

NOTICE OF KEY DECISION



Agenda Item	
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MEETING: **OVERVIEW & SCRUTINY COMMITTEE
CABINET**

DATE: **12 FEBRUARY, 2014
19 FEBRUARY, 2014**

SUBJECT: **CORPORATE FINANCIAL MONITORING REPORT –
APRIL 2013 TO DECEMBER 2013**

REPORT FROM: **DEPUTY LEADER OF THE COUNCIL AND CABINET
MEMBER FOR FINANCE & CORPORATE AFFAIRS**

CONTACT OFFICER: **STEVE KENYON, ASSISTANT DIRECTOR OF
RESOURCES (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 to December 2013 and projects the likely outturn at the end of 2013/14.

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 31 December 2013, 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 are identified by Directors at the quarterly Star Chamber meetings.

Statement by Executive Director of Resources:

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 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 2014/15 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
03/02/14	12/02/14	12/02/14			

1.0 INTRODUCTION

- 1.1 This report informs Members of the forecast outturn for 2013/14, based upon current spend for the period to 31 December 2013, 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 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. 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 9:

Department	Budget £000	Forecast £000	Variance £000
Adult Care Services	53,087	53,227	+140
Chief Executives	4,502	5,079	+577
Children's Services	32,402	32,810	+408
Communities & Neighbourhoods	36,029	36,042	+13
Non-Service Specific	22,227	21,174	-1,053
TOTAL	148,247	148,332	+85

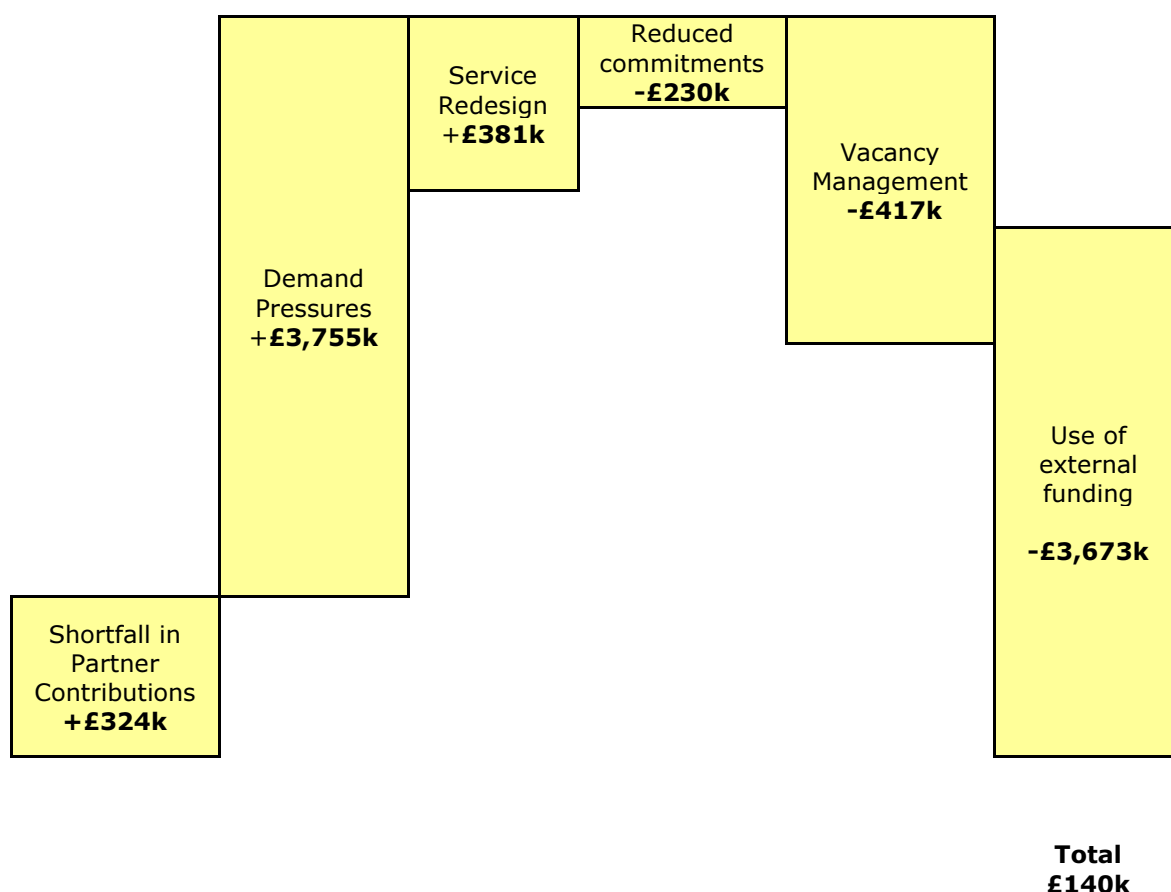
- 3.2 The projected overspend of **£0.085m** represents approximately **0.06%** of the total net budget of £148.247m.
- 3.3 Members need to be aware that financial reporting involves an element of judgement, and this particularly applies to the treatment of budget pressures. Often an area of overspending identified at an earlier point in the year will resolve itself before the end of the year following appropriate remedial action.
- 3.4 However it is felt appropriate to continue 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 ADULT CARE SERVICES

4.1.1 The current projected overspend for Adult Care Services is **£0.140 m**, which is 0.26% of the Department's net budget of £53.087m. This is a similar position reported at month 6 (£0.141m projected overspend) and slightly higher than the outturn position for 2012/13, which was a £0.104 m overspend.

