecast £000	Variance £000
Communities & Wellbeing	69,157	69,777	+620
Resources & Regulation	4,156	5,021	+865
Children, Young People & Culture	33,985	35,430	+1,445
DCN Residual	145	(172)	(317)
Non Service Specific	36,326	35,172	(1,154)
TOTAL	143,769	145,228	+1,459

- 3.4 The projected overspend of **£1.459m** represents approximately **1.01%** of the total net budget of £143.769m.

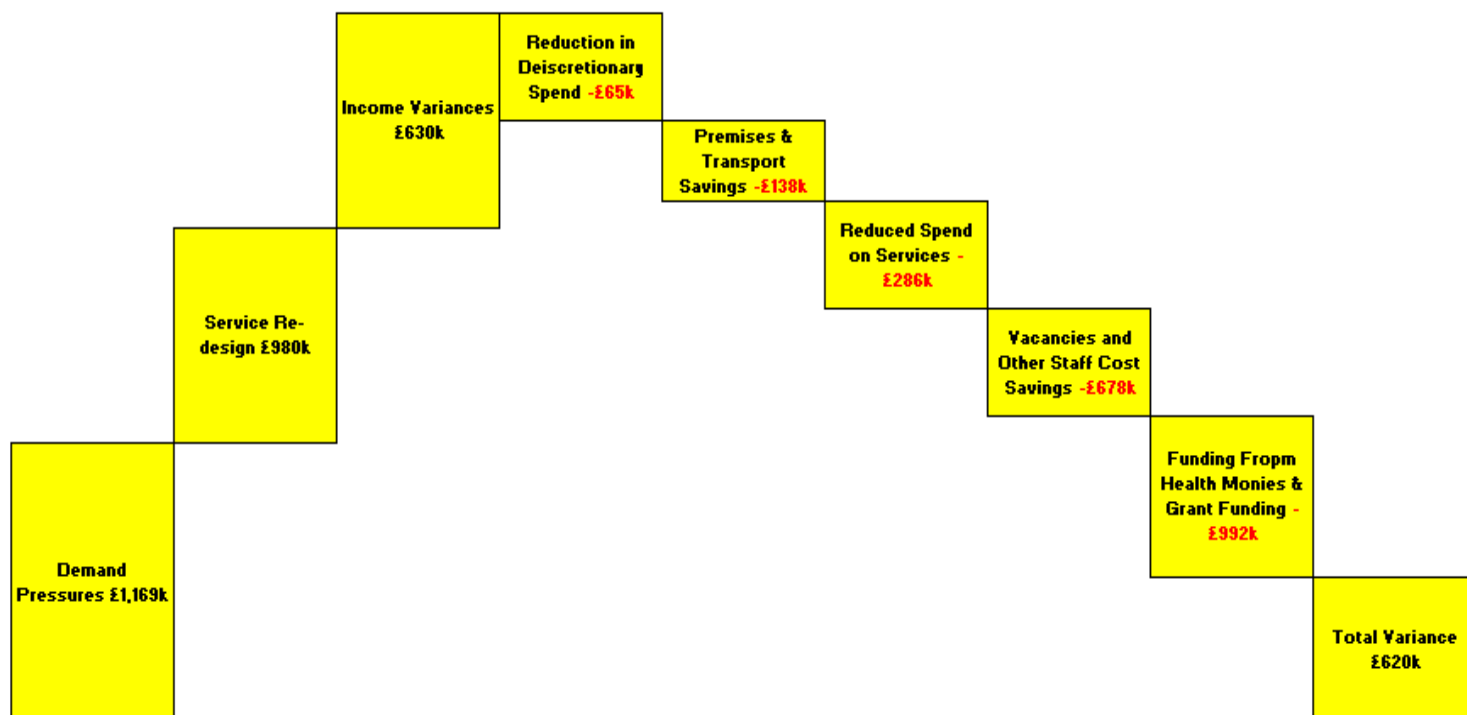
- 3.5 Members need to be aware that financial reporting involves an element of judgement, and this particularly applies to the treatment of budget pressures. Often an area of overspending identified at this point in the year will resolve itself before the end of the year following appropriate remedial 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.
- 3.7 In the light of the severity of the financial position a number of management actions are proposed to be implemented from 1 December, 2014. These include:
- Freeze on external recruitment (exceptions to be signed off by Head of Human Resources & Organisational Development); internal recruitment will continue to support the redeployment process.
 - Relaunch Work Life Balance options around reduced hours / purchase of leave;
 - Cease all but essential spend on stationery, office equipment etc.;
 - Any spend >£500 to be signed off by Executive Director.
- 3.8 In addition, Executive Directors have also been asked to;
- Review the use of all casual / agency staff / consultants
 - Review arrangements for overtime / additional hours
 - Review training commitments
 - Review spend on IT / Communications
- 3.9 It is anticipated that implementation of these measures will restrict spend in the final third of the financial year and ease the pressure on the 2014/15 budget.
- 3.10 It is also proposed that these measures continue into 2015/16 and are reviewed upon examination of the Q1 position.

