

NORTH LINCOLNSHIRE COUNCIL

CABINET

SEPTEMBER BUDGET REVIEW 2014-15

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1. The councils approved budget is monitored throughout the financial year. At intervals cabinet receives a formal report on progress in achievement of the approved revenue cash-limited budget and capital programme 2014/18. This provides an opportunity to take stock of how plans are progressing and to take corrective action were necessary.
- 1.2. The main points of the report are:
 - 1.2.1. Overall spending against the revenue budget for the day-to-day operation of services is within target. Where budgeted savings cannot be delivered in full alternative funding sources have been identified to contain spending within the council's budget.
 - 1.2.2. Positive progress in the achievement of £8.65m of approved budget savings
 - 1.2.3. There are changes to the capital programme, which include, programme rephasing and funding adjustments in connection with a number of projects.
 - 1.2.4. Cash balances and Debt are being managed in line with the councils planned treasury strategy.
- 1.3. Consideration is also given to future budget strategy in light of the funding implications included in the government's consultation document regarding the 2015/16 settlement.

2. BACKGROUND INFORMATION

- 2.1. Regular budget review reports throughout the financial year provide cabinet with an update on spending in the year and early warning of changes to the council's financial position. It provides an opportunity to review current budgets and make changes as necessary.
- 2.2. The report reviews directorate revenue and capital spending in the current financial year 2014/15 and considers action being taken to manage emerging issues and to identify saving opportunities.

2.3. It also considers new information from government about potential future funding proposals and implications with regard to assumptions made within the councils four year plan.

3. OPTIONS FOR CONSIDERATION

Budget 2014/15

Revenue

3.1. Directorates deal with a range of spending challenges throughout the year which they are expected to accommodate within their budget. This is unless specific provision has been made in the contingency fund as is the case for pay awards, service transformation costs and energy cost increases. The latest monitoring has identified a number of issues on spending and services have identified strategies to keep the budget in balance. These are considered in more detail below.

People Directorate

3.2. The directorate are currently forecasting a balanced budget position but have highlighted a number of issues which can be resolved.

- **Adult Services;**

The service is able to contain the following budget challenges within existing budgets and through the use of earmarked reserves:

- Older people: increased costs of £210k have been identified identified within the older people agency budget due to an increase in complex care packages.
- The Physical Disability budget has identified extra costs of £236k in relation to learning disability contracts, rent, the community equipment store and reclassification of service users.
- Pooled Budgets.

A potential overspend of £45k has been highlighted against the **Learning Disability** agency budget due to an increase in self directed support packages and the transformation of clients from children's services.

Mental Health; a challenge exists due to increased residential costs and reduced client income contributions of £318k. Under pooled arrangements the councils contribution to this overspend would be £51k

- **Children's Services;** A budget realignment within the service will be made to meet extra costs of £190k on the special guardianship service and external specialist legal services.

- **Prevention & commissioning;** There are extra costs of £320k relating to the Sexual Health budget following unanticipated prescribing charges and increased out of area demand. This can be met from public health grant.

- **Schools Budgets;**

Twelve schools have set in year deficit budgets with the majority calling upon earmarked reserves to balance their budget. Two primary schools have agreed licensed deficits and one secondary school will carry an ongoing deficit. There is a overspend of £60k in relation to two schools becoming sponsored Academies who have left deficit balances. This will be financed from the DSG allocation. An overall decrease in reserve balances of £360k is forecast.

Policy & Resources Directorate

3.3. The directorate is projecting a balanced budget position.

Places Directorate

3.4. The directorate have budget challenges of £1.4m, which is made up of £0.9m on Community Services and a further £0.5m on the Technical & Environment budget. The service is able to contain £500k of this potential overspend, but will continue to review spending plans to increase this figure if possible.

- **Community Services;**

- The service are forecasting an underachievement of £400k of fee income from charges made against the capital programme, due to a reduction in the level of legitimate rechargeable costs.
- There is a forecast £442k overspend on Waste Services. This results from recent developments to improve recycling through 'burgundy bins', increased waste volumes, and not making policy changes relating to trade waste.
- There is a projected overspend of £97k on the Fleet and Transport budget primarily resulting from an increase in home to school transport routes.
- There is a small projected underspend from Catering services of £40k following the implementation of free school meals for key stage1 pupils.