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



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

Activity	Variance £'000	Reason	Action Being Taken
Shortfall in partner contributions	+324	Partner funding	A number of the services being reviewed will depend on contributions from Health and other partners to continue or increase. The rationale for this is that the outcomes from those services are significantly linked with health outcomes and therefore jointly or fully funded by Health. Negotiations are ongoing, still to be finalised.

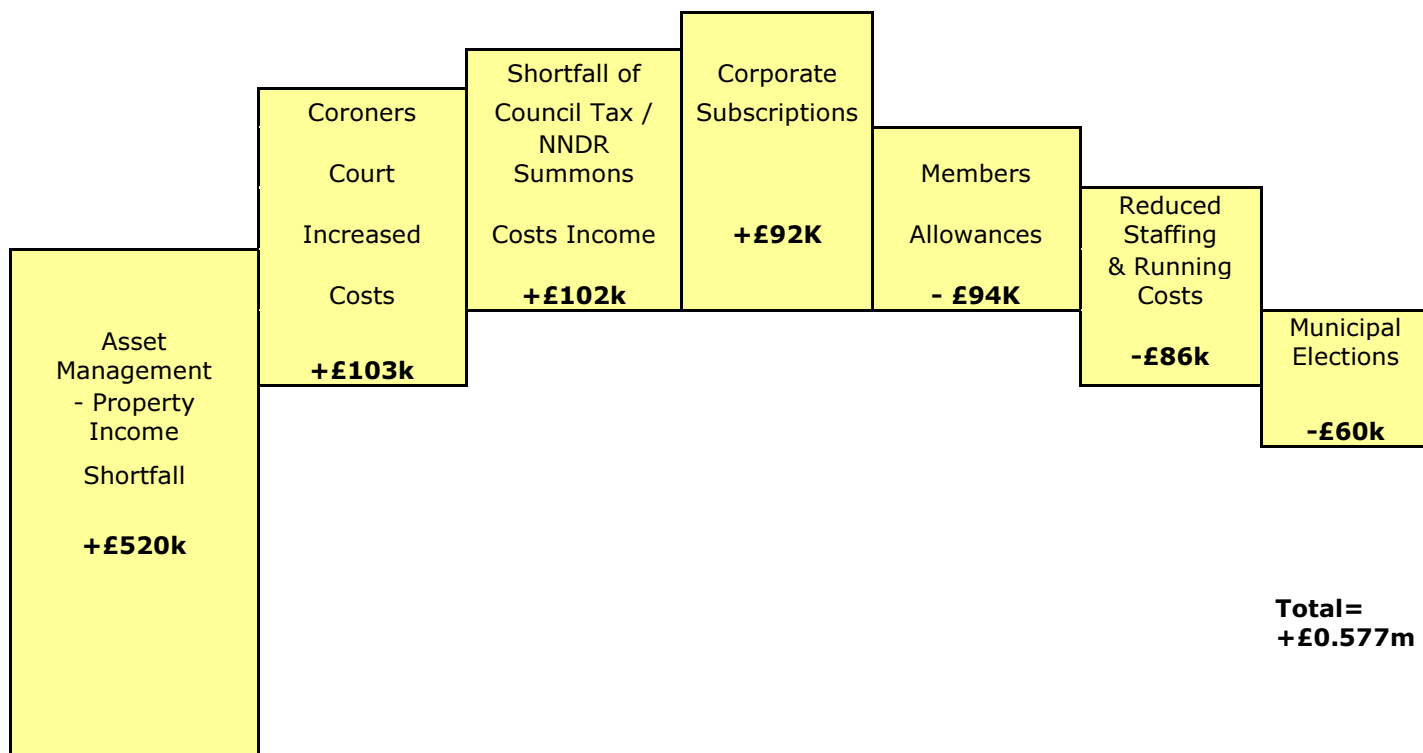
Care in the Community:	+3,755 in total, broken down as:	Demand Pressures, especially re: personal budgets/ supported living numbers (residential care numbers are reducing)	A range of preventative strategies continue to be introduced to manage this demand, such as reablement, triage, improved screening, '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. Adult Care's Procurement Team efficiencies contribute significantly to keeping spending levels down. Non-recurring health funding is being used in initiatives that should help to reduce the rate of increase of demand, which will be monitored as part of the evaluation process. However, the full benefits of these measures will not appear until future years. 2013/14 shortfall being met by offsetting savings in other service areas.
Older People	+937		
Adults with Physical Disabilities	+1,288		
Adults with Learning Disabilities	+1,196		
Adults with Mental Health needs	+344		
Adults with Substance Misuse needs	-10		
Service Redesign	+381 in total, broken down as:		
Strategic Housing Unit	+65	Historical shortfall in Partner Contribution	Options for addressing this are still under evaluation and should be implemented during 2012/13, to become effective during 2013/14.
Other	+316	Income shortfall; service redesigns not fully implemented during 2013/14	A full service review is underway for the Integrated Community Equipment Store, which will determine its future operating structure. The pressure in relation to Seedfield will remain until the full corporate review is completed. In the meantime, the overspend will be met temporarily from other areas.
Reduced commitments	-230	Reduced commitments	There are a number of areas where current projections of social care support are under budget, an example of this is the