4.0 SERVICE SPECIFIC FINANCIAL MONITORING

4.1 COMMUNITIES AND WELLBEING

- 4.1.1 The current projected overspend for Communities and Wellbeing is **£0.620m**, which is 0.89% of the Department's net budget of £69.157m
- 4.1.2 Reasons for major variations are illustrated in the chart overleaf;

Month 6 Cost Bridge



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

Theme	ACS/C&N	Variance £'000	Reason	Action Being Taken
Demand Pressures	Adult Care	+1,169	<p>Demand pressures:</p> <p>Care in the Community budgets particularly around Domiciliary Care, Residential Care and Self Directed Support Budgets (+£992k).</p> <p>Deprivation of Liberty Safeguards (+£120k).</p> <p>Reablement Service (+£45k).</p> <p>Other small demand pressures on individual budgets (+£12k).</p>	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	+1,169		

Service redesign	Adult Care	+781	<p>A number of service areas have yet to achieve 14/15 savings target against specific schemes:</p> <p>Business and Development (+£489k). Finance (+£89k). Workforce (+£22k). Operations (+£181k).</p>	<p>An Action plan is being developed by senior management for each of the service areas, ensuring the savings targets 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.</p>
	Communities & N'hoods	+199	<p>Civic Halls savings from self management and extra income target not likely to be achieved based on current projections (+£39k).</p> <p>Delay in new Leisure Centres project (+£91k).</p> <p>Savings target on communities not yet identified (+£9k).</p> <p>Sports Development savings not identified (+£60k).</p>	<p>Continue to market & promote service and assess income & profitability of activities/events.</p> <p>Saving expected in future years if project proceeds.</p> <p>Review levels of spend.</p> <p>Offset by underspends if possible or use other savings transferred to reserves to offset cost pressure in short term.</p>
	Sub Total	+980		
Income variances	Adult Care	+83	<p>Adult learning grant reduction (+£30k).</p> <p>Internal Recruitment agency additional income expectation (-£22k).</p> <p>Shortfall in Supporting People Income (+£75k).</p>	<p>Planned reduction in spending levels in line with the grant receivable.</p> <p>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.</p> <p>Supporting People recovery action plan is being developed by senior management team.</p>