- **Technical & Environment**

- The security centre is forecasting a £200k overspend due to a reduction in contract income, for example from North Lincolnshire Homes.
- The success of the council's free parking policy has meant that the parking budget will overspend by £260k due to reduced income from ticket sales and fines.

Central Budgets

3.5. The central budgets are currently forecasting an underspend of £859k from reduced capital financing costs and a reduction in the level of the minimum wage provision within contingency. Issues are:

- **Corporate & Miscellaneous:** efficiencies of £272k had been anticipated from the Public Health Additional Outcomes Fund. At

present commitments against the fund are outstripping available resources, but this can be met in 2014/15 from the Public Health earmarked reserve.

- **Capital Financing;** It is anticipated that a saving of £601k will be achievable on the leasing budget and on the Minimum Revenue Provision following reduced capital spending in 2013/14. This will be a one year saving as additional costs of programme slippage will be seen in 2015/16.
- **Contingency;** The minimum wage was announced at £6.50ph, £0.50p below the anticipated level originally suggested and provided for within the financial plan. This has resulted in a half year saving of £258k in 2014-15 and a further saving of £267k in 2015/16. Supplementary funding of £27k (£16k 2014/15, £11k £2015/16) will need to be distributed across directorates to meet the added cost commitment of the increase in the minimum wage and associated extra pay above this level for apprentices.

Savings Monitor

- 3.6. The current 2014/15 savings proposals contained within the approved budget have a net value of £8.65m. Progress with these is positive, with directorates forecasting that £8.4m of savings will be achieved of which £1.6m relates to alternative initiatives from the original approval. At present only six of the 78 proposals will fail to achieve their savings target by 50% or more. These schemes however continue to be closely monitored and directorates are currently working to identify alternative savings to meet the budget shortfall.
- 3.7. The workforce impact of the savings made has to date identified a reduction of 52.8 fte posts. Of these 36 fte's have been achieved from vacant posts, 10.8fte's through voluntary redundancy or retirement, 5 fte's from redeployment and 1fte from compulsory redundancy. This represents 83.6% of the targeted saving.

Revenue Account Support Reserve

- 3.8. This reserve was created to support revenue spending and in particular to fund one off transformation initiatives that reduce future spending. It stands at £12.3m as at 31 March 2014 of which £11.5m is committed in the approved 2014-18 Financial Plan.

Capital

- 3.9. The approved budget for 2014/15 is £72.2m. At the end of August expenditure of £12.2m or 16.9% of the budget has been achieved. The remaining £58.1k is to be delivered by the end of the financial year.

3.10. The existing schemes will continue to be delivered, but slippage into 2015/16 of £2,358k has so far been recognised by directorates. These are detailed below:

People Directorate (£1,088k)

- Additional Schools Capital (£52k Slippage); an element of programme works has been deferred to 2015/16.
- Schools & Children's Centre Investment programme £1,036k:
 - St Peters & St Paul's development (£250k Slippage); Work is not due to commence on site until February 2015 with only design and set up costs being incurred in this financial year.
 - Holme Valley Primary (£636k Slippage); the scheme is not now due to start until November 2014 and will not be completed until August 2015
 - Enderby Infants (£150k Slippage); Rephasing of work due to a bid to phase 2 of the priority schools building programme being submitted and only urgent work being scheduled for this year.

Places Directorate (£900k)

- Berkeley Circle £400k; The scheme is still being developed but is delayed by complications regarding the movement of utility services.
- Museum Gallery Improvements (£100k); The bid for external funding towards this work has now been successful but the scheme will now start a little later in the financial year.
- Renovation Grants. There is £400k of slippage in this programme.

Policy & Resources (£370k)

- Council IT Rationalisation (£150k) and Electronic Document Management System (£220k); A significant procurement exercise is currently being undertaken with regard to these schemes but some spending will now be delayed to the next financial year.

3.11. Community Grant; Due to the high level of demand for community support grants cabinet has been proposed that an additional £200k of funding should be made available within the capital programme, making a total of £518k this financial year.

3.12. The Regeneration Cabinet Member approved the submission of a formal tender for the acquisition of the former RAF airfield at Kirton in Lindsey and this was submitted on 29 August 2014. There are significant resource implications associated with the acquisition, management, maintenance and development of the site which will take a number of years to complete. These do not currently form part of the council's financial strategy, however they are expected to be at least self financing. They will be managed through the Property Trading Account (PTA). Any longer term capital funding required will be through prudential borrowing paid for by the PTA revenue income arising from the scheme. Details of the council's bid are commercially sensitive at this time.