			take up of carers personal budgets. In future this commitment will be used to offset the carers support provided from within the community care budget.
Staff Vacancies	-417	Vacancy Management	Combination of gradual recruitment into services recently subject to major restructures, and deliberate holding back in recruiting into non-front line vacancies. There is no correlation between vacancy levels in services and sickness rates.
Use of Health monies and grant funding	-3,673	Funding from health monies and grant funding	<p>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. Future actions around service redesign and invest to save initiatives will ensure that there is reduced reliance in future on grants and short term solutions to the ongoing issue of demand management.</p> <p>The Government has recognised that the reforms within the Health Service will impact significantly upon the activity of Adult Social Care, and future funding is earmarked to be transferred into Adult Social Care from 2015/16 to meet these future demands.</p>

4.2 CHIEF EXECUTIVE'S DEPARTMENT

4.2.1 The Chief Executive's Department is forecasting an overall overspend of **£0.577m**, or 12.8% of a net budget of £4.502m.

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



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

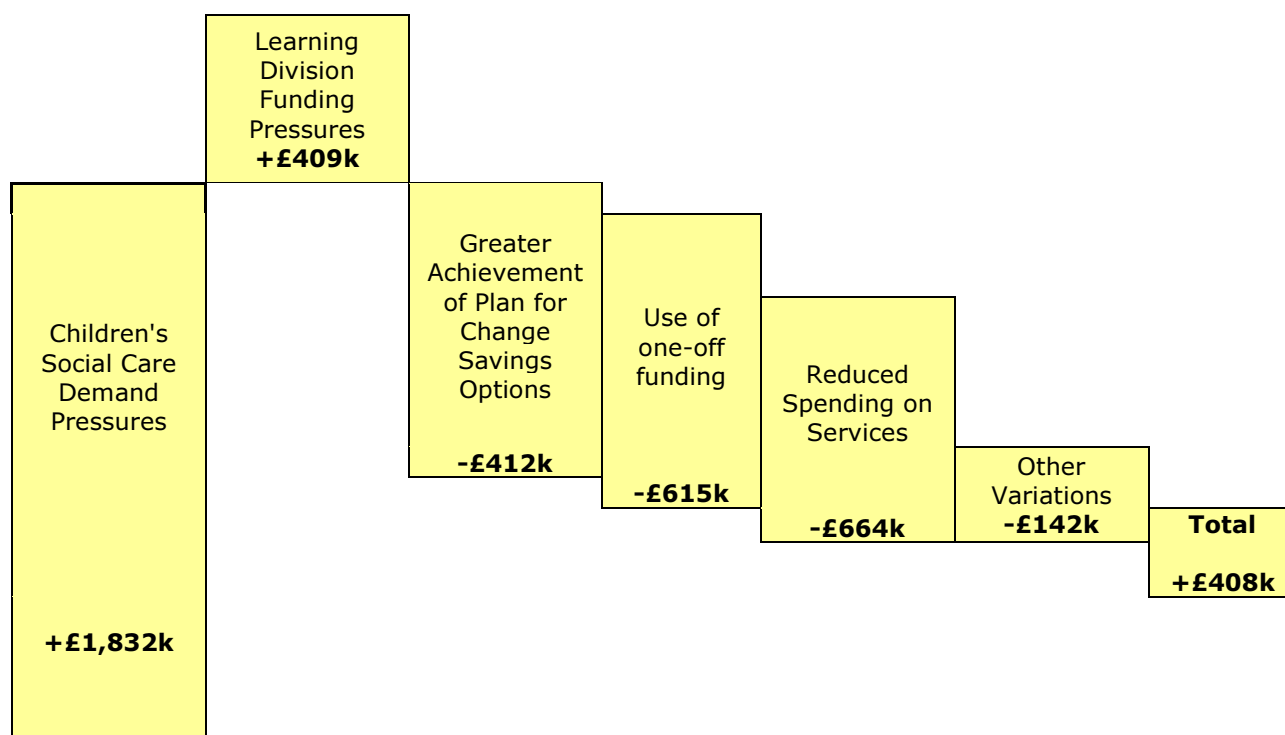
Activity	Variance £'000	Reason	Action Being Taken
Property Services	+520	Shortfall in income due to reduced occupancy levels.	<p>Although most of the units at Bradley Fold that were vacated in 2011/12 have now been re-let, rents are significantly lower than what were achieved before the economic downturn. A number of units which were previously let are in the process of being demolished owing to their poor condition.</p> <p>A business case for the construction of new accommodation is being developed.</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>