	Communities & N'hoods	+547	<p>Adult learning grant reduction (+£30k).</p> <p>Difficulty in meeting beverage service/café income target (+£56k).</p> <p>Civic Halls surplus below target (+£92k).</p> <p>Shortfall on pest control income reduced to (+£10k).</p> <p>Leisure income not meeting targets, including income lost during closure of Radcliffe Pool for repairs (+£274k).</p> <p>Transport Services income forecast to exceed budget (-£114k).</p> <p>Shortfalls on bulky waste income (+£48k) and trade waste income (+£145k).</p> <p>Other variances (+£6k).</p>	<p>Reduce spend levels.</p> <p>Offset as much as possible by reducing spend.</p> <p>Continue to market & promote service and assess income & profitability of activities/events.</p> <p>Continue to review service to see if remaining deficit can be eradicated.</p> <p>Offset as much as possible by reducing spend. Savings to date are shown below.</p> <p>Use to offset other overspends.</p> <p>Offset by underspends elsewhere in the service.</p>
	Sub Total	+630		
Reduced Discretionary Spend	Adult Care	0		
	Communities & N'hoods	-65	<p>Shortfall of income on Exam fees in adult learning (+£22k).</p> <p>Reduced spend at Leisure Centres (-£72k).</p> <p>Forecast underspend on caddy liners, after budget saving target taken into account (-£112k).</p> <p>Forecast overspend on budget for bulking up waste at Fernhill and costs of disposing of leaf clearance waste (+£78k).</p> <p>Other variances, including forecast extra waste collection costs (+£19k).</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	-65		

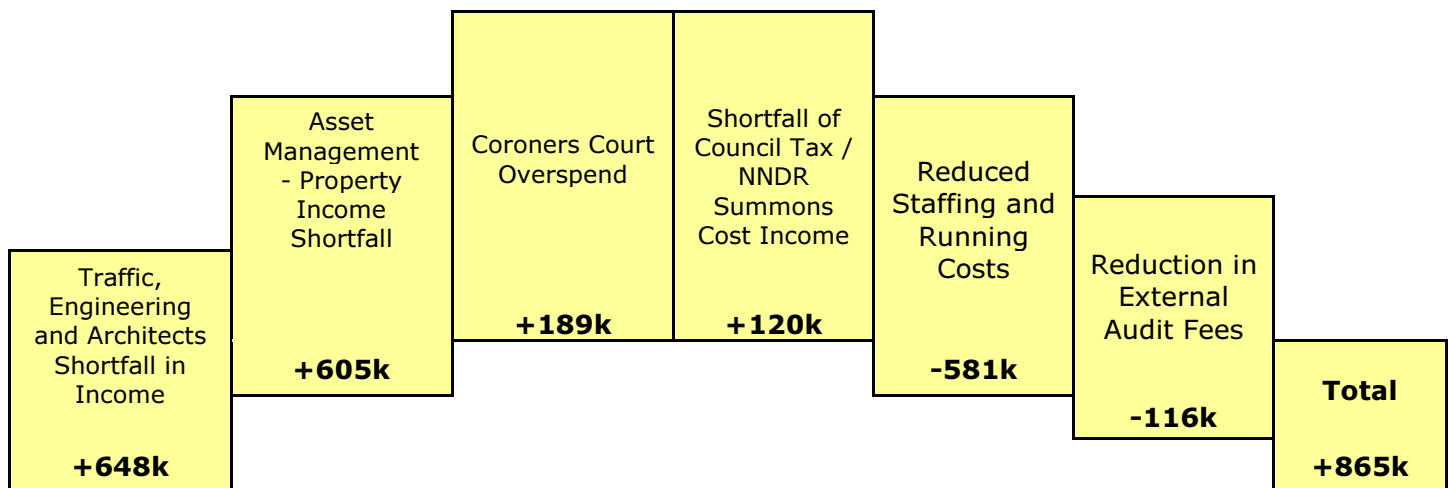
Reduced Spend on Services	Adult Care	-286	<p>Reduce spend activity on Carers services budget (-£175k).</p> <p>The non start of 2 schemes within preventing homelessness budgets (-£20k).</p> <p>Underspend on Utilities (-£27k).</p> <p>Commissioning Contracts (-£26k).</p> <p>Mental Health Home treatment service (-£38k).</p>	Forecast underspends may be used to offset pressure within other areas of adult care service budgets.
	Communities & N'hoods	0		
	Sub Total	-286		
Premises & transport cost savings	Adult Care	0		
	Communities & N'hoods	-138	Underspends on transport repairs, hire & leasing costs (-£126k) plus (-£12k) other minor variances.	Use savings to offset overspends.
	Sub Total	-138		
Vacancies and Other Staff Cost Savings	Adult Care	-388	<p>The following service areas are reporting underspends largely as a result of staffing vacancies:</p> <p>Business and Development (-£236k).</p> <p>Commissioning (-£89k).</p> <p>Workforce (-£18k).</p> <p>Operations (-£45k).</p>	Forecast underspend will be used to offset pressure within other areas of adult care service budgets.
	Communities & N'hoods	-290	<p>Savings on adult learning staffing, to offset lower income levels (-£22k).</p> <p>Reduced spend on Leisure Centre staff during closures (-£100k).</p> <p>Extra costs of grounds seasonal staff kept on as grass cutting extended due to warm weather conditions (+£25k).</p> <p>Savings from secondments in park ranger service and pest control (-£17k).</p> <p>Transport salary savings - reduced overtime/standby, vacancies & flexible</p>	Use savings to offset overspends.

