

NOTICE OF KEY DECISION



Agenda Item	
------------------------	--

MEETING: OVERVIEW & SCRUTINY COMMITTEE
CABINET

DATE: 11 FEBRUARY, 2015
25 FEBRUARY, 2015

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

It also sets out the proposed series of measures that were agreed by Cabinet on 26 November to curb spend in 2014/15 and proposes that this continues into 2015/16, as detailed in paragraphs 3.5 and 3.6 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 31 December 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 and the proposed series of measures taken to address the budget position; these are 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 examine 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
26/01/15	25/02/15	11/02/15			

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 31 December 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 continue to exist in some key areas and it will be necessary to continue to examine options for improving the situation further. A series of measures was agreed by Cabinet on 26 November 2014 to curb spend in 2014/15 and these are detailed in paragraphs 3.5 and 3.6 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 9:

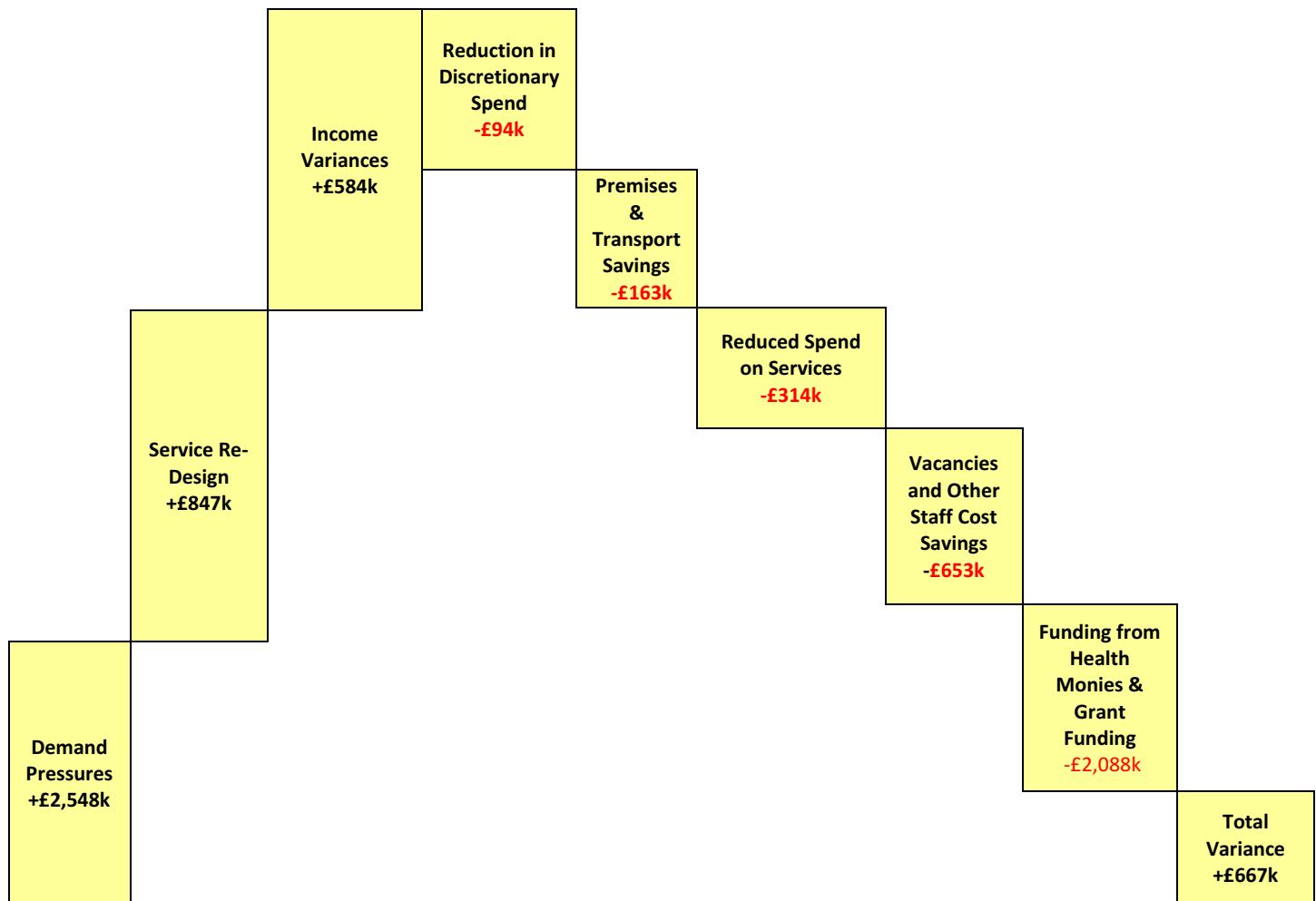
Department	Budget £000	Forecast £000	Variance £000
Communities & Wellbeing	69,209	69,876	+667
Resources & Regulation	4,132	4,678	+546
Children, Young People & Culture	33,973	35,202	+1,229
DCN Residual	133	(169)	(302)
Non Service Specific	36,332	35,093	(1,239)
TOTAL	143,779	144,680	+901