Coroners Court Costs	+103	The increase in costs has arisen due to the number of inquests and staff cover as a result of long term sickness.	A joint review is being undertaken by Bury, Oldham and Rochdale to address these pressures with a view to returning the service to within budget for 2014/15.
Summons Costs	+102	Summons costs income for council tax and business rates are forecast to under-recover against historically high income budget targets.	Internal measures being taken to improve the income recovery rate.
Corporate Subscriptions	+92	Payments to AGMA are forecast to overspend by £90,000 in 2013/14 (compared with £70,000 in 2012/13) mainly due to an increase of £20,000 in respect of the "Public Sector Reform" element of the subscription. Additionally, the SIGOMA subscription has increased by £2,000 from £1,000 in 2012/13 to £3,000 in 2013/14.	Monitoring of the value obtained to the Council from the AGMA subscription compared with the cost.
Members Allowances	-94	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.
Reduced Staffing and Running Costs	-86	Vacant posts not filled and tightening of controllable expenditure.	To be used to assist in reducing the estimated overspend within the department.
Municipal Elections	-60	No local elections in 2013, a 'fallow' year.	Currently reviewing the underspend to reduce budgets in years that we have local elections.

4.3 CHILDREN'S SERVICES

4.3.1 The Children's Services budget is currently projecting an overspend of **£0.408m**, or 1.26% based on net budget of £32.402m.

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



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	+1,832		
	Made up of:		
Leaving Care	+510	Spending on housing and further education of 19+ students who have now left our care.	Spending on housing for children with complex needs and those living in semi-independent placements continues to increase. The semi-independent placements cost between £40,000 and £50,000 each for a full year.
Advice and Assessment	+275	Increased number of cases.	Requires the continued need for the contracts of 10 agency social workers to be extended from December 2013 until the end of the financial year.

Demand pressures - Children's Agency Placements	+1,047	Continuing increased Demand	<p>The continuing overspend has decreased from the projected £2+ million overspending during the corresponding period in 2012/13.</p> <p>A range of preventative strategies have/are being introduced to try to minimise future spending, with all high and medium cost care packages being rigorously reviewed. It is estimated that this overspend will continue to reduce the cost burden on this highly volatile budget. The reduction in spend compared to previous months is due to greater certainty over the contributions to be made by Health.</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. Children's Services 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> <p>The forecast overspend has been reduced by £100,000 due to greater certainty over the contributions to be made by Health.</p>
Learning Division Funding Pressures	+409		
	Made up of:		
SEN Home to School Transport	+231	Increased demand and slow take-up of a new service	Increased numbers of pupils with more complex needs require individual bespoke transport provision.
SEN Home to College	+112	Increased demand and	Increased numbers of students are attending local colleges on a