			retirements (-£16k). Underspendings on waste management employees (-£141k). Savings from industrial action across all services (-£19k).	
	Sub Total	-678		
Funding from Health Monies & Grant Funding	Adult Care	-992	Funding to support the demand pressures of the Care in the Community budgets (-£992k).	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	-992		

4.2 RESOURCES AND REGULATION

4.2.1 The Resources & Regulation Department is forecasting an overall overspend of **£0.865m**, or 20.8% of a net budget of £4.156m.

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
Shortfall in Income	+648		
	Made up of:		
Traffic & Engineering	+444	Estimated shortfalls in income relating to on and off-street parking and parking fines (+£218k), Greater Manchester Road Activities Permit Scheme (GMRAPS) (+£97k), coring (£30k), bus lane enforcement (+£29k), traffic management severance pay (+£15k) and delayed savings from Engineering management restructure (+£55k).	Monitor income levels, adjust expenditure and targets where possible and review staff resources allocated to GMRAPS. Severance pay and management restructure delayed savings are one-offs to achieve planned savings longer term.
Architects	+204	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; this limits the potential for surplus income. The projection is in line with outturn for the past few years.	Reduce expenditure through efficiencies and increase fee levels where possible. Proportion of budgeted surplus is not sustainable against the current expenditure level.

<p>Property Services Shortfall in Income</p>	<p>+605</p>	<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 was approved by Cabinet on 3rd September which proposed 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>
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Coroners Court Costs	+189	The projected overspend is primarily on salaries due to the need to deal with an increase in the number of inquests and the need to clear backlog.	A restructure of the service is due with a view to returning to within budget.
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	-581	Vacant posts not filled and tightening of controllable expenditure across the department. Salaries savings in Internal Audit and Accountancy (£91k), Customer Support & Collections (£147k), reduced use of locums (£85k), HR (£76k), Mayoral Costs (£14k), Planning & Development (£69k) plus savings on Members Allowances (£81k), Admin Buildings (£69k), Community Safety (£50k) and Depot /Stores (£35k). These are offset by projected overspends within Municipal Elections (£84k) and Register of Electors (£52k).	To be used to assist in reducing the estimated overspend within the department in 2014/15 and part included within the 2015/16 savings.
External Audit Fees	-116	Lower than budgeted costs received from KPMG.	To be used to assist in reducing the estimated overspend within the department in 2014/15 and to be included as part of the 2015/16 savings.

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 **£1.445m**, or 4.25% based on net budget of £33.985m.

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
+1,339k				-806k		
					+3k	
+1,455k						+1,445k

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	+1,455		
	Made up of:		
Leaving Care	+480	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	+596		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	+68		The overspend is predicted due to agency social workers covering vacancies, this could reduce if they are successful in recruiting.

