

NORTH LINCOLNSHIRE COUNCIL

CABINET

JANUARY BUDGET REVIEW 2012/13

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 This is one of a series of formal reports produced at intervals to update cabinet on the Council's financial position for the 2012-13 financial year. It represents an opportunity to review how financial plans are progressing and to take corrective action where necessary.
- 1.2 The main points of the report are:
- 1.2.1 Overall Council revenue spending will be contained within budget.
 - 1.2.2 Consideration is given to the use of contingency and earmarked reserves to cover shortfalls in savings, recessionary and transformation pressures.
 - 1.2.3 The capital programme has been rephased and re-costed. New bids for 2013-14 and beyond are not included, but will go to council in February for decision.
 - 1.2.4 The cash and debt management position are in line with the Treasury Strategy.

2. BACKGROUND INFORMATION

- 2.1 Revenue spending is tracked month by month against the budget set for the financial year 2012/13. The report considers the action services are taking to balance budgets and identify potential savings opportunities. Where services need additional support or where savings have been identified, cabinet can consider the reallocation of resource between directorates or use of the contingency fund and earmarked reserves.
- 2.2 The report also looks at the progress of the council's capital investment programme. Capital schemes can have a long lead-time and implementation usually takes place over more than one financial year, which is why council approves a four or five year programme. A range of factors can affect delivery which makes a regular review of the programme necessary.

- 2.3 There is also a review of the management of the council's cash investments and debt against the targets set in the treasury management strategy for 2012/13.

3. OPTIONS FOR CONSIDERATION

Revenue 2012/13

- 3.1 Directorates deal with a range of spending pressures during the year. They are expected to adjust their spending plans to accommodate these pressures within their approved cash-limited budgets, unless specific provision has been made in the contingency fund. Monitoring at the end of December has identified directorate pressures totalling £1.61m. Strategies for maintaining a balanced budget position have been put forward and are considered below.

People Directorate

- 3.2 The Directorate are projecting an overspend of £1.45m which they are seeking to contain within their cash limited budget through redistribution of service savings, use of earmarked reserves and the pooled budget arrangement with the PCT.

- 3.2.1 Adult Services (overspend of £1.16m);

This includes a £1.21m unachieved saving from transformation of Older People and Learning Disability day services; £149k for redundancy & strain costs following the People Directorate management review and £247k for external commissioned services and personalised care packages. These are partially offset by £445k of vacancy savings.

- 3.2.2 This overspend includes £447k relating to the Learning Disability pooled budget and under current arrangements the Council may be liable to cover 93% (£416k), the balance remaining with the PCT.

- 3.2.3 Specialist Services and Commissioning & Localities (overspend £540k);
This is primarily additional spending on social care residential placements.

- 3.2.4 These costs are partially offset by savings of £258k from the School Improvement and Commissioning & Localities divisions relating to vacancy management savings and contractual savings from home to school transport.

- 3.2.5 The service is seeking a contribution of £232k from the contingency to cover redundancy and strain costs and proposes to use £1.2m of grants held as earmarked reserves to balance the budget.

Schools Budgets 2012-13

- 3.3 After discounting Academies the DSG grant allocation including earmarked reserves is £90m. Schools & Early Years have been allocated £77m and central budgets £11m. The remaining balance is to be retained to address additional academy adjustments and implications arising in 2013/14 following schools funding reforms.

- 3.3.1 Central Budgets have been able to contain pressures on SEN placements through realignment of savings from vacancies and key stage 4 packages.
- 3.3.2 Schools are expected to draw £1.5m collectively from reserves, equivalent to around 2% of current school spending. This is mainly due to schools transferring to Academy status taking their balances with them. At the same time schools with licensed deficits are being monitored and given help to reduce deficits through agreed recovery plans. The overall effect is that school reserves are expected to reduce from £2.9m to £1.4m.