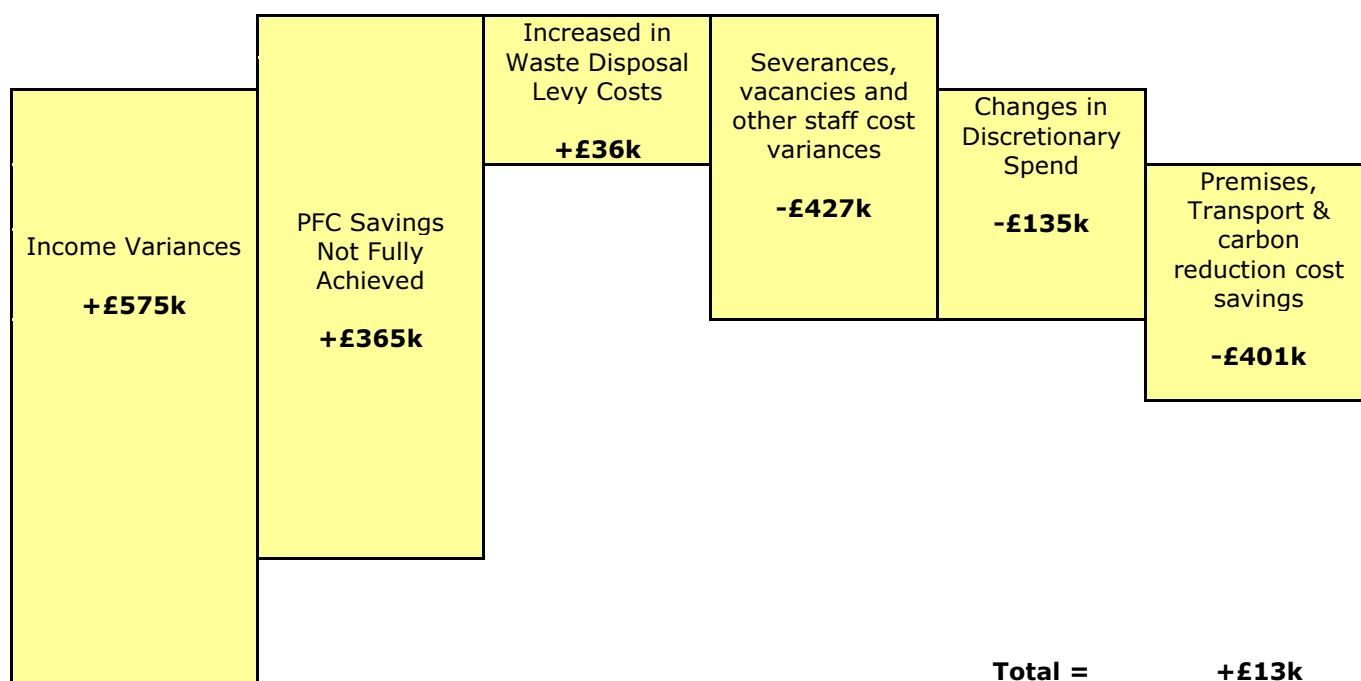
Transport		loss of external funding	daily basis, rather than attending residential provision in other areas, thereby increasing transport costs paid for by the authority. Any savings in education costs benefit the Dedicated Schools Grant.
Youth Service	+66	There is an ongoing shortfall on the salary budget, an increase in the rates bill and computer software licences.	In addition, specific external funding became unavailable in the previous financial year The 2013/14 overspending is being partially funded by savings from elsewhere within the Learning Division (see below)
Strategic Management	-412	Further maximisation of external grant funding as part of the Plan for Change arrangements	Financial arrangements have been put in place to ensure adequate funding is made available for children and young people with Special Educational Needs.
Use of Previous Year's Monies	-615	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 2013/14 and are being used to offset some of the demand pressures afflicting the department.
Reduced Spending on Services	-664 Made up of:		

Early Years including Children's Centres	-313	Non-filling of staff vacancies and reduced spending	The forecast underspend is based on 2012/13 spending levels and will require Early Years and associated children's centres to maintain this level of spending.
School Attendance	-100	Increased income and staff changes	Projecting an underspending in penalty notice income, additional buy-back income and delays in appointing staff.
Connexions	-42	Underspend due to maternity leave not being covered.	The reduced spending is being used to contribute to the forecasted overspending in the Youth Service.
Various other services inc. 16-19 Team, Victoria Family Centre, Safeguarding Unit, Domestic Violence team	-209	Non-filling of staff vacancies and reduced spending	Intentionally restricting spending and temporarily keeping non-critical posts vacant in order to financially contribute towards the demand pressures facing Children's Services.
Other Variations	-142	Various minor underspends	To be used to assist in reducing the estimated overspend within the department.

4.4 COMMUNITIES AND NEIGHBOURHOODS

4.4.1 The department is currently projecting an overspend of **£0.013m**, or 0.04% of the latest net expenditure budget of £36.029m.

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



4.4.3 Further details of the variances are provided in the table below;

Activity	Variance £'000	Reason	Action Being Taken
Income variances	+575	<p>Extra adult learning income from grants & fees (£17k).</p> <p>Grant funding of arts salaries and savings from redeployment/vacancies (£52k).</p> <p>Library income shortfalls £98k.</p> <p>Shortfall in pest control & licensing income £40k.</p> <p>Planning & Building regulations income shortfall reduced to £8k following receipt of income for more applications.</p>	<p>Use to offset overspends.</p> <p>Use to offset overspends.</p> <p>Reduce spend levels (see below); cease school library service.</p> <p>Review costs & fees; offset by other savings.</p> <p>Limit expenditure.</p>

		<p>Parking & enforcement income shortfall decreased to £203k, but refund re Millgate car park reduced to (£53k) as a result of additional expenses included in their year end accounts.</p> <p>Shortfall on s38 and other highways income £34k.</p> <p>Reduced income at leisure centres and Civic Halls £200k, including loss of income during Radcliffe pool closure as a result of storm damage.</p> <p>Shortfalls on income for bulky waste £48k and trade waste £167k income.</p> <p>Emergency & security service increased income/surplus (£50k)</p> <p>Income for Admin buildings (£43k).</p> <p>Other income variances on trading services & depot (£8k).</p>	<p>Use any reductions in spend to limit impact on overall budget position.</p> <p>Monitor income levels and adjust expenditure & targets where possible.</p> <p>Continue to market & promote services, assess income from events and costs incurred. Use other underspends to meet shortfall.</p> <p>Offset by spend reductions (see below).</p> <p>Maintain income levels & control spend.</p> <p>Use to offset overspends.</p> <p>Ongoing monitoring of the achievement of income levels and progress on completion of works assumed in budget forecasts; implementation of measures to improve efficiency.</p>
PFC savings not fully achieved	+365	<p>Libraries - phase 1 staff savings not fully implemented £36k.</p> <p>Highways - delay in management restructure £30k; unlikely to achieve school crossing patrol income target £50k.</p> <p>Shortfall on income from highways permits (GMRAPS) and coring £154k.</p> <p>Destination management - £42k from rescheduled introduction of proposals.</p>	<p>Offset by savings from vacancies and meet full PFC target in phase 2.</p> <p>Use savings from vacancies & VERs to reduce overspend; examine alternative savings options; offset by other savings.</p> <p>Monitor income levels following implementation and review staff resources allocated to GMRAPS.</p> <p>Introduction of changes now underway; will meet savings targets in full year.</p>