- 3.2 The projected overspend of **£0.901m** represents approximately **0.63%** of the total net budget of £143.779m.
- 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.
- 3.4 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.
- 3.5 In the light of the severity of the financial position a number of management actions were approved by Cabinet on 26 November 2014 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.
- 3.6 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
- 3.7 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.
- 3.8 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 **£0.667m**, which is 0.96% of the Department's net budget of £69.209m.
- 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.

Theme	ACS/C&N	Variance £'000	Reason	Action Being Taken
Demand Pressures	Adult Care	+2,548	<p>Demand pressures:</p> <p>Care in the Community budgets particularly around Domiciliary Care, Residential Care and Self Directed Support Budgets (+£2,379k).</p> <p>Deprivation of Liberty Safeguards (+£120k).</p> <p>Reablement Service (+£38k).</p> <p>Other small demand pressures on individual budgets (+£11k).</p>	<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.</p>

	Communities & N'hoods	0		
	Sub Total	+2,548		
Service redesign	Adult Care	+648	A number of service areas have yet to achieve 14/15 savings target against specific schemes: Business and Development (+£356k) Finance (+£101k) Operations (+£191k)	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	+199	Civic Halls savings from self management and extra income target not likely to be achieved based on current projections (+£39k). Delay in new Leisure Centres project (+£91k). Savings target on communities not yet identified (+£9k). Sports Development savings not identified (+£60k).	Continue to market & promote service and assess income & profitability of activities/events. Saving expected in future years if project proceeds. Review levels of spend. Offset by underspends if possible or use other savings transferred to reserves to offset cost pressure in short term.
	Sub Total	+847		
Income variances	Adult Care	+62	Shortfall in Supporting People Income (+£62k).	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. SP recovery action plan

				is being developed by senior management team.
	Communities & N'hoods	+522	<p>Difficulty in meeting beverage service/café income target (+£56k).</p> <p>Civic Halls surplus below target (+£130k).</p> <p>Shortfall on pest control income reduced to (+£3k).</p> <p>Grounds maintenance (+£26k) reduced income from schools.</p> <p>Leisure income not meeting targets, including income lost during closure of Radcliffe Pool for repairs (+£246k).</p> <p>Transport Services income forecast to exceed budget (-£144k).</p> <p>Shortfalls on bulky waste income (+£45k) and trade waste income (+£156k).</p> <p>Other variances (+£4k).</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	+584		
Reduced Discretionary Spend	Adult Care	0		
	Communities & N'hoods	-94	<p>Shortfall of income on Exam fees in adult learning (+£22k).</p> <p>Reduced spend at Leisure Centres (-£72k).</p>	Use net savings to offset overspends

			<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 (-£10k).</p>	<p>Monitor service and review arrangements as required</p> <p>Overspends are offset by forecast savings on staff costs</p>
	Sub Total	-94		
Reduced Spend on Services	Adult Care	-314	<p>Reduce spend activity on Carers services budget (-£175k).</p> <p>The non start of 2 schemes within preventing homelessness budgets (-£50k).</p> <p>Underspend on Utilities (-£27k).</p> <p>Commissioning Contracts (-£25k).</p> <p>Mental Health Home treatment service (-£37k).</p>	Forecast underspends may be used to offset pressures within other areas of adult care service budgets.
	Communities & N'hoods	0		
	Sub Total	-314		
Premises & transport cost savings	Adult Care	-25	One off rate rebate.	Used to offset other overspends.
	Communities & N'hoods	-138	Underspends on transport repairs, hire & leasing costs (-£126k) plus (-£12k) other minor variances.	Use savings to offset overspends.
	Sub Total	-163		