Places Directorate

- 3.4 The recession has had a significant impact on income from planning, building control, licensing and car parking. These were previously brought to the attention of Cabinet at the September 2012 meeting when potential income related pressures were highlighted amounting to £933k. At that time, it was agreed to consider funding recession related income pressures affecting the directorate from contingency as part of the 2013 January review. Latest forecasts on income indicate a much improved position from that reported previously, reflecting efforts by the directorate toward containing pressures within budget. In addition the "Go to Town "Parking initiative has added a further £78k pressure providing support to local retail businesses.
- 3.5 Consistent with the commitment set out in the September budget review previously considered by Cabinet, the directorate is seeking assistance from the contingency fund to cover the balance of £430k.
- 3.6 A change in the phasing of BSF project will result in an in year saving of £150k. . This will however be required to meet programme costs within 2013-14 and it is proposed that an adjustment be made in the use of reserves to reflect this saving.

Policy & Resources

- 3.7 The Directorate is at present forecasting a budget underspend of £115k due a surplus being achieved on the benefit subsidy claim for 2011-12.

Central Budgets

- 3.8 **Capital Financing;** Following lower than anticipated programme expenditure in 2011-12, it is anticipated that a saving of £313k will be achieved due to a reduction in the minimum revenue provision, the sum set aside for debt repayment.
- 3.9 **Contingency Fund;** The fund currently stands at £1.79m. A commitment of £406k has been made against it in order to allow the council to support the airport as a key part of the area's economic infrastructure.
- 3.10 In addition directorates are seeking contributions from the fund as outlined at 3.2.5 and 3.5. It is proposed that £0.64m should be used to cover remaining pressures.
- 3.11 **Use of Reserves;** At the September Cabinet meeting the approved use of reserves was £2.79m. Should approval be given to the proposals put forward in this report this would increase to £3.86m.

Capital 2012/17

- 3.12 The approved programme for 2012-13 is £51m with further planned expenditure in the next three years of £74.2m. This includes major phased investment programmes in secondary schools (Building Schools for the Future); Primary schools & Children's Centres and the Highways programme
- 3.13 Service Directors have reviewed their elements of the current programme and the latest best estimates of cost and phasing are included in the report. The opportunity has also been taken to amend schemes where the original specification or funding has changed. The full revised programme is shown at Appendix 2. Its affordability in 2013-14 and beyond will be considered at Council on 19th February 2013.
- 3.14 The resulting change to phasing of the programme costs and funding is detailed below;

	2012/13	2013/14	2014/15	2015/16	Total
	£000's	£000's	£000's	£000's	£000's
<u>Programme Spending</u>					
Current	50,983	36,981	21,025	16,202	125,191
Revised	37,159	53,515	26,237	17,116	134,027
Total Spending Change	-13,824	16,534	5,212	914	8,836
<u>Programme Funding</u>					
<u>Current</u>					
Grants & External Funding	30,907	26,652	9,322	9,316	76,197
Internal Funding / Borrowing	20,076	10,329	11,703	6,886	48,994
<u>Revised</u>					
Grants & External Funding	21,749	39,142	13,314	10,346	84,551
Internal Funding / Borrowing	15,410	14,373	12,923	6,770	49,476
<u>Change</u>					
Grants & External Funding	-9,158	12,490	3,992	1,031	8,354
Internal Funding / Borrowing	-4,666	4,044	1,221	-116	482
Total Funding Change	-13,824	16,534	5,212	914	8,836

- 3.15 The reduced 2012-13 programme includes £14.82m of programme slippage; £1m of increased scheme costs of which £0.9m are funded from additional grants or from the PTA, with the balance relating to final project settlement cost.

Major Programme Slippage;

People Directorate (slippage £11.6m)

- BSF; programme slippage of £9m is now required due to project delays in earlier years. Significant re-phasing has now extended the anticipated completion date into the 2015-16 financial year.

- Schools & Children's Centres Investment Programme; Slippage of £0.46m is anticipated due to redirection of funding following the successful bid for funding from the 'Priority Schools investment programme'
- Lilacs Refurbishment; this scheme will now commence in 2013/14 and a revised scheme is planned.

Places Directorate (slippage £3.8m)

- The Pods; a number of property defects are still to be corrected at the site and retention of £0.7m is required.
- Crowle Market Place Phase II; £0.66m of the budget has been slipped to 2013/14.
- Fleet Replacement Programme; delayed programme delivery with resulting slippage of £0.47m.
- Demolition of Surplus Buildings; £0.38m of demolition work will now be deferred until 2013/14
- Carbon & Renewable Heating schemes; The technical feasibility studies have highlighted a number of difficulties which have delayed scheme progress. Slippage of £0.25m
- Household Recycling Centre Improvements; £0.3m of slippage is required as the scheme will now be completed in 2013-14.
- Normanby Enterprise Park Plot 25; Work will now commence in 2013/14. slippage of £0.27m is required.