		<p>Planning £15k from delays in implementing the planned changes.</p> <p>Shortfall on revised income target at CLC café £20k.</p> <p>Parks / grounds maintenance overspend from delays in implementing changes reduced to £18k by savings on seasonal staff.</p>	<p>Introduction of changes now underway.</p> <p>Monitor income levels and review options for improving net income.</p> <p>Introduction of changes now underway; restrict other expenditure to offset overspend.</p>
Increases in waste disposal levy costs	+36	Forecast extra waste disposal levy charges - residual & recycling waste tonnage not achieving targets and updated estimate from WDA of costs of disposing of non-key services waste.	Continue to promote recycling activity, including regulatory activity as approved by Cabinet in Sept ; reduce residual waste by introducing recycling bins for litter and encourage recycling for commercial waste customers & school kitchens.
Severance, vacancies and other staff cost variances	-427	<p>One off severance costs £259k, partly offset by provision in budget for severance costs (£200k).</p> <p>Reduction in adult learning service employee costs (£31k).</p> <p>Library posts held vacant in preparation for PFC savings (£132k).</p> <p>Salary savings in Environment (£53k) and Planning (£46k) from vacancies, VERs and maternity leave.</p> <p>Sports development staff costs funded from Women & Girls project grant (£45k).</p> <p>Underspendings on Waste Management employees (£84k), Stores (£13k) and Transport services staff costs & overtime (£50k).</p> <p>Grounds Maintenance staff cost over budget £35k due to cover for sickness.</p>	<p>Spend is one-off to achieve planned savings longer term.</p> <p>Use savings to offset overspends.</p> <p>Use savings to offset overspends.</p> <p>Use savings to reduce net loss of income.</p> <p>Carry forward to be used to fund any transitional costs needed to secure the longer term sustainability of the project.</p> <p>Use savings to offset overspends & reduced income levels.</p> <p>Reduction in spend on grounds & other areas to minimise impact.</p>

		<p>Savings on staff costs/overtime in Architectural Practice (£19k).</p> <p>Underspends on management & administration staffing (£46k).</p> <p>Other minor variances (£2k).</p>	<p>Reduction in spend on grounds & other areas to minimise impact.</p> <p>Reduced overheads chargeable to front line and trading services.</p>
Reduced discretionary spend	-135	<p>Adult Learning – overspends on exam fees, utility costs, supplies and ICT upgrades £54k.</p> <p>Underspend on library supplies to offset income shortfall (£23k).</p> <p>Additional costs for AGMA units £27k.</p> <p>Increase in cost of parking enforcement contract (based on RPI) £25k.</p> <p>Saving on traffic management costs (£20k).</p> <p>Asbestos works & window replacement at Radcliffe Pool (not covered by insurance) £28k.</p> <p>Contribution to reserve to carry forward underspends on Women & Girls project (see above) £45k.</p> <p>Underspend on caddy liners (£190k).</p> <p>Contribution to set up costs £71k for recycling improvement plan approved at Cabinet Sept 2013.</p> <p>Increase in anticipated leaf clear costs following recent tender and collection of higher tonnage £74k.</p> <p>Amended forecast of bulking up charges for garden waste (£50k).</p> <p>Underspends on supplies for grounds maintenance operations (£50k).</p> <p>Reduced office supplies &</p>	<p>Partly offset by salary savings.</p> <p>Currently tendering for contract renewal from July 2014.</p> <p>Use savings to offset overspends.</p>

		<p>expenses (£57k) and underspend on unallocated budgets in DCN contingency account (£111k).</p> <p>Other minor variances £42k.</p>	
Premises, transport & CRC cost savings	-401	<p>Car parks underspend on rates and surface water drainage costs (£43k).</p> <p>Waste management transport & fuel costs exceeding budget £35k.</p> <p>Cost of CRC allowances below budget provision (£103k).</p> <p>Increase in estimated part year saving from vacating Castle Buildings & Athenaeum House as part of office accommodation moves (£112k).</p> <p>Part year savings from Fernhill move to Bradley Fold (£35k).</p> <p>Underspends on transport repairs, hire & leasing costs (£177k).</p> <p>Other variances £34k.</p>	Use savings to offset overspends.