- 3.13. The A18 Roundabout providing better access to Tata and adjacent development land requires an additional £500k of funding, due to a costing error and additional engineering works. These deal with protection of critical utility services serving the adjacent steel works complex and surface water run-off bringing the latest cost for the project to approximately £1.7m.

Treasury Management

- 3.14. Cash balances were £31.9m at the end of August 2014. In order to spread risk, maintain liquidity and maximise returns cash is being held in a range of call accounts and short term investments within UK banks, building societies and money markets funds. The bank base rate has for the 6th year continued at 0.5% and this is reflected in the level of returns that have been achieved from cash balances which is currently running at £72.2k or 0.44% on investments.
- 3.15. At the end of 2013/14 the council's current level of debt was £107.7m. Debt repayments of £1.9m are due in year, reducing this figure to £105.8m.
- 3.16. The current funding requirement for the 2014/15 capital programme assumes £25m of internal funding. It had initially been anticipated that this would be met from borrowing. In view however of the council's existing cash balances and the potential for programme slippage it is unlikely that full borrowing will be necessary.
- 3.17. The requirement for additional borrowing continues to be monitored and in addition, to ensure that borrowing is undertaken at the optimum time to gain the most competitive rate, monitoring of the current available lending rates is also being undertaken.

Financial Plan 2015/19

- 3.18. Good financial management requires that the council continually reviews its financial strategy and that its financial plans remain robust and fluid. Planning assumption made when the budget was set in February 2014 now need to be revisited and reassessed in line with revised assumptions regarding regional development, service needs and potential sources of funding.
- 3.19. The DCLG published the Local Government Technical Consultation Document on 22/07/2014. This outlines the proposed changes to the illustrative 2015/16 settlement figures which were used to inform the council's four year planning strategy. The key points with implications for the council are;
- 2014/15 Council Tax Freeze grant, Efficiency Support Grant and Rural Service Delivery Grants to be rolled into Revenue Support grant. This is in-line with previous years and the inclusion of these grants had been assumed in the plan.
 - The removal of funding from authorities that have fallen below the threshold for participation in the Carbon Reduction Commitment Energy

Efficiency Scheme. The proposed change in the calculation of the carbon emission threshold excludes all English state schools from phase 2 of the carbon reduction commitment energy scheme. Where local authorities fall below the threshold there is a loss in tax revenue to the exchequer and compensation is required. The impact of these changes on the council is a reduction of £123k of settlement funding.

- Planned deductions included in the illustrative settlement, December 2013 remain as previously notified and as included in the plan. This includes New Homes Bonus grant and the NNDR safety net level.
- The government are to undertake further research into whether rural authorities face additional unavoidable costs in service delivery compared to urban authorities. This is to be used to inform future decisions on rural funding. A continuation, in line with past years, had been assumed at £29k for each year of the current plan.
- Other aspects of local government funding, including new burdens funding for administrative changes required by the localisation of council tax support are to be considered in future months.
- The Department of Health are consulting on the development of the formula for funding deferred payments for adult social care and the assessment for the cap on payments for care, following the Care Act 2014.
- Funding for welfare provision is to be included as a notional element within the settlement with no additional specific funding being included.

3.20. The impact of the proposed changes outlined above need to be considered in line with other funding assumptions made within the approved four year plan.

3.21. Currently an optimistic view of growth prospects in the area has been taken with regard to income generated from council tax, new homes bonus and business rates (NNDR).

3.22. The council undertook a two year consultation exercise in 2013 regarding service priorities and the setting of the local council tax for 2014/15 and 2015/16. Following consultation in 2012 the existing Local Council Tax Support Scheme was agreed and has since remained unchanged. The financial plan approved last February assumes further continuation of this scheme into 2015/16. Cabinet is asked to confirm that this remains the case. If it is changed further consultation will be necessary. Also, council indicated its intention in February that there should be no increase in council tax in 2015/16.