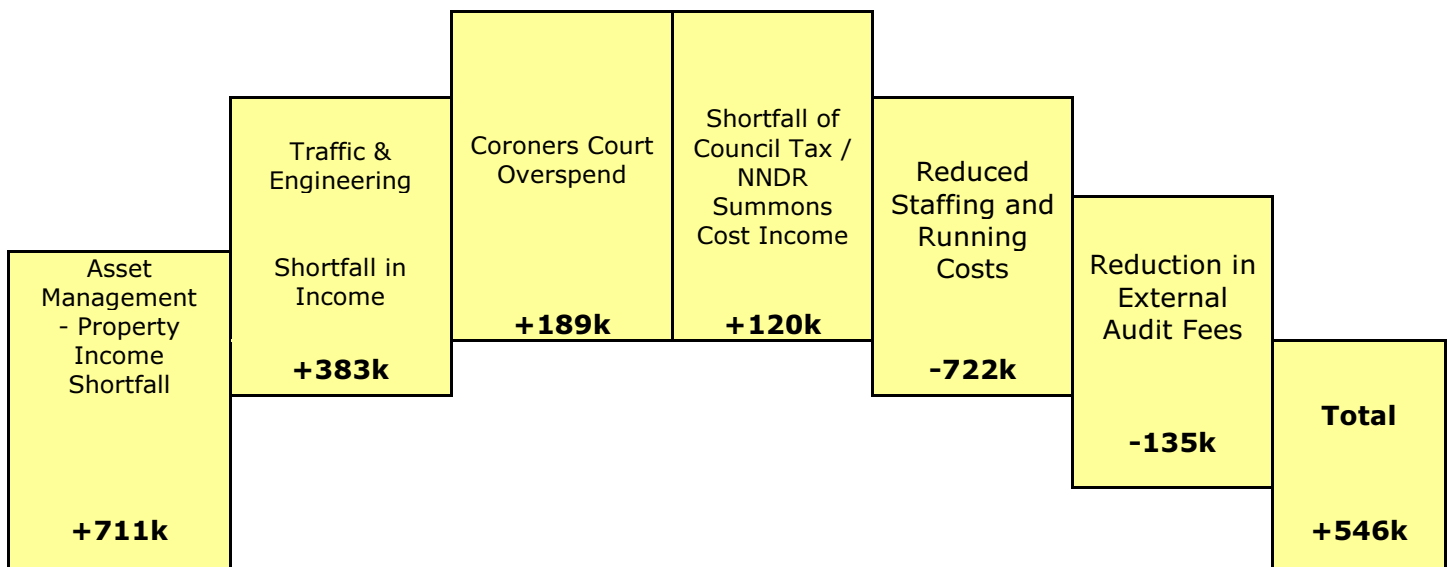
Vacancies and Other Staff Cost Savings	Adult Care	-321	<p>The following service areas are reporting underspends largely as a result of staffing vacancies and flexing of staff due to demand led staffing:</p> <p>Business and Development (-£64k) Commissioning (-£89k) Workforce (-£125k) Operations (-£43k)</p>	Forecast underspend will be used to offset pressure within other areas of adult care service budgets.
	Communities & N'hoods	-332	<p>Savings on adult learning staffing, to offset lower income levels (-£52k).</p> <p>Reduced spend on Leisure Centre staff during closures (-£105k).</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 (-£11k).</p> <p>Transport salary savings – reduced overtime/standby, vacancies & flexible retirements (-£19k).</p> <p>Underspendings on waste management employees (-£146k).</p> <p>Savings from industrial action across all services (-£19k).</p> <p>Other (-£5k).</p>	Use savings to offset overspends
	Sub Total	-653		
Funding from Health Monies & Grant Funding	Adult Care	-2,088	Funding to support the demand pressures of the Care in the Community budgets (-£2,088k).	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	-2,088		
	Total	+667		

4.2 RESOURCES AND REGULATION

4.2.1 The Resources & Regulation Department is forecasting an overall overspend of **£0.546m**, or 13.2% of a net budget of £4.132m.