4.4 NON-SERVICE SPECIFIC

- 4.5.1 There is a forecast net underspend of **£1.053m**, or 4.74% based on net budget of £22.227m. This relates primarily to the Council's Treasury Management activity (see section 8.0, page 20 for further details) and an increased dividend of £416,000 due to the revaluation of Manchester Airport on the acquisition of Stansted Airport.

5.0 CAPITAL BUDGET

5.1 Capital Programme

- 5.1.1 The revised budget for the financial year and the estimated working budget for the Capital Programme 2013/14 at the end of December are shown in the table below:

2013/14	£m
Original Capital Programme	16.483
Approved Slippage from 2012/13	13.772
In year additions and other contributions	7.946
Revised Budget for Year 2013/14	38.201
Re-profiled projects into 2014/15	(12.513)
Estimated working Budget for Year at Quarter 3	25.688

- 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 9 and the estimated under/over-spend of the capital programme for 2013/14 are 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 3 a total of **£12.513m** of the 2013/14 Revised Budget has been identified for re-profiling into the 2014/15:

Re-profiled schemes 2013/14	£m	Funding source
Chief Executives: Radcliffe TC redevelopment, Opportunity purchases, Demolition of the Rock Fire Station	0.408	Council loan / Future Capital Receipt
Children Services: Modernisation, Devolved formula Capital, Early Education and 16-19 Demographic Growth Fund	9.601	Grant
Adult Care Services: Mental Health, Empty Properties	0.294	Grant / Council loan
Adult Care Services: GM Green Deal and Eco Deliver Partnership	1.200	Council loan
Communities and Neighbourhoods: Highways maintenance / Traffic management and road safety	0.720	Grant / Capital Receipts
Communities and Neighbourhoods: Environmental Planning and Recycling Action Plan	0.290	Grant / Loan
Total re-profiled schemes at Quarter 3	12.513	

- 5.1.5 This position may change by the end of the financial year as more information on the details of the actual progress of the schemes becomes available.

5.2 Expenditure

5.2.1 The Forecast Outturn at Month 9 is indicated to be **£25.749m** and Budget Managers have reported that they expect to spend up to this amount by 31 March 2014.

5.2.2 The actual expenditure realised by the end of Month 9 is reported at a total of **£13.747m**.

5.2.3 The main areas of expenditure from April to the end of the third quarter relate to:

• Property Redevelopment Schemes -	£1.798m
• Children's Services -	£4.520m
• Older People	£0.814m
• Planning Schemes -	£0.334m
• Highways Schemes -	£1.348m
• Leisure Services Projects -	£0.212m
• Disabled Facilities grants private sector -	£0.451m
• Operational Depots rationalisation	£0.511m
• Housing Public Sector schemes -	£2.575m
• Disabled Facilities Adaptations public sector -	£0.401m

5.2.4 Six Town Housing manage the Housing capital programme on behalf of the Council.

Throughout the year, assurances have been given by Six Town Housing that the programme will spend to budget, and this assurance has again been provided for the month 9 report (with a minor underspend).

Despite this assurance actual spend to date remains low at this point in the year, and achievement of the programme is heavily dependent upon schemes being progressed in the final three months of the year; this poses a number of issues, not least the risk of inclement weather.

The s151 Officer has now requested fortnightly progress monitoring meetings with Six Town Housing. Similarly, staff in Six Town Housing have initiated fortnightly progress meetings with the Council's Architectural Practice.

Ultimately, if the budget is not fully spent in the current year, there is provision to request approval for slippage; effectively carrying the budget and work in progress into the next financial year.

5.3 Variances

5.3.1 Appendix A gives details of variances for each scheme based on latest available information and at Month 9 it shows a small variance from the final working estimate for the year of **£0.060m**. The individual variances within this figure are mostly made out of timing differences and it is expected that they will be resolved as the programme progresses into the final quarter of the financial year.

5.3.2 Brief reasons for all variances are also provided in **Appendix A**.

5.4 Funding

5.4.1 The funding profile included in Appendix A shows the resources available to cover the capital programme during 2013/14.

- 5.4.2 The principal source of funding for Capital schemes approved for the 2013/14 programme consists of in year receipts from external grants and contributions. External resources (grants and contributions) were carried forward from previous years to finance re-profiled schemes and there is **£11m** on the Balance Sheet available for the revised final programme.
- 5.4.3 The Council and Cabinet have approved Invest to Save schemes that are supported by the Council's own resources of **£2.5m** for the year and Corporate Redevelopment Projects that rely on future capital receipts of **£1.9m**.
- 5.4.4 The updated position for capital receipts and borrowing required to support the programme as at the end of Quarter 3 of the year is reported below. The figures in the table show the funding requirement for the total revised capital programme and the expected resources from the Council if the programme was fully financed at year end.

