

NORTH LINCOLNSHIRE COUNCIL

CABINET

SEPTEMBER BUDGET REVIEW 2015-16

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1. The council's 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 2015/19. This provides an opportunity to take stock of how plans are progressing and to take corrective action where 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. There is positive progress towards the achievement of £6.6m 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 council's planned treasury strategy.
 - 1.2.5. There is a need to consult on the Council's budget plans.

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 2015/16 and considers action being taken to manage emerging issues and to identify saving opportunities. The approved budget for 2015/16 is set out at Appendix 1.

- 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 2015/16

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 position. Public law proceedings costs and changes to the funding streams for the youth offending services, are expected to cost an extra £100k. This plus extra demand on the Learning Disability and Mental Health pooled budgets of which £180k is the council's estimated share, are expected to be offset by vacancy savings.

Policy & Resources Directorate

- 3.3. The directorate is projecting a balanced budget position.

Places Directorate

- 3.4. The directorate expects to achieve a balanced budget position. However, a net so far unresolved pressure amounting to approximately £325,000 remains, mainly in the Customer Services division where several issues exist. An action plan is now in place to reduce the shortfall and the directorate is working to contain spending within its approved cash limits.

Public Health

- 3.5. A review of the whole Public Health function is underway to ensure that commitments can be met.

Contingency

- 3.6. There is likely to be a reduced call on the contingency fund for transformation, due to the effective management of staffing reductions, and from lower energy prices, a saving up to £0.7m.

Savings Monitor

- 3.7. The current 2015/16 savings proposals contained within the approved budget have a net value of £6.6m. Progress with these is positive, with directorates forecasting that £5.4m of savings are on track. Significant savings are still anticipated for the changes to staff terms and conditions

but the timing and scale of likely savings in 2015/16 cannot be accurately predicted at present. The saving in contingency can be applied to offset any delay in implementation of these changes. Central Budgets are therefore expected to balance in 2015/16

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 stood at £12.3m as at 31 March 2015 of which £9.4m is committed in the approved 2015-19 Financial Plan.

Capital

- 3.9. The approved budget for 2015/16 is £70.7m.
- 3.10. The existing schemes will continue to be delivered, but re-phasing into 2016/17 of £3.2m has so far been identified by the People and Places directorates. These affect the following schemes:

People Directorate

- Schools Devolved Capital - £213k
- Schools Investment Programme - £650k
- Community Buildings - £226k
- BSF - £50k

Places Directorate

- Burdock Road - £660k
- Trent & Humber Flood Works - £581k
- A18 Melton Ross Bridge - £500k
- Berkeley Circle - £250k
- Burringham Bypass - £75k
- Brigg Recreation Ground – anticipated start is late 15/16
- Crowle Leisure Centre - anticipated start is late 15/16

The Ashgrove Estate scheme is now estimated to cost £1.3m compared to £800k currently budgeted. The additional cost is likely to fall in 2016/17 and will need to be contained within the existing capital approval.

The sports village project at Barton has been accelerated due to it being incorporated within the Baysgarth School rebuild, therefore £275k is required be brought forward from 2016-17.

Treasury Management

- 3.11. Cash balances were £10.9m at the end of August 2015. In order to spread risk, maintain liquidity and maximise returns cash is being held in a range of call accounts and short term investments with UK banks, building societies and money markets funds. The bank base rate for the seventh year

continues at 0.5% and this affects the level of returns achieved on cash balances which is currently running at £46k or 0.52% return on our investments.

- 3.12. At the end of 2014/15 the council's debt was £105.8m. Debt repayments of £2.4m are due in year, reducing this figure to £103.3m.
- 3.13. Key performance indicators are shown in appendix 2. These show that performance to date is in line with expectations.
- 3.14. The current 2015/16 capital programme assumes £25m external borrowing. In view however of the potential for further programme re-phasing it is unlikely that borrowing of the full amount will be necessary.
- 3.15. The requirement for additional borrowing continues to be monitored and, to ensure that borrowing is made at the optimum time to gain the most competitive rate, monitoring of lending rates is also being undertaken.

Financial Plan 2016/20

- 3.16. 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 2015 now need to be revisited and reassessed in line with revised assumptions.
- 3.17. Following the recent general election the Government has revisited its plans for deficit reduction which it announced as part of the Summer Budget in July. It subsequently set a target for the 2015 Comprehensive Spending Review of £20bn savings.
- 3.18. The scale of the challenge is made greater by a series of developments which need to be factored into our planning:
 - Potential changes to the Business Rates
 - The implementation of the Care Act
 - The costs of the National Living Wage
 - Demographic changes
- 3.19. Planning for the 2016/20 period has now started, but the position on government grants will not be known until late November/early December.