3.16 Overall programme expenditure has increased by £8.8m primarily due to the inclusion of additional grant funded schemes, the details of which are as follows;

Grant Funded Scheme;

- Early Years; Additional funding of £0.26m has been received from The Department for Education towards two year old placements.
- Regional Growth fund; In anticipation of bids for improvement of business infrastructure the funding within the capital programme has been increased by £7.6m to £9.81m. This is phased between 2012-13 (£2.68m); 2013-14 (£7.13m).
- Disabled Facilities grant; A funding increase of £0.14m has been added to the 2012-13 programme.
- Barrow Flood Alleviation; Additional grant funding of £0.11m has been made available in 2012-13.

3.17 In addition significant changes to internal funding / borrowing have been made on the following schemes;

- Local Transport Plan; The contribution from revenue has been reduced by £465k within the existing programme.
- Children Campus; an additional £180k is required.
- Baths Hall; due to additional design and construction work the final settlement costs for the Baths Hall are £97k above the original estimate.
- Relocation of Brigg Library & Local Links; Additional funding of £60k is required to cover costs of underpinning the building, Health & Safety and IT work.

- Airport Land Transfer; It was agreed by the Regeneration Cabinet member on 13th December that the acquisition of land included as part of a share transfer arrangement should be added to the capital programme. This has been included at £636k.

Treasury

- 3.18 Cash balances, excluding Icelandic & regional growth fund, were £20.6m at 31 December 2012, an average of £27.4m for the year to date. To maximise security and liquidity they are being held in a range of call accounts with UK banks, or as short-term investments with the Debt Management Office.
- 3.19 Recovery of funds placed with Icelandic banks before October 2008 is progressing well. So far the council has received repayment of £3.58m which is just over 64.5% of the councils claim. Total recovery is currently estimated to be £5.03m which represents 90.6%.
- 3.20 The council continues to finance capital spending from cash balances. This saves on the cost of borrowing, rather than investing balances for minimal return (the bank base rate remains at 0.5%). The current programme assumes this strategy continues for the next two years, and the saving is budgeted. The addition of new schemes into the programme in future budgets may require borrowing to take place within the financial plan period, also the transfer of schools to Academy status will affect cash flow and our ability to sustain this approach, but not in 2012/13.
- 3.21 Changes to capital phasing and funding have impacted on the key indicators for affordability in 2012-13.

Key Indicator of Affordability	2012/13 Target	2012-13 Estimate
(i) General Fund ratio of financing costs to the net revenue stream% (based on Prudential Code 2011)	7.77%	8.11%
(ii) Estimated Capital Financing Requirement	£164.744m	£160.862m

- 3.22 Indicator (i); The slippage of £7.4m of grant and external funding has reduced the level of the net revenue streams however financing costs which relate to capital spend in earlier financial years have not reduced to the same extent. The ratio remains below the 10%-12% level set at Council on 21st February 2012.
- 3.23 Indicator (ii); The reduction in the level of capital expenditure in 2011-12 reduced the underlying need to finance capital expenditure by £4.3m. The impact of this reduction is reflected in the ongoing financing requirement.

4. ANALYSIS OF OPTIONS

- 4.1 There are two options for the revenue budget; to require directorates to keep spending within the approved cash-limits or to fund budget pressures from elsewhere.
- 4.2 As the analysis suggests directorates have made substantial progress in containing a significant number of service issues through use of internal savings. There remains however savings, recession and service transformation pressures of £1.61m made up of £1.45m within the People Directorate, £0.28m within the Places Directorate and a saving of £0.12m within Policy & Resources.
- 4.3 The People Directorate propose to use £1.2m of grants held as earmarked reserves to assist in balancing their budget. Places are looking to make a contribution of £0.15m to reserves in respect of BSF. The impact of these adjustment would increase the call on reserves to £3.86m.
- 4.4 It is proposed that the Capital Finance saving of £0.31m should be used to further offset pressures and the balance of £0.24m be funded from the contingency. This is along with the £0.4m debt write off relating to Humberside Airport, to be held in the Corporate Budget.
- 4.5 The above proposed amendments to the revenue budget for 2012/13 are set out at Appendix 1 and demonstrate a balanced budget position.
- 4.6 There are a range of changes to the capital programme, but at this stage bids for new schemes are not included. It is standard practice where rephasing is required to consider the reasons before approving changes. Cabinet will wish to determine whether proposals to increase spending are justified. Schemes which are fully grant funded present no additional cost to the Council.
- 4.7 There are no decisions to be made on treasury policy which follows the agreed strategy for the year.