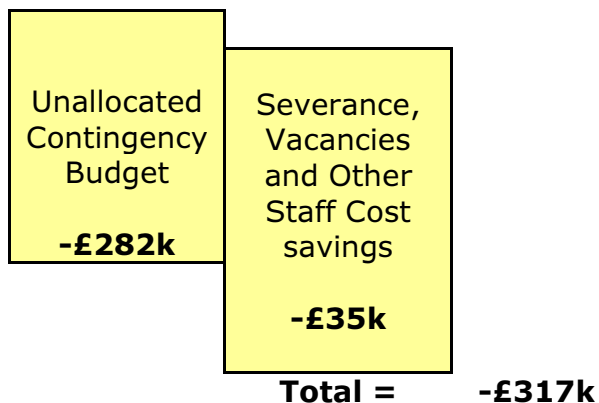
Children & Young people in Care	+62		Forecast overspending of £62,000 due to an establishment shortfall, honorarium and Agency staff to cover sickness.
Fostering & Adoption	+249		The overspend is due to the payments to carers. The number of carers has increased from 76 in 2013 to 89 in April 2014, plus there has been an increase in the number of looked after children. The overspend has reduced due to more accurate information regarding the payments to carers.
Demand pressures - Children's Agency Placements	+1,339	Continuing increased Demand	<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>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	+382		
	Made up of:		
Home to School and College pupils & students with SEN	+310	The demand for SEN Transport is similar to last year.	The transport schedules for the 2014-15 academic year have now been calculated resulting in a forecast overspend. These additional costs are partially offset by savings on bus escorts
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	-928	Previous years' underspending of external grant monies brought forward	Prior year grant balances being used to offset overspending elsewhere within the department.
Reduced Spending on Services	-806		
	Made up of:		
School Attendance	-120		Higher than anticipated buy-back income and penalty notice income.
Youth Service	-75		Savings identified on youth projects used to offset the shortfall on salaries.
Children's centres and Early Help	-117		General efficiencies and reduced spending
Management & Administration	-494		General efficiencies and reduced spending, coupled with continued innovative use of external funding Additionally savings on early retirement/pension costs and additional buy-back income on traded services.
Other	+3		Minor variances

4.4 COMMUNITIES AND NEIGHBOURHOODS - RESIDUAL

4.4.1 There is a projected underspend of £0.317m on former DCN costs against a budget of £145,000.

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.	-282	Salary savings of £80k in 2014/15 from approved VER/VES applications. Savings of £2k from industrial action. Provision in budget for severance costs (£200k) currently uncommitted.	Full year impact of savings from approved VES 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	-35	Budget set aside to meet unforeseen costs. Underspend reduced as £70,000 transferred to Communities & Wellbeing to offset savings target in Leisure Services.	Use remaining budget to offset other overspends.

4.5 NON-SERVICE SPECIFIC

4.5.1 There is a forecast net underspend of **£1.154m**, or 3.18% based on net budget of £36.326m. This relates primarily to the Council's Treasury Management activity (see Section 8.0, page 20 for further details), reduced forecast for use of provisions (£0.9m) and a slightly higher than expected airport dividend (£84k) offset by increased annual subscription costs and contributions (£130k).

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 September, Month 6, 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	0.485
Revised Capital Allocation at Quarter 2	40.895
Estimated re-profiled projects into 2015/16	(10.441)
Revised working budget for Year at Qtr 2	30.454

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 up to end of Month 6, 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 2, a total of **£10.441m** of the 2014/15 budget has been identified for re-profiling to 2015/16. Most of this amount is attributed to Children's Services Projects where the schemes are funded mainly by grants from Department of Education to a total of £7.337m.

5.1.5 The Urban Renewal scheme on the Radcliffe Empty Property Pilot is indicated to slip £0.418m into 2015/16 due to time limited grant allocation from HCA that will support the 2014/15 budget. The remainder is attributable to Highways schemes with a total of £0.833m for the Street Lighting Invest to Save scheme, £0.219m for the Traffic Calming schemes and a further £0.475m on the A56 Prestwich Village Corridor Improvements. Further details are awaited from Transport for Greater Manchester on the proposed delivery of Radcliffe Town Centre Bus Station Relocation and at Quarter 2 it is expected that £0.900m (being the Council contribution towards the overall cost) will slip into 2015/16.