Consultation

- 3.20 The Council has a duty to consult with interested parties before making its budget and council tax decisions. The Council's community engagement plan ensures consultation is an integral part of its activities. It last consulted in 2013 covering the two year period 2014-16. It now needs to consider the approach it wants to take now; the content of the consultation; and the financial period on which to consult.

3.21 In recent years we have adopted an in-house approach through the Stronger Communities team and it is proposed that we do the same again:

- A questionnaire on the council website using bespoke software (Survey Monkey)
- The same in pamphlet form at council and voluntary sector venues where there is contact with the public
- With specific consultation events for local business organisations
- and through the regular parish council liaison meeting.

3.22 The content can be similar to previous years, amended to reflect current circumstances. The aim is to measure the importance the public and stakeholders attach to different council services, to different delivery options; and their preferred trade off between service levels, affordability and value for money. It also offers respondents the opportunity to make suggestions for savings and service improvement, and to express their level of satisfaction with local services.

3.23 It is proposed that the consultation cover the four years of the financial plan 2016/20, with further consultation in that period as necessary.

3.24 To allow time for the exercise to be prepared it is proposed that the consultation runs for six to eight weeks starting in early November. Results can then be compiled and analysed to inform the budget setting process. It is suggested modest prizes are offered to provide an incentive, such as entry to a prize draw, as this is known to increase take-up.

4. ANALYSIS OF OPTIONS

4.1. Directorates have made proposals that will keep the council's overall revenue spending within budget in 2015/16. Appendix 1 shows the latest budget position.

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. There are no decisions to be made on treasury policy where performance is in line with the approved policy.

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.

- The changes to the capital programme means that re-phasing of £3.2m. will be required, with £275k brought forward for the Baysgarth scheme. Cost pressures are to be contained within current approvals.
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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 2015/16 revenue budget position at 3.1 to 3.7.

8.2 To note the positive progress made in achievement of budgeted savings.

8.3 To agree the rephrasing of the capital programme detailed at 3.10.

8.4 To note the latest position on treasury management.

8.5 To approve a consultation exercise on the budget in the form outlined at paragraph 3.20.

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Background Papers used in the preparation of this report

None

Budget Statement 2015/16

Code	Directorate	Approved	September	Variance
		Budget	Forecast	
		£000's	£000's	£000's
	<i>People</i>			
1PA	Education	6,176	6,176	0
1PB	Prevention & Commissioning	9,609	9,609	0
1PC	Children's Services	16,779	16,779	0
1PD	Adult Services	31,359	31,359	0
1PE	Schools	0	0	0
	Total People	63,923	63,923	0
	<i>Policy & Resources</i>			
2PA	Human Resources	1,644	1,644	0
2PB	Legal Services	3,117	3,117	0
2PC	Financial Services	2,966	2,966	0
2PD	Business Support	4,376	4,376	0
	Total Policy & Resources	12,103	12,103	0
	<i>Places</i>			
3PA	Customer Services	4,944	4,944	0
3PB	Community Services	25,225	25,225	0
3PC	Technical and Environmental Services	4,274	4,274	0
3PD	Planning & Regeneration	2,989	2,989	0
3PE	Special Projects	356	356	0
	Total Places	37,788	37,788	0
	<i>Central Budgets</i>			
6PA	Corporate Budgets & Levies	13,920	13,920	0
6PB	Capital Financing	13,482	13,482	0
6PC	Contingency	710	710	0
6PD	Use of Reserves	-4,824	-4,824	0
6PE	Public Health	0	0	0
	Total Central Budgets	23,288	23,288	0
	Total Budget	137,102	137,102	0

APPROVED PRUDENTIAL GUIDELINE INDICATORS

APPENDIX 2

		2015/16	2015/16
		Budget (Feb 2015)	Revised
(i)	Estimates of capital expenditure	£m 57.7	£m 67.8
(ii)	General Fund ratio of financing costs to the net revenue stream % (Based on Prudential Code 2011)	% 9.7	% 9.7
(iii)	an estimate of the capital financing requirement	£m 190.2	£m 190.2
(iv)	the authorised limit for external debt borrowing other long term liabilities total	£m 245.0 5.0 250.0	no change
(v)	the operational boundary for external debt borrowing other long term liabilities total	£m 193.0 2.0 195.0	no change
(vi)	upper limit for fixed rate exposure	% 100.0	no change
(vii)	upper limit for variable rate exposure	20.0	no change
(viii)	upper and lower limits for maturity structure of borrowing UPPER LIMIT under 12 months 12 months and within 24 months 24 months and within 5 years 5 years and within 10 years 10 years and above LOWER LIMIT 10 years and above	 15.0 15.0 50.0 75.0 90.0 25.0	no change no change
(ix)	total principal sums invested for periods longer than 364 days	£000 0	£000 0

(i). Capital Programme expenditure has changed for rephasing of spending