4. ANALYSIS OF OPTIONS

4.1. Directorates have made proposals that will keep the council's overall revenue spending within budget in 2014/15. Appendix 1 shows the latest forecast position. It is proposed that the savings within the Central budgets of £859k be retained within contingency, and that the supplementary provision for the minimum pay award of £16k in 2014/15 and £11k in 2015/16 be distributed from the contingency on a permanent basis to directorates.

- 4.2. To reflect the latest delivery schedules of capital schemes it is necessary that the capital schemes highlighted at 3.10 are re-phased.
- 4.3. If the increased commitment to Community Grants and the A18 Access Roundabout are to be met, it will be necessary to increase capital programme expenditure by £700k. Inclusion of capital programme expenditure with regard to the Kirton Barracks development will be reviewed once the outcome of the tendering process is known.
- 4.4. There are no decisions to be made on treasury policy which is in line with the approved policy.
- 4.5. The DCLG settlement proposals are currently out for consultation until 25 September 2014. The outcome of the consultation will be published in Autumn 2014 and form the basis of the provisional 2015/16 local government financial settlement.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

- 5.1 The council must maintain a balanced revenue budget for each financial year. The recommendations made in this report achieve this.
- 5.2 The changes to the capital programme will mean that slippage of £2,358k. will be required in relation to the schemes highlighted in 3.10. It is proposed that the programme should be increased in accordance with requirements by £0.7m in respect of the community grants scheme and A18 Access Roundabout development.
- 5.3 Should the 2015/16 Local Government Settlement remain in line with the proposals as laid out in the DCLG consultation document the council's funding will be reduced by £123k.

6. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

- 6.1 Not Applicable

7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

- 7.1 Not applicable

8. RECOMMENDATIONS

- 8.1 To note the 2014/15 revenue budget position at 3.1 to 3.8 and approve the adjustments to the budget shown in Appendix 1.
- 8.2 To note the positive progress made in achievement of the approved budgeted savings.
- 8.3 To agree the rephasing of the capital programme detailed at 3.10 and the £700k increase in the capital programme as indicated at 4.3.
- 8.4 To note the latest position on treasury management

- 8.5 To note the implications of the DCLG consultation document regarding the illustrative funding settlement.
- 8.6 To confirm that the existing local Council Tax Support Scheme will remain unchanged in 2015/16.

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Background Papers used in the preparation of this report

DCLG Local Government Financial Settlement 2015 to 2016 technical consultation

Appendix 1

Budget Statement 2014/15

Code	Directorate	Approved Budget £000's	Budget 2014/15		Adjustments		Revised Budget £000's
			Forecast £000's	Variance £000's	Minimum Wage £000's	Other £000's	
<i>People</i>							
1PA	Education	6,103	6,103	0	0		6,103
1PB	Prevention & Commissioning	8,214	8,214	0	0		8,214
1PC	Children's Services	15,773	15,773	0	1		15,774
1PD	Adult Services	36,203	36,203	0	1		36,204
1PE	Schools	0	0	0	0		0
Total People		66,293	66,293	0	2	0	66,295
<i>Policy & Resources</i>							
2PA	Human Resources	1,743	1,743	0	0		1,743
2PB	Legal Services	3,200	3,200	0	0		3,200
2PC	Financial Services	3,165	3,165	0	0		3,165
2PD	Business Support	4,280	4,280	0	0		4,280
Total Policy & Resources		12,388	12,388	0	0	0	12,388
<i>Places</i>							
3PA	Customer Services	5,503	5,503	0	1		5,504
3PB	Community Services	24,739	25,638	899	7		24,746
3PC	Technical and Environmental Services	4,049	4,509	460	0		4,049
3PD	Planning & Regeneration	3,129	3,129	0	1		3,130
3PE	Special Projects	852	852	0	0		852
Savings to be found			-500	-500			0
Total Places		38,272	39,131	859	9	0	38,281
<i>Central Budgets</i>							
6PA	Corporate Budgets & Levies	14,592	14,592	0	0		14,592
6PB	Capital Financing	13,766	13,165	-601	1	-601	13,166
6PC	Contingency	1,676	1,418	-258	-12	601	2,265
6PD	Use of Reserves	-4,875	-4,875	0	0	0	-4,875
6PE	Public Health	0	0	0	0		0
Total Central Budgets		25,159	24,300	-859	-11	0	25,148
Total Budget		142,112	142,112	0	0	0	142,112

* £4 of the minimum wage provision for apprentices remains to be distributed to Directorates