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

- 5.1 The council must set a balanced revenue budget for each financial year. The recommendations made in this report maintain a balanced budget position in 2012/13.
- 5.2 The changes to the capital programme are outlined in section 3 and detailed in the appendices to the report.

6. OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 - CRIME AND DISORDER, RISK AND OTHER)

- 6.1 No direct implications

7. OUTCOMES OF CONSULTATION

7.1 Not required

8. RECOMMENDATIONS

8.1 To approve revised revenue budget at Appendix 1

8.2 To approve the revised capital programme at Appendix 2

8.3 To note performance against the treasury strategy

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Background Papers used in the preparation of this report - Nil

APPENDIX 1

REVENUE BUDGET 2012-13	Approved Budget 2012/13 £000's	Revised Budget 2012/13 £000's	Adjustment £000's
<u>PEOPLE SERVICES</u>			
School Improvement	3,478	3,415	-63
Commissioning & Localities	5,966	5,829	-137
Specialist Services	15,817	16,300	483
Adult Services	36,112	37,274	1,162
Total People services	61,373	62,818	1,445
<u>PLACES</u>			
Customer Services	6,245	6,562	317
Community Services	21,960	21,886	-75
Technical and Environmental Services	5,236	5,247	11
Planning & Regeneration	3,928	3,955	27
Total Places	37,370	37,650	280
<u>POLICY & RESOURCES</u>			
Human Resources	2,076	2,019	-57
Legal Services	3,411	3,449	38
Financial Services	3,729	3,598	-131
Business Support	3,867	3,902	35
Total Policy & Resources	13,082	12,967	-115
<u>CENTRAL BUDGETS</u>			
Corporate Budgets & Levies	4,467	4,873	406
Capital Financing	13,674	13,361	-313
Contingency	1,786	1,146	-640
Use of Reserves	-2,794	-3,857	-1,063
	17,133	15,523	-1,610
Total Net Budget	128,959	128,959	0

Capital Programme 2012-16

Scheme by Directorate	2012/13	2013/14	2014/15	2015/16
	£000's	£000's	£000's	£000's
People Directorate Capital Programme				
Rolling Programme				
Formula Capital Devolved To Schools	456	1,120	491	491
Access In Schools	37	200	100	100
Total Rolling Programme	493	1,320	591	591
2011-12 and Earlier Starts				
Improving the Care Home Environment	14	0	0	0
CareFirst Developments	114	0	0	0
Care First Computer System	65	3	0	0
Building Schools for the Future - Construction	7,486	15,843	10,552	1,042
Lakeside New Primary	2,294	320	0	0
Primary Capital Programme	740	100	0	0
School Kitchens, equipment & facilities	45	0	0	0
Sure Start Children's Centres	25	76	0	0
School & Children's Centre Investment	2,035	9,464	4,080	5,280
Schools Temporary Building Replacement	386	663	205	0
St Bedes Playing Field	1	0	0	0
Short Breaks for Disabled Children	0	217	0	0
Total 2011-12 and Earlier Starts	13,203	26,686	14,837	6,322
2012-13 Starts				
Lilacs Refurbishment	0	1,323	0	0
Children's Campus	446	921	0	0
Total 2012-13 Starts	446	2,244	0	0
2013-14 Starts				
Early Years 2 Year old placements	0	265	0	0
Total 2013-14 Starts	0	265	0	0
Total People Services Capital Programme	14,142	30,515	15,428	6,912
Policy & Resources Directorate Capital Programme				
Rolling Programme				
Capitalised IT Staff Costs	50	50	50	50
Total Rolling Programme	50	50	50	50
2011-12 and Earlier Starts				
Government Connect	14	0	0	0
Worksmart	340	175	0	0
Winterton Community Hub	17	0	0	0
Website replacement	5	0	0	0
Total 2011-12 and Earlier Starts	377	175	0	0