5.2 Expenditure

5.2.1 The Forecast Outturn as at Month 6 is **£29.753m** 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 at the end of Month 6 totals **£7.784m**.

5.2.3 The main areas that have recorded expenditure in the second quarter are:

- Property Redevelopment Schemes £0.711m
- Children's, Young People and Culture £2.216m
- Older People schemes £0.278m
- Urban Renewal (Disabled Facilities Grants) £0.305m
- Highways Maintenance £0.727m
- Housing Public Sector £2.514m

5.3 Variances

5.3.1 Appendix A provides details of variances for each scheme based on information received from budget managers showing a projected underspend for the Programme of £0.701m at Month 6.

5.3.2 This amount is the balance of several larger schemes in the programme that are in the process of finalising details. Any schemes forecasted to overspend are monitored and analysed with remedial action taken if required as soon as the scheme's details for expenditure and funding availability are finalised.

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 is from external resources together with resources unspent and carried forward from previous years.

5.4.3 The position of the capital receipts and borrowing as at the end of Month 6 is reported below. The figures in the table show the total funding requirement for the revised estimated capital programme inclusive of potential slippage into 2015/16 and the expected resources to be supported by the Council as at the end of Quarter 2 of the year.

2014/15 Use of Council Resources for Capital Investment	£m
Revised Capital Programme allocation for the year	40.895
Use of external funding and contributions	35.549
Balance of programme relying on Council resources	5.346
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)	3.555
Total Council Resources used to support the Capital Budget for Year	5.346

5.5 Capital Programme Monitoring

5.5.1 The programme is monitored closely during the year by the Capital Programme Monitoring Group and Management Accountancy with an aim to deliver schemes on cost and time with minimum potential slippage into 2015/16.

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 £0.706m. 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 £0.079m reflects the lower rate of interest achieved in the last financial year and the projected reduction in the working balance for the current 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 September was on average 2.24% 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 £0.130m; 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 September totalled £0.980m, an increase of 15.2% since the end of March. Of this total £0.413m relates to former tenants and £0.567m 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 September, projected for the full year, this provision would require an additional contribution of £0.238m 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 £0.376m. 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 increased from £75,000 to £77,000 and the maximum percentage discount on houses increased from 60% to 70% (in line with the discounts allowed on flats). These changes may increase the number of applications and sales but it is too early after the changes to quantify this.

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 19 sales in the period April to September. Currently the number of sales is not expected to differ significantly from the forecast. The rental income projections will be revised at the end of the third quarter should the level of applications and sales suggest this is necessary.

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 September 2014. The variances can be seen in the Appendix together with explanatory notes. The Prudential Indicators were not breached during the first six months of 2014/15.

8.0 TREASURY MANAGEMENT

8.1 Investments:

- 8.1.1 At the 30th September 2014 the Council's investments totalled £59.1 million and comprised:-

Type of Investment	£ Million
Call Investments (Cash equivalents)	12.8
Fixed Investments (Short term investments)	46.3
Total	59.1

- 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%

Quarter 2 0.57%

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 Due to the overall financial position and the underlying need to borrow for capital purposes (the capital financing requirement – CFR), new temporary external borrowing of £3m was undertaken in the quarter to 30th September 2014.

Lender	Rate	Amount	Start Date	End Date
Police Authority	0.40	3m	07/07/2014	31/03/2015

8.2.2 At 30th September 2014 the Council's debts totalled £210.943 million and comprised:-

	30th Sept 2014		
	Principal		Avg. Rate
	£000	£000	
Fixed rate funding			
PWLB Bury	146,362		
PWLB Airport	4,078		
Market Bury	57,500	207,940	
Variable rate funding			
PWLB Bury	0		
Market Bury	0	0	
Temporary Loans / Bonds	3,003	3,003	
Total Debt		210,943	3.96%

8.2.3 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.

8.2.4 It is anticipated that no 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	-1.459
Available balances at 1 April 2014	4.121

- 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 Q1 Star Chamber meetings have already been held and Q2 meetings are scheduled to take place in November 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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