2013/14 Use of Council Resources for Capital Investment	£m
Revised Capital Programme for the year	38.201
Less external funding and contributions	(30.892)
Balance of programme relying on Council resources funded by	7.309
Use of Capital receipts	0.762
Use of Prudential Borrowing for 2013/14 approved Invest to Save schemes	4.101
Use of Prudential Borrowing for schemes approved in 2013/14 from Capital receipts (not realised by March 2014)	1.382
Use of Prudential Borrowing for the 2012/13 schemes re-profiled and brought forward	1.064
Total Council Resources required to support the Capital Budget for Year	7.309

- 5.4.5 The actual amount of Council resources required to fund the estimated working budget and achieved expenditure at 31st March 2014 will be reduced in line with re-profiled schemes into 2014/15.
- 5.4.6 The total capital receipts needed to finance the revised working programme at Quarter 3 is estimated at **£0.202m** and Prudential borrowing at **£5.632m**.

5.5 Capital Programme Monitoring

- 5.5.1 The programme will continue to be monitored closely during the last quarter to ensure that all schemes that aim to complete by the end of the financial year are delivered per agreed time and costs and that slippage into 2014/15 is at its minimum. Departmental representatives will examine and confirm any action necessary to ensure that effective use of resources and successful completion of schemes is achieved.

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 2013/14. The projected outturn shows a working balance carried forward of £1.366m. 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 the increase in the provision for Bad Debts; this is discussed in the next paragraph.
- 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 December was on average 1.83% 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 £0.009m; the projection of rental income in Appendix B has been calculated on this basis.

Six Town Housing have established a 'Voids Team' which brings together existing staff to focus on improving performance.

Arrears:

The rent arrears at the end of December totalled £0.861m, an increase of 5.6% since the end of March. Of this total £0.316m relates to former tenants and £0.545m 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.

The 2013/14 HRA estimates contain two provisions, £0.181m for uncollectable debts and £0.422m to reflect the potential impact that welfare benefit changes could have on the level of rent arrears.

Whilst the method of calculating the requirement is being reviewed it is now clear that the contribution required in the current year will be less than originally estimated; this has resulted from delays in the implementation of some welfare benefit changes whilst the effects of others have been mitigated through the actions of the Welfare Reform Group and close working with Partners in implementing the Corporate Debt Policy. The figures in Appendix B have been amended to reflect this.

Right to Buy Sales:

Sales of dwellings declined significantly in recent years, from a peak of 243 in 2003/04 to only 7 sales in 2009/10. There were 18 sales in 2010/11, 12 in 2011/12 and 13 last year.

The forecast for 2013/14 was set at 37, this being the level of sales assumed for Bury in the Government's self-financing valuation.

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

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 £3,700.

- 6.5 There have been 29 sales in the period April to December and it is now expected that the total number of sales for 2013/14 will be at or near the level 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 2013/14 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 2013/14 (approved by Council on 20 February 2013) with the revised projections as at 31st December 2013. The variances can be seen in the Appendix together with explanatory notes. The Prudential Indicators were not breached during the first three months of 2013/14.

8.0 TREASURY MANAGEMENT**8.1 Investments:**

- 8.1.1 At the 31st December 2013 the Council's investments totalled £55.4 million and comprised:-

Type of Investment	£ Million
Call Investments (Cash equivalents)	39.6
Fixed Investments (Short term investments)	15.8
Total	55.4

- 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 2013/14.

- 8.1.3 The Council has earned the following return on investments:

Quarter 1	0.95%
Quarter 2	0.83%
Quarter 3	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 2013/14, of 0.50%

8.2 Borrowing:

8.2.1 External borrowing of £11.5 million was undertaken in the quarter to 31st December 2013.

8.2.2 3 loans were taken over 2.5 years, to take advantage of low interest rates. The loans are required to replace 2 more expensive longer term loans, which are due to mature in January/February.

At 31st December 2013 the Council's debts totalled £220.914 million and comprised:-

		31st December 2013		
		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		5,003	5,003	
Total Debt			220.914	4.10%

8.2.3 The comparative average rate for Debt for the year to 31st March 2013 was 4.43%

8.2.4 The overall strategy for 2013/14 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 2013/14, then savings will be made by running down investments and taking shorter term loans rather than more expensive long term borrowing.

8.2.5 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 2013 per Accounts	10.730
Less : Minimum balances to be retained in 2013/14	-4.400
Less : Contribution towards cost of Equal Pay	-1.500
Less : Forecast overspend	-0.085
Available balances at 1 April 2013	4.745

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 2013/14

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 £4.400m.

- 9.3 In light of the above assessment it is recommended that the minimum level of balances be retained at **£4.400m**.
- 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 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 were held in August / early September 2013 for Quarter 1; November for Quarter 2 and January / early February 2014 for Quarter 3

Councillor John Smith, Deputy Leader of the Council and Cabinet Member for Finance & Corporate Affairs

List of Background Papers:-

Finance Working Papers, 2013/14 held by the Assistant Director of Resources (Finance & Efficiency).

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