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 Shortfall in Income	+711	<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 2014 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>

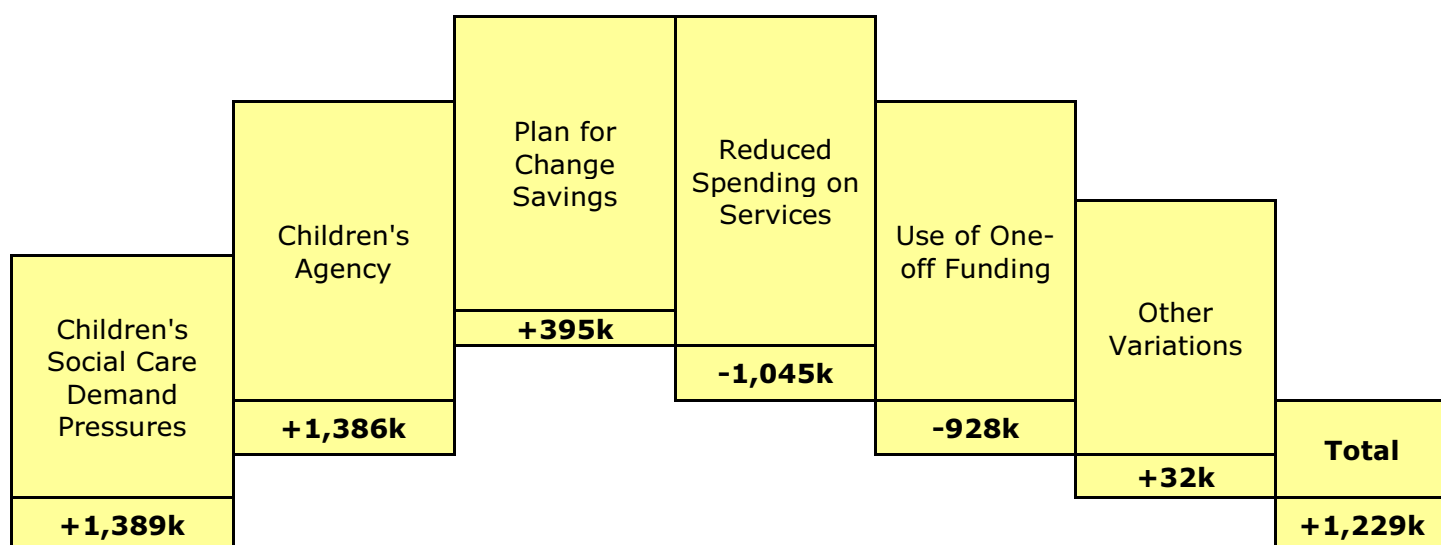
Activity	Variance £'000	Reason	Action Being Taken
Traffic & Engineering Shortfall in Income	+383	Estimated shortfalls in income relating to on and off-street parking and parking fines due to greater compliance (+£182k), Greater Manchester Road Activities Permit Scheme (GMRAPS) (+£102), coring (£30k), bus lane enforcement (+£40k), traffic management severance pay (+£17k) and delayed savings from Engineering management restructure (+£12k).	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.
Coroners Court Costs	+189	There are legislative changes around deaths occurring under Deprivation of Liberty Orders (DoL's) that are driving a significant increase in the volume of cases and thus costs.	Meetings being held between Coroner's Court and with DoLS coordinators from Rochdale, Oldham and Bury Councils to assess the issue in more detail.
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	-722	Vacant posts not filled and tightening of controllable expenditure across the department. Salaries savings in Internal Audit and Accountancy (£78k), Customer Support & Collections (£156k), reduced use of locums (£107k), HR (£70k), Mayoral Costs (£14k), Planning & Development (£58k) plus savings on Members Allowances (£91k), Admin Buildings (£66k), Community Safety (£50k), Procurement (£116k), Trading Standards (£12k), Mayoral (£20k), Depot /Stores (£53k) and minor underspends (£3k). These are offset by projected overspends within Municipal Elections (£85k) and Register of Electors (£73k).	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	-135	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 **£1.229m**, or 3.61% based on net budget of £33.973m.

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
Children’s Social Care Demand Pressures	+1,389		
	Made Up Of:		
Leaving Care	+413	Spending on housing and further education of 19+ students who have now left our care.	The overspending has reduced from the previous quarter because one high cost young person is no longer supported by the service. Additional costs are expected for the void costs for properties earmarked for the HEN Project.