2012-13 Starts				
Winterton Hub	150	0	0	0
Total 2012-13 Starts	150	0	0	0
Total Policy & Resources Capital Programme	577	225	50	50
Place Directorate Capital Programme				
Rolling Programme				
Community Capital Grants	300	300	300	300
Design Preliminaries	200	200	200	200
Minor Works Capital	50	50	50	50
Building Enhancement	500	250	250	250
Capitalised Property Enhancement	250	125	125	125
Office Accommodation Schemes	10	50	50	50
Drainage & Flood Defense	400	400	400	400
Leisure Equipment, purchase not lease	155	100	100	100
Local Transport Plan	5,182	5,043	5,243	4,743
Safety Camera Partnership	12	2	0	0
Street Lighting	694	500	500	500
Countryside Rights of way	24	50	50	50
Home Assistance (formerly Renovation Grants)	1,059	819	1,019	1,019
Disabled Facilities Grants	1,504	1,148	1,148	1,148
Fleet Replacement Programme	1,000	1,463	1,000	1,000
Waste Infrastructure	111	116	116	116
Total Rolling Programme	11,451	10,616	10,551	10,051
Property Trading Account Developments				
Grange Lane Nursery	24	17	0	0
Crowle Moor	30	0	0	0
NEP Plot 12	0	82	0	0
NEP Plot 25	0	267	0	0
Market Minor Works	158	0	0	0
NEP7 Reclamation (Stage 1 & 2)	74	36	0	0
Custodians Bungalow (PTA funding)	16	104	0	0
Crowle Market Place Phase 2	190	960	0	0
Burdock Road Phase 1	175	0	0	0
Total Property Trading Account	667	1,466	0	0
2011-12 and Earlier Starts				
Normanby Hall Access	4	0	0	0
The Pods	250	628	0	0
Baths Hall	510	0	0	0
20-21 Improved Storage	5	0	0	0
Connect 2 Scunthorpe Ridgeway	867	0	0	0
Carbon management	574	291	108	103
Barrow Flood Alleviation Scheme	541	0	0	0
Manifold Road Showman & Travelers Site	280	0	0	0
Advance Crosby	171	0	0	0
Install Fuel Tanks Kendale Rd	87	0	0	0
Waste Containers and Storage	60	0	0	0

Super Hostel	0	218	0	0
Mercury Filtration Plant at Woodlands				
Crematorium	817	31	0	0
Regional Housing Home Appreciation Loan	77	0	0	0
20 mph zones outside of Schools	118	0	0	0
South Leys	200	71	0	0
Renewable Heating	600	100	0	0
Carlton Street Multi-Storey Car Park	41	0	0	0
Brumby Demolition Work	0	141	0	0
Potholes	37	0	0	0
Relocation of Brigg Library & Local Link	314	0	0	0
Total 2011-12 and Earlier Starts	5,554	1,480	108	103
2012-13 Starts				
Teeing Ground Normanby Hall Golf Club	70	0	0	0
Foxhills Beck Bank Reinstatement	40	0	0	0
Bottesford Beck Pond & Access	115	75	0	0
Parishes car park	250	120	0	0
Demolition of surplus buildings	17	380	0	0
Heritage Centre Angel Phase 1	70	0	0	0
Central Community Centre Toilet Refurbishment	30	0	0	0
Household RC Improvement	150	750	0	0
Broughton Library	185	0	0	0
Regional Growth Fund	2,679	7,131	0	0
Airport Land Transfer	636	0	0	0
New Homes Bonus Investment	403	0	0	0
Highways Maintenance	125	0	0	0
Total 2012-13 Starts	4,769	8,456	0	0
2013-14 Starts				
Epworth LC Fitness Centre	0	35	0	0
Normanby Stables Refurbishment	0	440	0	0
Ancholme LC Reception	0	199	0	0
Epworth LC Changing Facilities	0	84	0	0
Total 2013-14 Starts	0	758	0	0
2014-15 Starts				
Winterton Community Hall	0	0	100	0
Total 2014-15 Starts	0	0	100	0
Total Places Service Capital Programme	22,441	22,775	10,759	10,154
Total Capital Programme	37,159	53,515	26,237	17,116