Advice & Assessment	+592	Continuing demand pressures	<p>Increased recruitment of Social Workers has taken place in previous months to reduce caseload numbers into line with Ofsted recommended quotas.</p> <p>Since the start of this financial year, several new Social Workers have been appointed, with a consequential reduction in the number of agency social workers. The impact in the current financial year is small as the handover of cases needs to be funded.</p>
Safeguarding	+32		<p>The overspending is predicted due to agency social workers covering vacancies, which will reduce following the recent recruitment.</p>
Children & Young people in Care	+52		<p>Forecast overspending is due to an establishment shortfall, honorarium and Agency staff to cover sickness.</p>
Family Placement	+209		<p>The overspending in payments to carers is due to an increase from 76 in 2013 to 89 in April 2014, plus there has been an increase in the number of Looked After Children. There has been a decrease in the overspending following the review of payments to carers.</p>
Adoption	+91		<p>In 2013/14, the DfE took money from LA's Early Intervention Grant to fund the Adoption Reform Grant. This grant has been reduced in 2014/15 while the service still continues locally.</p> <p>Additionally, the number of children placed for adoption with other Authorities is higher than the anticipated placement fee income from other authorities.</p>

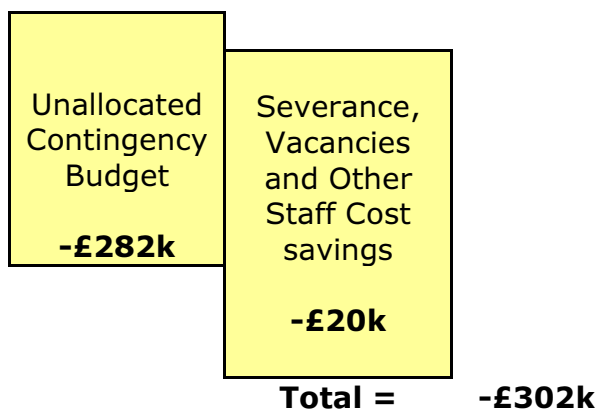
Demand pressures - Children's Agency Placements	+1,386	Continuing demand pressures	<p>A range of preventative strategies have been /are being introduced to try to minimise future spending, with all high and medium cost care packages being rigorously reviewed. It is estimated that during the forthcoming 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> <p>Although there has been a reduction in spending compared to previous months because of fewer IFA's and residential packages, these have been offset by the increase in young people being placed in remand, which is much more expensive.</p>
Home to School and College pupils & students with SEN	+395	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. Additional demand pressures are partially offset by savings on bus escorts.

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	-1,045		
	Made up of:		
School Attendance	-120		Higher than anticipated external funding, buy-back income and penalty notice income.
Youth Service	-80		Savings identified on youth projects used to offset the shortfall on salaries.
Children's centres and Early Help	-142		General efficiencies and reduced spending.
Management & Administration	-703		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	+32		Mainly payments for severance and redundancy costs.

4.4 COMMUNITIES AND NEIGHBOURHOODS - RESIDUAL

4.4.1 There is a projected underspend of £0.302m on former DCN costs against a budget of £133,000.

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 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	-20	Budget set aside to meet unforeseen costs. The underspend has reduced due to budget transfers to offset savings targets in Leisure Services (£70k) and Commercial and Trading Standards (£15k).	Use remaining budget to offset other overspends.

4.5 NON-SERVICE SPECIFIC

4.5.1 There is a forecast net underspend of **£1.239m**, or 3.41% based on net budget of £36.332m. This relates primarily to the Council's Treasury Management activity (see Section 8.0, page 22 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 December 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	2.311
Revised Capital Allocation at Quarter 3	42.721
Estimated re-profiled projects into 2015/16	(13.191)
Revised working budget for Year at Qtr 3	29.530

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 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 Quarter3, a total of **£13.191m** of the 2014/15 budget has been identified for re-profiling to 2015/16. Most of this amount is attributed to Children Services Projects where the schemes are funded mainly by grants from Department of Education to a total of £8.867m.

5.1.5 The Urban Renewal scheme on the Radcliffe Empty Property Pilot is indicated to slip £0.438m into 2015/16 due to time limited grant allocation from the Homes and Communities Agency (HCA) that has supported 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, £0.621m for the Traffic Calming schemes and a further £0.483m on the A56 Prestwich Village Corridor Improvements.

5.1.6 Details received from Transport for Greater Manchester on the proposed delivery of Radcliffe Town Centre Bus Station Relocation indicate that 0.900m will slip into 2015/16 as the Council contribution towards the overall cost.

5.2 Expenditure

5.2.1 The Forecast Outturn as at Month 9 is indicated to be **£28.174m** 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 9 totals **£15.577m**.

5.2.3 The main areas to record expenditure in the third quarter were:

- Property Redevelopment Schemes £1.542m
- Children's, Young People and Culture - £4.678m
- Older People schemes £0.364m
- Housing Public Sector - £5.901m
- Urban Renewal (Disabled Facilities Grants) £0.498m
- Highways Maintenance £1.077m
- Street Lighting – I2S £0.409m

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 9 it shows a projected underspend for the Programme of £1.355m.

5.3.2 This amount is the balance of several larger schemes in the programme that are either in the process of finalising details or expenditure may not take place during 2014/15 and will be requested as slippage at year end.

5.3.3 The schemes that are forecasted to overspend are monitored and analysed by budget managers. Any remedial action required will be taken as soon as details for expenditure and final funding availability are known.

5.3.4 Brief reasons for all variances are provided in **Appendix A** attached with this 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 is made 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 9 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 3 of the year.

2014/15 Use of Council Resources for Capital Investment	£m
Revised Capital Programme allocation for the year	42.721
Use of external funding and contributions	(37.143)
Balance of programme relying on Council resources	5.578
Use of Capital receipts and earmarked reserves	1.139
Use of Prudential Borrowing (2014/15 approved Invest to Save schemes)	0.886
Use of Prudential Borrowing (2013/14 schemes brought forward)	3.553
Total Council Resources used to support the Capital Budget for Year	5.578

5.5 Capital Programme Monitoring

5.5.1 The programme will continue to be monitored closely during the remaining quarter of the year by CPMG and Management Accountancy with an aim to deliver approved schemes on cost and time and with minimum 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 £0.647m. See Appendix B.

6.3 There are a number of variations that contribute to the projected outturn position however there are only two areas where the variance exceeds 10% and £50k:

- General Management – the main increases in expenditure are higher charges for Public Liability Insurance, £0.057m and £0.020m for costs associated with the review of the HRA Tenancy Agreement.
- Interest receivable – on balances. The projected reduction in income of £0.098m reflects lower rates of interest in the last and current financial years along with 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 December was on average 2.2% compared to a void target level set in the original budget of 1.8%. Void levels have however reduced over the latter part of the quarter to around 1.9%; if this performance continues for the rest of the year there would be a reduction in rental income of around £0.094m; 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 December totalled £0.905m, an increase of 6.43% since the end of March. Of this total £0.402m relates to former tenants and £0.503m 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 December, projected for the full year, this provision would require an additional contribution of £0.182m 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 £0.432m. 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, however it is increasingly likely that a significant underspend will be reported at the end of the financial year; any underspend will increase the level of HRA working balance carried forward.

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 32 sales in the period April to December. The total number of sales is not expected to differ significantly from the forecast therefore rental income projections have not been adjusted.

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

8.0 TREASURY MANAGEMENT

8.1 Investments:

8.1.1 At the 31st December 2014 the Council's investments totalled £48.9 million and comprised:-

Type of Investment	£ Million
Call Investments (Cash equivalents)	6.7
Fixed Investments (Short term investments)	42.2
Total	48.9

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 3 quarters of 2014/15.

The Council has earned the following return on investments:

Quarter 1	0.67%
Quarter 2	0.57%
Quarter 3	0.61%

8.1.3 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 31st December 2014.

8.2.2 At 31st December 2014 the Council's debts totalled £210.943 million and comprised:-

		31st Dec 2014		Avg. Rate
		Principal		
		£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	-0.901
Available balances at 1 April 2014	4.679

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 and Q2 Star Chamber meetings have already been held and Q3 meetings are scheduled to take place in February 2015.

**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:-

Steve Kenyon, Assistant Director of Resources & Regulation (Finance & Efficiency), Tel. 0161 253 6922, E-mail: S.Kenyon@bury.gov.uk